

Introduction

All broker/dealer firms that engage in a securities business are required to maintain and preserve certain records within certain time specifications. All records required by *SEC rule 17a-3* and *SEC Rule 17a-4* are categorized under trade related, customer related, Firm and Associated personnel, and financial records. *SEC Rule 17a-3* requires specific records that must be maintained, and how often a firm must update each record. *SEC Rule 17a-4* specifies the length of time that a firm must preserve such records. Additionally, broker/dealer firms must not only maintain and update the following records, but also ensure that each record contains the requisite information in accordance with all applicable rules and regulations.

5.01 SEC Rule 17a-3

A firm must maintain records specifically related to its customers and the daily transactions of its securities business. *SEC Rule 17a-3* requires several books and records to be maintained by a firm. However, the specific business activities that the firm conducts and the manner in which the firm transacts business will determine which records a given firm must maintain.

At a minimum, the Firm shall make and keep current the following books and records relating to its securities business:

- Blotters (or other records of original entry) containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities (including certificate numbers), all receipts and disbursements of cash and all other debits and credits.
- Ledgers (or other records) reflecting all assets and liabilities, income and expense and capital accounts;
- Ledger accounts (or other records) itemizing separately as to each cash and margin account of every customer and of the Firm and partners thereof, all purchases, sales, receipts and deliveries of securities and commodities for such account and all other debits and credits to such account;
- Ledgers (or other records); *(maintained by clearing firm)*
 - securities in transfer;
 - dividends and interest received;
 - securities borrowed and securities loaned;
 - moneys borrowed and moneys loaned (together with a record of the collateral therefor and any substitutions in such collateral);
 - securities failed to receive and failed to deliver;
 - All long and all short securities record differences arising from the examination, count, verification and comparison pursuant to *Rule 17a-5, Rule 17a-12, and Rule 17a-13* (by date of examination, count, verification and comparison showing for each security the number of long or short count differences);
 - Repurchase and reverse repurchase agreements.

- A securities record or ledger reflecting separately for each security as of the clearance dates all “long” or “short” positions.
- A memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. The memorandum shall show the terms and conditions of the order or instructions and of any modification or cancellation thereof; the account for which entered; the time the order was received; the time of entry; the price at which executed; the identity of each associated person, if any, responsible for the account; the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry; and, to the extent feasible, the time of execution or cancellation. The memorandum need *not* show the identity of any person, other than the associated person responsible for the account, who may have entered or accepted the order if the order is entered into an electronic system that generates the memorandum and if that system is not capable of receiving an entry of the identity of any person other than the responsible associated person; in that circumstance, the Firm shall produce upon request by a representative of a securities regulatory authority a separate record which identifies each other person. An order entered pursuant to the exercise of discretionary authority by the Firm, or associated person thereof, shall be so designated.
- A memorandum of each purchase and sale for the account of the Firm showing the price and, to the extent feasible, the time of execution; and, in addition, where the purchase or sale is with a customer other than a broker or dealer, a memorandum of each order received, showing the time of receipt; the terms and conditions of the order and of any modification thereof; the account for which it was entered; the identity of each associated person, if any, responsible for the account; the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry. The memorandum need *not* show the identity of any person other than the associated person responsible for the account who may have entered the order if the order is entered into an electronic system that generates the memorandum and if that system is not capable of receiving an entry of the identity of any person other than the responsible associated person: in that circumstance, the Firm shall produce upon request by a representative of a securities regulatory authority a separate record which identifies each other person. An order with a customer other than the Firm entered pursuant to the exercise of discretionary authority by the Firm, or associated person thereof, shall be so designated;
- Copies of confirmations of all purchases and sales of securities, including all repurchase and reverse repurchase agreements, and copies of notices of all other debits and credits for securities, cash and other items for the account of customers and partners of the Firm;
- A record of each cash and margin account with the Firm indicating:
 - the name and address of the beneficial owner of such account, and
 - except with respect to exempt employee benefit plan securities as defined in *Rule 14a-1(d)*, but only to the extent such securities are held by employee benefit plans established by the issuer of the securities, whether or not the beneficial owner of securities registered in the name of the Firm, or a registered clearing agency or its nominee objects to disclosure of his or her identity, address and securities positions to issuers, and

