

## **Books and Records Requirements Checklist for Broker-Dealers**

The following checklist summarizes **some** of the books and records that broker-dealers are required to create and retain in accordance with Rules 17a-3 and 17a-4 under the Securities and Exchange Act of 1934 (“SEA”).

FINRA reminds firms that this is **not** a complete list of books and records requirements.

### **SEA Rule 17a-3**

#### **SEA Rule 17a-3(a)(1):** Blotters or Similar Records

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.

Such records must show:

- Account for which each such transaction was effected.
- Name and amount of securities.
- Unit and aggregate purchase or sale price (if any).
- Trade date.
- Name or other designation of the person from whom purchased or received, or to whom sold or delivered.

- **Retention Period:** *Six years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(a).*

#### **SEA Rule 17a-3(a)(2):** Firms’ General Ledgers

Ledgers (or other records) reflecting:

- All assets and liabilities.
- Income and expense.

Capital accounts.

- **Retention Period:** *Six years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(a).*

**SEA Rule 17a-3(a)(3):** Customers' Accounts

Ledger accounts (or other records) itemizing separately as to each cash and margin account of every customer and of the broker-dealer and partners thereof:

- All purchases, sales, receipts and deliveries of securities and commodities for such accounts.
- All other debits and credits to such account.

- **Retention Period:** *Six years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(a).*

**SEA Rule 17a-3(a)(4):** Secondary or Subsidiary Records (not records of original entry)

Ledgers (or other records) reflecting the following:

- Securities in transfer.
- Dividends and interest received.
- Securities borrowed and securities loaned.
- Monies borrowed and monies 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 short securities record differences arising from the examination, count, verification and comparison pursuant to SEA Rules 17a-5, 17a-12, 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.

- **Retention Period:** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-3(a)(5):** Securities Record or Ledger (Position Records)

A securities record or ledger reflecting separately for each security as of the clearance dates all "long" or "short" positions (including securities in safekeeping and securities that are the subjects of repurchase or reverse repurchase agreements) carried by the broker or dealer for its account or for the account of its customers or partners or others and showing the location of all securities long and the offsetting position to all securities short, including long security count differences and short security count differences classified by the date of the physical count and verification in which they were discovered, and in all cases the name or designation of the account in which each position is carried.

- **Retention Period:** *Six years (the first two years in an easily accessible place); Source: SEA Rule 17a-4(a).*

**SEA Rule 17a-3(a)(6):** Memoranda of Brokerage Orders (Order Tickets)

Order Tickets must:

- Set out the terms and conditions of the order and any modifications or cancellations.
- Identify the account for which the order is entered.
- Identify the associated person, if any, responsible for the account and any other person who entered or accepted the order, or if a customer entered the order on an electronic system, a notation of that entry.
- Describe whether the order was entered subject to discretionary authority.
- Include, to the extent feasible, the time of execution or cancellation.
- Identify the time the order was received, the time of entry and the price at which it was executed.

SEA Rule 17a-3(a)(6) applies to broker transactions. Also, no order ticket needs to be made for a purchase, sale or redemption of a security on a subscription way basis directly from or to the issuer, if the broker-dealer maintains a copy of the customer's subscription agreement regarding a purchase, or a copy of any other document required by the issuer regarding a sale or redemption.

- **Retention Period:** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-3(a)(7):** Memoranda of Purchases and Sales

A Memorandum of each purchase and sale for the account of the broker-dealer showing:

- Price, and to the extent feasible, time of execution.

Where the purchase or sale is with a customer other than a broker or dealer, a memorandum of each order received, showing:

- Time of receipt.
- Terms and conditions of the order and of any modification thereof.
- Account for which it was entered.
- Identity of each associated person, if any, responsible for the account.
- 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.

SEA Rule 17a-3(a)(7) applies to dealer transactions. An order with a customer other than a broker-dealer entered pursuant to the exercise of discretionary authority by the broker-dealer, or associated person thereof, must be so designated.

- **Retention Period:** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-3(a)(8):** Confirmations and Notices

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 such broker-dealer.

- **Retention Period:** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-3(a)(9):** Records Regarding Cash and Margin Accounts

A record in respect of each cash and margin account with such broker-dealer indicating:

- Name and address of the beneficial owner of such account, and
- Except with respect to exempt employee benefit plan securities as defined in SEA 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 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.
- 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.

➤ **Retention Period:** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-3(a)(10):** Puts, Calls, Spreads, Straddles and Other Options

A record of all puts, calls, spreads, straddles and other options in which such broker-dealer has any direct or indirect interest or which such broker-dealer has granted or guaranteed, containing at least:

- Identification of the security.
- Number of units involved.

