



E-Recordkeeping in the Securities Industry

PRESENTED BY

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March 14, 2022

What is SIFMA?

Securities Industry and Financial Markets Association (SIFMA) is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. Our principal role is to advocate on behalf of our members' interests before policy makers, regulators, the media and the public. Our primary focus is on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. SIFMA also serves as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development.

Agenda

- 1** Governing Regulations
- 2** Records Required to be Retained
- 3** Methods of Retaining Records
- 4** Other Regulatory Requirements
- 5** Pending Regulatory Changes

Governing Regulations

- Securities Exchange Act of 1934 Rules 17a-3 and 17a-4 (and others)
- Investment Advisers Act of 1940 Rule 204-2
- FINRA Rules 4511, 2210, 2241, 2360, 5130
- MSRB Rules G-8 and G-9

Records Required to be Maintained

- Customer account statements
- Trading confirms
- Account records
- Daily stock record
- Blotters
- Ledgers
- Order tickets
- Contracts
- Accounting records
- Written Supervisory Procedures (WSPs)
- Communications related to the “business as such” – includes written correspondence, emails, chats, texts, social media posts and messages, advertisements, etc.
- Employment applications and records
- Much more...

Methods of Retaining Records

Permissible Formats (since 1997)

- Paper
- Micrographic media (microfilm, microfiche, etc.)
- Electronic storage media

Methods of Retaining Records

17a-4(f)(2)(ii) The electronic storage media must:

- **(A)** Preserve the records exclusively in a non-rewriteable, non-erasable format;
- **(B)** Verify automatically the quality and accuracy of the storage media recording process;
- **(C)** Serialize the original and, if applicable, duplicate units of storage media, and time-date for the required period of retention the information placed on such electronic storage media; and
- **(D)** Have the capacity to readily download indexes and records preserved on the electronic storage media to any medium acceptable under this paragraph (f) as required by the Commission or the self-regulatory organizations of which the member, broker, or dealer is a member.

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Methods of Retaining Records

Write Once, Read Many (“WORM”)

- Separate system side-by-side to a firm’s “production system”
- Not a “back-up” and does not serve BCP purpose
- Retains a “snapshot” of the record – not adequate for dynamic records such as databases or social media posts which update frequently
- Not used to produce records in exams or litigation

Related Requirements

Other Requirements:

- Notification of Designated Examining Authority in advance of transitioning to an electronic storage media
- Engaging a designated third-party to give access to the records stored on electronic storage media in the event the firm cannot or will not turn over the records (known as a D3P)

Pending Regulatory Changes

SEC Rule Proposal to Amend 17a-4(f):

- Allows an alternative audit system to WORM
- Eliminates the D3P requirement
- No notification of DEA for new electronic storage



Thank You!

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