- in the case of a margin account, the signature of such owner; *provided*, that, in the case of a joint account or an account of a corporation, such records are required only in respect of the person or persons authorized to transact business for such account
- A record of the proof of money balances of all ledger accounts in the form of trial balances, and a record of the computation of aggregate indebtedness and net capital, as of the trial balance date, pursuant to Rule 15c3-1;
- A questionnaire or application for employment (Form U-4) executed by each "associated person" (as defined herein) of the Firm, which questionnaire or application shall be approved in writing by an authorized representative of the Firm and shall contain at least the following information with respect to the associated person:
 - His name, address, social security number, and the starting date of his employment or other association with the Firm;
 - The associated person's date of birth;
 - A complete, consecutive statement of all the associated person's business connections for at least the preceding ten years, including whether the employment was part-time or full-time;
 - A record of any denial of membership or registration, and of any disciplinary action taken, or sanction imposed, upon the associated person by any federal or state agency, or by any national securities exchange or national securities association, including any finding that the associated person was a cause of any disciplinary action or had violated any law;
 - A record of any denial, suspension, expulsion or revocation of membership or registration of any firm with which the associated person was associated in any capacity when such action was taken;
 - A record of any permanent or temporary injunction entered against the associated person or any firm with which the associated person was associated in any capacity at the time such injunction was entered;
 - A record of any arrest or indictment for any felony, or any misdemeanor pertaining to securities, commodities, banking, insurance or real estate (including, but not limited to, acting or being associated with a broker-dealer, investment company, investment adviser, futures sponsor, bank, or savings and loan association), fraud, false statements or omissions, wrongful taking of property or bribery, forgery, counterfeiting or extortion, and the disposition of the foregoing;
 - A record of any other name or names by which the associated person has been known or which the associated person has used;
- A record listing every associated person of the Firm which shows, for each associated person, every office of the Firm where the associated person regularly conducts the business of handling funds or securities or effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security for the Firm, and the Central Registration Depository number, if any, and every internal identification number or code assigned to that person by the Firm;

- Records required to be maintained pursuant to *paragraph (d) of Rule 17f-2*;
- Copies of all Forms X-17F-1A filed pursuant to *Rule 17f-1*, all agreements between reporting institutions regarding registration or other aspects of *Rule 17f-1*, and all confirmations or other information received from the Commission or its designee as a result of inquiry;
- Records required to be maintained pursuant to *paragraph (e) of Rule 17f-2*;
- The following records regarding any internal broker-dealer system* of which such a broker or dealer is the sponsor:
 - A record of the broker's or dealer's customers that have access to an internal broker-dealer system sponsored by such broker or dealer (identifying any affiliations between such customers and the broker or dealer);
 - Daily summaries of trading in the internal broker-dealer system, including:
 - Securities for which transactions have been executed through use of such system; and
 - Transaction volume (separately stated for trading occurring during hours when consolidated trade reporting facilities are and are not in operation) with respect to equity securities, stated in number of trades, number of shares, and total U.S. dollar value; to debt securities, stated in total settlement value in U.S. dollars; and to other securities, stated in number of trades, number of units of securities, and in dollar value, or other appropriate commonly used measure of value of such securities; and
 - Time-sequenced records of each transaction effected through the internal broker-dealer system, including date and time executed, price, size, security traded, counterparty identification information, and method of execution (if internal broker-dealer system allows alternative means or locations for execution, such as routing to another market, matching with limit orders, or executing against the quotations of the broker or dealer sponsoring the system).

** AIC does not currently sponsor an internal broker-dealer system. Our clearing firm sponsors a system; however, customers are not allowed to trade through this system.*

- For each account with a natural person as a customer or owner:
 - An account record including the customer's or owner's name, tax identification number, address, telephone number, date of birth, employment status (including occupation and whether the customer is an associated person of a the Firm), annual income, net worth (excluding value of primary residence), and the account's investment objectives. In the case of a joint account, the account record must include personal information for each joint owner who is a natural person; however, financial information for the individual joint owners may be combined. The account record shall indicate whether it has been signed by the associated person responsible for the account, if any, and approved or accepted by a principal of the Firm. For accounts in existence on the effective date of this section, the Firm must obtain this information within three (3) years of the effective date of the section.

- A record indicating that:
 - The Firm has furnished to each customer or owner within three (3) years of the effective date of this section, and to each customer or owner who opened an account after the effective date of this section within thirty (30) days of the opening of the account, and thereafter at intervals no greater than thirty-six (36) months, a copy of the account record or an alternate document with all information required by 17a-3 (a)(17)(i)(A). The Firm may elect to send this notification with the next statement mailed to the customer or owner after the opening of the account. The Firm may choose to exclude any tax identification number and date of birth from the account record or alternative document furnished to the customer or owner. The Firm shall include with the account record or alternative document provided to each customer or owner an explanation of any terms regarding investment objectives. The account record or alternate document furnished to the customer or owner shall include or be accompanied by prominent statements that the customer or owner should mark any corrections and return the account record or alternate document to the Firm, and that the customer or owner should notify the Firm of any future changes to information contained in the account record;
 - For each account record updated to reflect a change in the name or address of the customer or owner, the Firm furnished a notification of that change to the customer's old address, or to each joint owner, and the associated person, if any, responsible for that account, on or before the 30th day after the date the Firm received notice of the change;
 - For each change in the account's investment objectives the Firm has furnished to each customer or owner, and the associated person, if any, responsible for that account a copy of the updated customer account record or alternative document with all information required to be furnished by paragraph (a)(17)(i)(B)(1) of this section, on or before the 30th day after the date the Firm received notice of any change, or, if the account was updated for some reason other than the firm receiving notice of a change, after the date the account record was updated. The Firm may elect to send this notification with the next statement scheduled to be mailed to the customer or owner.