An OTC derivatives dealer must also keep a record of all eligible OTC derivative instruments as defined in SEA Rule 3b-13 in which the OTC derivatives dealer has any direct or indirect interest or which it has written or guaranteed, containing, at a minimum:

- An identification of the security or other instrument.
- Number of units involved.
- Identity of the counterparty.

- **Retention Period:** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-3(a)(11):** Monthly Trial Balances and Net Capital Computations

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 SEA Rule 15c3-1 (the Net Capital Rule). Such trial balances and computations must be prepared currently at least once a month.

SEA Rules 17a-3(a)(11) and 17a-4(b)(5) are related provisions and subject to the same retention period.

- **Retention Period:** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-3(a)(12)(i):** Employment Applications

A questionnaire or application for employment executed by each “associated person” (as defined in SEA Rule 17a-3(h)(4)) of the broker-dealer, which questionnaire or application must be approved in writing by an authorized representative of the broker-dealer and must contain at least the following information with respect to the associated person:

- Name, address, social security number, date of birth and the starting date of employment or other association with the broker-dealer.
- Complete, consecutive statement of 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, 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 broker-dealer 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 broker-dealer 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 as or being associated with a broker-dealer, investment company, investment adviser, futures sponsor, bank or savings and loan association), fraud, false statements or omission, wrongful taking of property or bribery, forgery, counterfeiting or extortion and the disposition of the foregoing.
- A record of any other name or names known or used.

Provided, however, that if such associated person has been registered as a registered representative of such broker-dealer with, or the associated person's employment has been approved by, FINRA or one of the national exchanges, then retention of a full, correct and complete copy of any and all applications for such registration or approval will be deemed to satisfy the requirements of SEA Rule 17a-3(a)(12)(i).

- ***Retention Period:*** *Until three years (in an easily accessible place) after the associated person's employment and any other connection with the broker-dealer has terminated; Source: SEA Rule 17a-4(e)(1).*

**SEA Rule 17a-3(a)(12)(ii):** Associated Person Records

Broker-dealers must maintain a record listing each associated person, which contains the following information for each:

- Every office where the associated person regularly conducts a securities business (or the business of handling funds).
- The individual's CRD number (if any), and every internal identification number or code assigned to the individual by the broker-dealer.
- ***Retention Period:*** *Until three years (in an easily accessible place) after the associated person's employment and any other connection with the broker-dealer has terminated; Source: SEA Rule 17a-4(e)(1).*

**SEA Rule 17a-3(a)(13):** Fingerprint Records

Records required to be maintained pursuant to SEA Rule 17f-2(d), which includes: the processed fingerprint card or any substitute record when such card is not returned after processing, together with any information received from the Attorney General or its designee.

- **Retention Period:** *Until three years (in an easily accessible place) after the termination of employment or association of those persons required by SEA Rule 17f-2 to be fingerprinted; Source: SEA Rule 17a-4(e)(2).*

**SEA Rule 17a-3(a)(14):** Records of Lost, Stolen, Missing or Counterfeit Securities

Copies of all SEA Forms X-17F-1A filed pursuant to SEA Rule 17f-1, all agreements between reporting institutions regarding registration or other aspects of SEA Rule 17f-1, and all confirmations or other information received from the SEC or its designee as a result of inquiry.

- **Retention Period:** *Three years (in an easily accessible place); Source: SEA Rule 17a-4(e)(4).*

**SEA Rule 17a-3(a)(15):** Fingerprint Exemption Notices

Records required to be maintained pursuant to SEA Rule 17f-2(e), which requires: broker-dealers that claim one or more of the exemptions in SEA Rule 17f-2(a)(1) to make and keep current a statement entitled "Notice Pursuant to Rule 17f-2" containing the information specified in SEA Rule 17f-2(e)(1).

- **Retention Period:** *Life of the enterprise (in an easily accessible place); Source: SEA Rule 17a-4(e)(3).*

**SEA Rule 17a-3(a)(16):** Internal Broker-Dealer System Records

The following records regarding any internal broker-dealer system of which the broker-dealer is the sponsor:

- A record of the broker-dealer's customers that have access to an internal broker-dealer system sponsored by the broker-dealer (identifying any affiliations between such customers and the broker-dealer).
- Daily summaries of trading in the internal broker-dealer system, including:



- Securities for which transactions have been executed through use of such system.
  - Transaction volume (separately stated for trading occurring during hours when consolidated trade reporting facilities are and are not in operation):
    - Equity securities: Stated in number of trades, number of shares and total U.S. dollar value.
    - Debt securities: Stated in total settlement value in U.S. dollars.
    - 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.
  - 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-dealer sponsoring the system).
- **Retention Period:** *Three years (the first two years in an easily accessible place); Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-3(a)(17):** Records Relating to Customer Accounts

SEA Rule 17a-3(a)(17)(i)(A): Customer Account Records

A record must be created for each customer or owner (natural person) of an account, which includes:

- Customer or owner's name.
- Tax identification number.
- Address.
- Telephone number.
- Date of birth.