Note: For purposes of this paragraph, the neglect, refusal, or inability of a customer or owner to provide or update any account record information required under 17a-3 (a)(17)(i)(A) shall excuse the Firm from obtaining that required information.

Additionally, The account record requirements of this section shall only apply to accounts for which the Firm is, or has within the past 36 months been, required to make a suitability determination under the federal securities laws or under the requirements of a self-regulatory organization of which it is a member. The furnishing requirement in paragraph (a)(17)(i)(B)(1) of this section shall not be applicable to an account for which, within the last 36 months, the Firm has not been required to make a suitability determination under the federal securities laws or under the requirements of a self-regulatory organization of which it is a member. This paragraph (a)(17)(i)(D) does not relieve the Firm from any obligation arising from the rules of a self-regulatory

organization of which it is a member regarding the collection of information from a customer or owner.

- If an account is a discretionary account, a record containing the dated signature of each customer or owner granting the authority and the dated signature of each natural person to whom discretionary authority was granted. AIC does not presently allow discretionary trading.

Note: Given technological advances relating to electronic signatures, including authentication and security, FINRA has amended Rule 4512(a)(3) to permit the use of electronic signatures. The rule change is consistent with the Electronic Signatures in Global and National Commerce Act (E-Sign Act), which facilitates the use of electronic signatures. The rule change is also consistent with the requirements of SEA Rule 17a-3(a)(17)(ii) relating to discretionary accounts, which does not prescribe the type of signature that must be obtained from an authorized individual. While FINRA Rule 4512(a)(3) would continue to require member firms to obtain the signature of the authorized individual, it would provide firms the option of obtaining either a manual or an electronic signature. For purposes of compliance with amended Rule 4512(a)(3), a valid electronic signature would be any electronic mark that clearly identifies the signatory and is otherwise in compliance with the E-Sign Act, the guidance issued by the SEC relating to the E-Sign Act, and the guidance provided by FINRA staff through interpretive letters. (Ref. Regulatory Notice 19-13; April 16, 2019)

- Each customer or owner shall be furnished with a copy of each written agreement entered into on or after the effective date of this paragraph pertaining to that account and that, if requested by the customer or owner, the customer or owner was furnished with a fully executed copy of each agreement.
- A record:
 - As to each associated person of each written customer complaint received by the Firm concerning that associated person. The record shall include the complainant's name, address, and account number; the date the complaint was received; the name of any other associated person identified in the complaint; a description of the nature of the complaint; and the disposition of the complaint. Instead of the record, the Firm may maintain a copy of each original complaint in a separate file by the associated person named in the complaint along with a record of the disposition of the complaint;
 - Indicating that each new customer of the Firm has been provided with a notice containing the address and telephone number of the department of the Firm to which any complaints as to the account may be directed.
- A record, which need not be separate from the advertisements, sales literature, or communications, documenting that the Firm has complied with, or adopted policies and procedures reasonably designed to establish compliance with, applicable federal requirements and rules of a self-regulatory organization of which the Firm is a member which require that advertisements, sales literature, or any other communications with the public by the Firm or its associated persons be approved by a principal.
- A record for each office listing, by name or title, each person at that office who, without delay, can explain the types of records the firm maintains at that office and the information contained in those records.

- A record listing each principal of the Firm who is responsible for establishing policies and procedures that are reasonably designed to ensure compliance with any applicable federal requirements or rules of a self-regulatory organization of which the Firm is a member that require acceptance or approval of a record by a principal. ►►

Implementation Strategy

The designated principal shall maintain records specifically related to the customer and the daily transaction of the Firm's securities business in accordance with *SEC Rule 17a-3*. The designated supervisor will file relevant records in their appropriate and corresponding file as documentary evidence of review.

5.02 SEC Rule 17a-4

The requirement for broker/dealers to maintain books and records is augmented by *SEC Rule 17a-4*, which mandates the length of time that a firm's books and records must be preserved. Firms are generally required to keep records between three to six years, and in some cases for the life of the company. Furthermore, 17a-4 also stipulates that certain documents must be kept at convenient and accessible location for a designated period before being moved to a more remote long-term storage.

Records to be maintained for a minimum of six (6) years, with the first two (2) years in an accessible place:

- Blotters (or other records of original entry) containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities (including certificate numbers), all receipts and disbursements of cash and all other debits and credits;
- Ledgers (or other records) reflecting all assets and liabilities, income and expense and capital accounts;
- Ledger accounts (or other records) itemizing separately as to each cash and margin account of every customer and of the Firm thereof, all purchases, sales, receipts and deliveries of securities and commodities for such account and all other debits and credits to such account;
- A securities record or ledger reflecting separately for each security as of the clearance dates all "long" or "short" positions;
- A record for each office listing, by name or title, each person at that office who, without delay, can explain the types of records the firm maintains at that office and the information contained in those records;
- A record listing each principal of the Firm responsible for establishing policies and procedures that are reasonably designed to ensure compliance with any applicable federal requirements or rules of a self-regulatory organization of which the Firm is a member that require acceptance or approval of a record by a principal; and
- Analogous records created pursuant to Rule 17a-3(f).

Records to be maintained for a minimum of three (3) years, with the first two (2) years in an accessible place:

- Ledgers (or other records) reflecting the following information: *(maintained by clearing firm)*

- o securities in transfer;
 - o dividends and interest received;
 - o securities borrowed and securities loaned;
 - o moneys borrowed and moneys loaned (together with a record of the collateral therefor and any substitutions in such collateral);
 - o securities failed to receive and failed to deliver;
 - o all long and all short securities record differences arising from the examination, count, verification and comparison pursuant to Rule 17a-5, Rule 17a-12, and Rule 17a-13 (by date of examination, count, verification and comparison showing for each security the number of long or short count differences); and
 - o repurchase and reverse repurchase agreements;
- A memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. The memorandum shall show the terms and conditions of the order or instructions and of any modification or cancellation thereof; the account for which entered; the time the order was received; the time of entry; the price at which executed; the identity of each associated person, if any, responsible for the account; the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry; and, to the extent feasible, the time of execution or cancellation. The memorandum need *not* show the identity of any person, other than the associated person responsible for the account, who may have entered or accepted the order if the order is entered into an electronic system that generates the memorandum and if that system is not capable of receiving an entry of the identity of any person other than the responsible associated person; in that circumstance, the Firm shall produce upon request by a representative of a securities regulatory authority a separate record which identifies each other person. An order entered pursuant to the exercise of discretionary authority by the Firm, or associated person thereof, shall be so designated.
 - A memorandum of each purchase and sale for the account of the Firm showing the price and, to the extent feasible, the time of execution; and, in addition, where the purchase or sale is with a customer other than a broker or dealer, a memorandum of each order received, showing the time of receipt; the terms and conditions of the order and of any modification thereof; the account for which it was entered; the identity of each associated person, if any, responsible for the account; the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry. The memorandum need *not* show the identity of any person other than the associated person responsible for the account who may have entered the order if the order is entered into an electronic system that generates the memorandum and if that system is not capable of receiving an entry of the identity of any person other than the responsible associated person: in that circumstance, the Firm shall produce upon request by a representative of a securities regulatory authority a separate record which identifies each other person. An order with a customer other than the Firm entered pursuant to the exercise of discretionary authority by the Firm, or associated person thereof, shall be so designated;
 - Copies of confirmations of all purchases and sales of securities, including all repurchase and reverse repurchase agreements, and copies of notices of all other

debits and credits for securities, cash and other items for the account of customers and partners of the Firm;

- A record of each cash and margin account with the Firm indicating:
 - the name and address of the beneficial owner of such account, and
 - except with respect to exempt employee benefit plan securities as defined in *Rule 14a-1(d)*, but only to the extent such securities are held by employee benefit plans established by the issuer of the securities, whether or not the beneficial owner of securities registered in the name of such members, brokers or dealers, or a registered clearing agency or its nominee objects to disclosure of his or her identity, address and securities positions to issuers, and
 - in the case of a margin account, the signature of such owner; *Provided*, That, in the case of a joint account or an account of a corporation, such records are required only in respect of the person or persons authorized to transact business for such account.

- The following records regarding any internal broker-dealer system of which the Firm is the sponsor:
 - A record of the broker's or dealer's customers that have access to an internal broker-dealer system sponsored by the Firm (identifying any affiliations between such customers and the broker or dealer);
 - Daily summaries of trading in the internal broker-dealer system, including: (i) Securities for which transactions have been executed through use of such system; and (ii) Transaction volume (separately stated for trading occurring during hours when consolidated trade reporting facilities are and are not in operation);
 - Time-sequenced records of each transaction effected through the internal broker-dealer system, including date and time executed, price, size, security traded, counterparty identification information, and method of execution (if internal broker-dealer system allows alternative means or locations for execution, such as routing to another market, matching with limit orders, or executing against the quotations of the broker or dealer sponsoring the system).

- A Record as to each associated person of each written customer complaint received by the Firm concerning that associated person. The record shall include the complainant's name, address, and account number; the date the complaint was received; the name of any other associated person identified in the complaint; a description of the nature of the complaint; and the disposition of the complaint. Instead of the record, the Firm may maintain a copy of each original complaint in a separate file by the associated person named in the complaint along with a record of the disposition of the complaint. Additionally, any record indicating that each customer of the Firm has been provided with a notice containing the address and telephone number of the department of the Firm to which any complaints as to the account may be directed.

- A record as to each associated person listing each purchase and sale of a security attributable, for compensation purposes, to that associated person. The record shall include the amount of compensation if monetary and a description of the compensation if non-monetary. In lieu of making this record, the Firm may elect to produce the required information promptly upon request of a representative of a securities regulatory authority. Additionally, a record of all agreements pertaining to the relationship between each associated person and the Firm including a summary of each associated person's compensation arrangement or plan with the Firm, including commission and concession schedules and, to the extent that compensation is based on factors other than remuneration per trade, the method by which the compensation is determined.
- A record, which need not be separate from the advertisements, sales literature, or communications, documenting that the Firm has complied with, or adopted policies and procedures reasonably designed to establish compliance with, applicable federal requirements and rules of a self-regulatory organization of which the Firm is a member which require that advertisements, sales literature, or any other communications with the public by the Firm or its associated persons be approved by a principal.
- All check books, bank statements, cancelled checks and cash reconciliations;
- All bills receivable or payable, paid or unpaid, relating to the business of the Firm, as such;
- Originals of all communications received and copies of all communications sent by the Firm (including inter-office memoranda and communications) relating to its business as such, including all communications which are subject to rules of a self-regulatory organization of which the Firm is a member regarding communications with the public (*note: as used in this paragraph, the term communications includes sales scripts*); ►►

Implementation Strategy

In accordance with SEC Rule 17a-4, the designated supervisor will continuously monitor incoming/outgoing communications while preserving original and copied communications received and sent by the Firm relating to its securities business, including all communications to and from its SRO DEA (FINRA) regarding communications with the public. All relevant communications will be maintained for a minimum of three (3) years, with the first two (2) years in an accessible place. The designated supervisor shall also file all relevant records in their appropriate and corresponding file to be located in a convenient and accessible location for a designated period before being moved to a more remote long-term storage location (if applicable).

- All trial balances, computations of aggregate indebtedness and net capital, financial statements, branch office reconciliations, and internal audit working papers, relating to the business of the Firm, as such;
- All guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account, and copies of resolutions empowering an agent to act on behalf of a corporation;

- All written agreements entered into by the Firm relating to his business as such, including agreements with respect to any account;
- Records which contain the following information in support of amounts included in the report prepared as of the audit date on Form X-17A-5, Part II or Part IIA or Part IIB and in annual audited financial statements required by *Rule 17a-5(d) and Rule 17a-12(b)*;
- The records required to be made pursuant to *Rule 15c3-3(d)(4) & (o)*;
- The records required to be made pursuant to *Rule 15c3-4* and the results of the periodic reviews conducted pursuant to *Rule 15c3-4(d)*;
- All notices relating to an internal broker-dealer system provided to the customers of the broker or dealer that sponsors such internal broker-dealer system, as defined in paragraph 17a-3(a)(16)(ii)(A). Notices, whether written or communicated through the internal broker-dealer trading system or other automated means, shall be preserved under this paragraph (b)(11) if they are provided to all customers with access to an internal broker-dealer system, or to one or more classes of customers.

Records to be maintained for a period of *not less than six (6) years* after the closing of any customer's account.

- Any account cards or records which relate to the terms and conditions with respect to the opening and maintenance of such account.

Records to be maintained for the life of the enterprise and of any successor enterprise

- All partnership articles or, in the case of a corporation, all articles of incorporation or charter, minute books and stock certificate books (or, in the case of any other form of legal entity, all records such as articles of organization or formation, and minute books used for a purpose similar to those records required for corporations or partnerships), all Forms BD, all Forms BDW, all amendments to these forms, all licenses or other documentation showing the registration of the Firm with any securities regulatory authority. ►►

Implementation Strategy

The designated supervisor shall ensure that the Firm is preserving all articles of incorporation, minute books and stock certificate, all Forms BD, all Forms BDW (and any amendments), all licenses or other documentation showing the registration of the Firm with any securities regulatory authority for the life of the enterprise, in accordance with SEC Rule 17a-4. The designated supervisor shall also file all records in their appropriate and corresponding file to be located in a convenient and accessible location for a designated period before being moved to a more remote long-term storage location (if applicable).

Records to be maintained and preserved in an easily accessible Location

- A questionnaire or application for employment executed by each "associated person" of the Firm, which shall be approved in writing by an authorized representative of the Firm and maintained at least three years after the associated person's employment and any other connection with the Firm has terminated;

- Records required to be maintained pursuant to paragraph (d) of Rule 17f-2 until at least three years after the termination of employment or association of those persons required by Rule 17f-2 to be fingerprinted; and;
- Records required to be maintained pursuant to paragraph (e) of Rule 17f-2 for the life of the enterprise;
- Copies of all Forms X-17F-1A filed pursuant to Rule 17f-1, all agreements between reporting institutions regarding registration or other aspects of Rule 17f-1, and all confirmations or other information received from the Commission or its designee as a result of inquiry (17a-3 (a)(14)) for three years;
- An account record including the customer's or owner's name, tax identification number, address, telephone number, date of birth, employment status (including occupation and whether the customer is an associated person of the Firm), annual income, net worth (excluding value of primary residence), and the account's investment objectives until at least six years after the earlier of the date the account was closed or the date on which the information was replaced or updated. The account record shall indicate whether it has been signed by the associated person responsible for the account, if any, and approved or accepted by a principal of the Firm. For accounts in existence on the effective date of this section, the Firm must obtain this information within three years of the effective date of the section;
- The Firm has furnished to each customer or owner within three years of the effective date of this section, and to each customer or owner who opened an account after the effective date of this section within thirty days of the opening of the account, and thereafter at intervals no greater than thirty-six months, a copy of the account record or an alternate document with all information required by paragraph (a)(17)(i)(A) of this section. The Firm may elect to send this notification with the next statement mailed to the customer or owner after the opening of the account. The Firm may choose to exclude any tax identification number and date of birth from the account record or alternative document furnished to the customer. The Firm shall include with the account record or alternative document provided to each customer or owner an explanation of any terms regarding investment objectives. The account record or alternate document furnished to the customer shall include that the customer or owner should mark any corrections and return the account record or alternate document to the Firm, and that the customer or owner should notify the Firm of any future changes to information contained in the account record. These records must be maintained until at least six years after the earlier of the date the account was closed or the date on which the information was replaced or updated
- Each report which a securities regulatory authority has requested or required the Firm to make and furnish to it pursuant to an order or settlement, and each securities regulatory authority examination report until three years after the date of the report; ►►

Implementation Strategy

The designated supervisor will ensure that the Firm is capturing and preserving all reports in which a securities regulatory authority has requested or required the Firm to make and furnish to it pursuant to an order or settlement, for a period three years after the date of the report in accordance with SEC Rule 17a-4. The designated supervisor shall also file all records in their appropriate and corresponding file to be located in a convenient and accessible location for a designated period before being moved to a more remote long-term storage location (if applicable).

- Each compliance, supervisory, and procedures manual, including any updates, modifications, and revisions to the manual, describing the policies and practices of the

Firm with respect to compliance with applicable laws and rules, and supervision of the activities of each natural person associated with the Firm shall be properly maintained in accordance with SEC Rule 17a-4 until three years after the termination of the use of the manual;

- All reports produced to review for unusual activity in customer accounts until eighteen months after the date the report was generated. In lieu of maintaining the reports, the Firm may produce promptly the reports upon request by a representative of a securities regulatory authority. If a report was generated in a computer system that has been changed in the most recent eighteen month period in a manner such that the report cannot be reproduced using historical data in the same format as it was originally generated, the report may be produced by using the historical data in the current system, but must be accompanied by a record explaining each system change which affected the reports. If a report is generated in a computer system that has been changed in the most recent eighteen month period in a manner such that the report cannot be reproduced in any format using historical data, the Firm shall promptly produce upon request a record of the parameters that were used to generate the report at the time specified by a representative of a securities regulatory authority, including a record of the frequency with which the reports were generated.

Third-Party Recordkeeping

The SEC staff recently issued guidance regarding contractual arrangements between broker-dealers and third-party recordkeeping service providers that include provisions permitting the third-party recordkeeping service providers to delete or discard the broker-dealer's records required to be preserved pursuant to SEA Rules 17a-3 and 17a-4, typically in response to non-payment by the broker-dealer of fees due under the contract.

In the guidance, the SEC staff stated that SEA Rule 17a-4(i) provides that, if the records a broker-dealer is required to preserve pursuant to SEA Rules 17a-3 and 17a-4 are prepared or maintained by an outside service bureau, depository, bank which does not operate pursuant to paragraph (b)(2) of Rule 17a-3, or other recordkeeping service (each referred to in the guidance as a "service provider"), the service provider shall file with the Commission a written undertaking in form acceptable to the Commission, signed by a duly authorized person, to the effect that such records are the property of the broker-dealer required to preserve such records and will be surrendered promptly on request of the broker-dealer. The SEC staff stated that the service provider also must undertake that with respect to any books and records preserved on behalf of the broker-dealer, the service provider will permit examination of such books and records at any time or from time to time during business hours by representatives or designees of the Commission, and to promptly furnish to the Commission or its designee true, correct, complete and current hard copy of any or all or any part of such books and records.

In addition, the SEC staff stated that the Commission adopted paragraph (i) of Rule 17a-4 to assure the accessibility of broker-dealer records in situations where, for example, a service bureau refuses to surrender the records due to nonpayment of fees. The SEC staff stated that, in adopting paragraph (i), the Commission emphasized that the records of a broker-dealer must be available at all times for examination in order to assure the protection of customers. Moreover, the SEC staff stated that if a service provider deletes or discards broker-dealer records in a manner that is not consistent with the retention requirements of Rule 17a-4, such action would constitute a primary violation of the rule by the broker-dealer and may subject the service provider to secondary liability for causing or aiding and abetting the violation. (Ref. Regulatory Notice 18-31- Third-Party Recordkeeping; September 14, 2018)

Implementation Strategy

In accordance with *SEC Rule 17a-4*, the designated supervisor shall ensure that the Firm is preserving certain records specifically related to its customer and the daily transactions of the Firm's securities business for a period of 3-6 years, and in some cases for the life of the Firm. Additionally, the Firm is preserving all relevant activity and/or exception reports and records specifically related to its customer transactional activity for a period of eighteen months after the date the report was generated. The designated supervisor shall also file all records in their appropriate and corresponding file to be located in a convenient and accessible location for a designated period before being moved to a more remote long-term storage location (if applicable).

Additionally, the Firm will periodically, review any/all contracts with third-party recordkeeping service providers to ensure compliance with the SEC staff's guidance in accordance with Regulatory Notice 18-31.

5.03 Books and Records Classifications

It is important to note that there are several commonly used names within the securities industry for terms such as "Blotters" and "Ledgers". In general, the term "Blotter" refers to books of original entry containing a daily account of all transactions of the Firm and its customers. The term "Ledger" generally refers to books that are kept by account and are posted chronologically from information contained in the blotters.

The following blotters, ledgers, records and statements listed below are generally required pursuant to *SEC Rule 17a-3* for most firms conducting a securities business. Each firm should also review their Designated Examining Authority (DEA), and appropriate legal counsel for any amended and/or revised rules and regulations as they apply to books and records requirements.

Trade Related Books and Records

- Purchase and Sales Blotter
- Receipts/Deliveries of Securities Blotter
- Receipts and Disbursement of Cash Blotter
- Cash Receipt and Forwarded Blotter
- Securities in Transfer Ledger
- Dividends and Interest Received Ledger
- Securities Borrowed/Loaned Ledger
- Monies Borrowed/Loaned Ledger
- Securities Failed to Receive/Deliver Ledger
- Long and Short Stock Differences Record
- Quarterly Securities Count Record
- Position Record
- Order Tickets (Agency and Principal)
- Confirmations
- Firm Proprietary Accounts

Firm/Associated Personnel Records

- Associated Persons Application
- Finger Print Records
- Lost/ Stolen Securities Program Records

Customer Related Books and Records

- Customer Ledger Accounts
- Partner Accounts
- Cash Account Record
- Margin Account Record
- Beneficial Owner Record

Financial Related Books and Records

- General Ledger
- Trial Balance
- Balance Sheet
- Income Statement
- Net Capital Computations
- Aggregate Indebtedness

5.04 Long-Term and Bulk Storage

In order to meet the demands of limited storage space and continue to adhere to *SEC Rules 17a-3 and 17a-4*, firms have begun to use microfiche/film and electronic storage media to archive information. Aside from using microfiche/film, there are numerous methods of electronically storing information. However, a firm must adhere to *SEC Rule 17a-4(f)* when using electronic means to store such information.

Microfiche/film and Optical Storage Media

Adoption of WORM Technology

If electronic storage media is used by the Firm, the Firm must notify its examining authority designated pursuant to Section 17(d) of the Act prior to employing electronic storage media. If employing any electronic storage media other than optical disk technology (including CD-ROM), the Firm must notify its designated examining authority at least 90 days prior to employing such storage media. In either case, the Firm must provide its own representation or one from the storage medium vendor or other third party with appropriate expertise that the selected storage media meets the conditions set forth in this paragraph (f)(2).

The electronic storage media must:

- Preserve records exclusively in non-rewrite able, non-erasable format;
- Automatically verify the quality and accuracy of the recording process;
- Serialize the original, 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
- Maintain the capacity and ability to readily download indexes and records preserved on the electronic storage media to a medium acceptable under *SEC Rule 17a-4(f)*.

If Firm uses micrographic media or electronic storage media, it shall:

- At all times have available, for examination by the staffs of the Commission and self-regulatory organizations of which the Firm is a member, facilities for immediate, easily readable projection or production of micrographic media or electronic storage media images and for producing easily readable images;
- Be ready at all times to provide, and immediately provide, any facsimile enlargement which the staffs of the Commission, any self-regulatory organization of which it is a member, or any State securities regulator having jurisdiction over the Firm may request;
- Store separately from the original, a duplicate copy of the record stored on any medium acceptable under Rule 17a-4 for the time required;
- Organize and index accurately all information maintained on both original and any duplicate storage media;
- The Firm must have in place an audit system providing for accountability regarding inputting of records required to be maintained and preserved pursuant to Rules 17a-3 and 17a-4 to electronic storage media and inputting of any changes made to every original and duplicate record maintained and preserved thereby;
- The Firm must maintain, keep current, and provide promptly upon request by the staffs of the Commission or the self-regulatory organization of which the Firm is a member all

information necessary to access records and indexes stored on the electronic storage media; or place in escrow and keep current a copy of the physical and logical file format of the electronic storage media, the field format of all different information types written on the electronic storage media and the source code, together with the appropriate documentation and information necessary to access records and indexes;

- In the event that the Firm is exclusively using electronic storage media for some or all of its record preservation under this section, at least one third party (the undersigned), who has access to and the ability to download information from the Firm's electronic storage media to any acceptable medium under this section, shall file with the designated examining authority for the Firm the required information and/or documentation to such records;

If a person who has been subject to Rule 17a-3 ceases to transact a business in securities directly with others than members of a national securities exchange, or ceases to transact a business in securities through the medium of a member of a national securities exchange, or ceases to be registered pursuant to Section 15 of the Securities Exchange Act of 1934 as amended, such person shall, for the remainder of the periods of time specified in this section, continue to preserve the records which he theretofore preserved pursuant to this section.

For purposes of transactions in municipal securities by municipal securities brokers and municipal securities dealers, compliance with Rule G-9 of the Municipal Securities Rulemaking Board will be deemed to be in compliance with this section.

In the event that such records are prepared or maintained by an outside service bureau, depository, bank which does not operate pursuant to Rule 17a-3(b)(2), or other recordkeeping service on behalf of the Firm, such outside entity shall file with the Commission a written undertaking in form acceptable to the Commission, signed by a duly authorized person, to the effect that such records are the property of the Firm required to maintain and preserve such records and will be surrendered promptly on request of the Firm.

The Firm shall furnish promptly to a representative of the Commission legible, true, complete, and current copies of those records of the Firm that are required to be preserved under this section, or any other records of the Firm that are subject to examination under section 17(b) of the Act.

Records for the most recent two year period required to be made pursuant to Rule 17a-3(g) and paragraphs (b)(4) and (e)(7) of this section which relate to an office shall be maintained at the office to which they relate. If an office is a private residence where only one associated person (or multiple associated persons who reside at that location and are members of the same immediate family) regularly conducts business, and it is not held out to the public as an office nor are funds or securities of any customer of the Firm handled there, the Firm need not maintain records at that office, but the records must be maintained at another location within the same State as the Firm may select. Rather than maintain the records at each office, the Firm may choose to produce the records promptly at the request of a representative of a securities regulatory authority at the office to which they relate or at another location agreed to by the representative.

5.05 **Application and Subscription Based Transactions**

Firms that generally effect application and or subscription-based transactions (e.g. mutual fund, variable annuities and private placement) need to ensure that they comply with content requirements for *SEC Rule 17a-3*. Such documents do not always satisfy the information required by the rule. As a general practice, firms conducting such business should establish and maintain a separate new customer account forms for proper compliance.

5.06 **Cash/Currency Transactions**

It is the policy of the Firm to comply with all recording, maintenance, and reporting requirements for cash and currency transactions as specified under the guidelines of the *Bank Secrecy Act* and the *Currency and Foreign Transaction Reporting Act of 1970*.

Receipt of Cash/Currency

The Firm does NOT accept cash and/or currency from customers. In the event that a customer attempts to deposit cash or currency by mistake, the recipient of the unauthorized cash deposit will be responsible for informing the customer of the Firm's policy to accept only authorized forms of payment such as checks made payable to the Firm's clearing firm. If cash is accidentally accepted by the Firm, a designated supervisor will ensure that the cash is counted and verified in the presence of another authorized person, immediately deposited into an account maintained for the benefit of customers, or transferred into a cashier's check or money order made payable to the clearing firm within the same day of receipt.

Transfer of Funds

For any transfer of funds over \$10,000 in one day, or for wire transfers over \$3,000 as specified under the *Currency and Foreign Reporting Act*, the Firm's designated clearing firm will be responsible for completing and filing Currency Transaction Report (CTR) Form 4789 with the Internal Revenue Service.

Reporting Unusual Cash/Currency Transactions

The Firm has established certain policies and procedures on the reporting of unusual and/or suspicious activity involving cash and/or currency transactions. In the event that the Firm experiences an excessive number cash or currency transactions which may appear to be suspicious in nature, the Firm and/or designated supervisor will be responsible for notifying the proper authorities such as the IRS or other appropriate agency for further investigation and review.

Note: Please see Anti-Money Laundering Procedures for further details on the reporting of suspicious activities and/or unusual cash/currency transactions.