- Employment status (including occupation and whether customer is an associated person of a broker-dealer).
- Annual income.
- Net worth (excluding primary residence).
- Account's investment objectives.

Personal information must be obtained for EACH owner of the account (however, it is acceptable to combine the financial information for joint owners). The account record must 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 broker-dealer.

SEA Rule 17a-3(a)(17)(i)(B)(1): Furnishing Customer Account Records

Record indicating that the broker-dealer has furnished the customer or owner a copy of the account record information required by SEA Rule 17a-3(a)(17)(i)(A) (the broker-dealer may choose to exclude any tax identification number and date of birth from the account record information furnished to the customer or owner).

The broker-dealer has to furnish the required information within 30 days of the opening of the account. Thereafter, the broker-dealer is required to furnish the information at least every 36 months.

The account record information provided to each customer or owner must include an explanation of any terms regarding investment objectives. It also must include or be accompanied by prominent statements that the customer or owner should make any corrections and return the document to the broker-dealer, and that the customer or owner should notify the broker-dealer of any future changes to information contained in the account record.

SEA Rule 17a-3(a)(17)(i)(B)(2): Name or Address Change

Record indicating that, for each account record updated to reflect a change in the name or address of the customer or owner, the broker-dealer has furnished a notification of that change to the customer's or owner's old address, or to each joint owner, and the associated person, if any, responsible for that account.

The notification must be furnished within 30 days after the date the broker-dealer received notice of the change.

SEA Rule 17a-3(a)(17)(i)(B)(3): Change in Investment Objectives

Record indicating that, for each change in the account's investment objectives, the broker-dealer 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 SEA Rule 17a-3(a)(17)(i)(B)(1).

The updated information must be furnished within 30 days after the date the broker-dealer 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.

SEA Rule 17a-3(a)(17)(i)(C): Neglect, Refusal, or Inability of a Customer to Provide Required Information

The neglect, refusal, or inability of a customer or owner to provide or update any account record information required under SEA Rule 17a-3(a)(17)(i)(A) will excuse the broker-dealer from obtaining that required information.

SEA Rule 17a-3(a)(17)(i)(D): Exception

The requirements of SEA Rules 17a-3(a)(17)(i)(A) and 17a-3(a)(17)(i)(B)(1) only apply to accounts for which the broker-dealer 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 an SRO of which it is a member.

SEA Rule 17a-3(a)(17)(ii): Discretionary Accounts

For discretionary accounts, a record containing the dated signature of each customer or owner granting discretionary authority and dated signature of each natural person to whom discretionary authority is granted.

SEA Rule 17a-3(a)(17)(iii): Furnishing Agreements

A record for each account indicating that each customer or owner was furnished with a copy of each written agreement entered into on or after May 2, 2003 pertaining to the account and that, if requested by the customer or owner, the customer or owner was furnished with a fully executed copy of each agreement.

- **Retention Period:** *In an easily accessible place, until six years after the earlier of the date the account was closed or the date on which the information was*

*replaced or updated; The six-year period begins either at the time the account is closed or when the information is replaced or updated; Source: SEA Rule 17a-4(e)(5).*

**SEA Rule 17a-3(a)(18)(i):** Customer Complaints

A record, as to each associated person, of each written customer complaint received by the broker-dealer (including those received electronically) concerning the associated person, which must include:

- The complainant's name, address and account number.
- The date the complaint was received.
- The name of each associated person identified in the complaint.
- A description of the nature of the complaint.
- The disposition of the complaint.

Instead of the record described above, the broker-dealer 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.

- ***Retention Period:*** *Three years (the first two years in an easily accessible place); Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-3(a)(18)(ii):** Notice of Customer Complaint Contact Information

A record indicating that each customer has been provided with a notice of the address and telephone number of the department of the firm to which complaints may be directed.

- ***Retention Period:*** *Three years (the first two years in an easily accessible place); Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-3(a)(19):** Compensation Records

Firms must make a record concerning each associated person with the following information:

- List of each purchase and sale of a security attributable to the associated person for compensation purposes.
- Amount of compensation (if monetary).

- Description of the compensation (if nonmonetary).
- Copy of all agreements pertaining to the relationship between the associated person and the broker-dealer, including summary of the compensation plan or arrangement.
- ***Retention Period:*** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-3(a)(20):** Communications Supervision Records

Firms are required to make a record documenting that they have complied with, or adopted policies and procedures reasonably designed to establish compliance with applicable federal and SRO rules and regulations requiring principal approval of advertisements, sales literature or other communications with the public.

- ***Retention Period:*** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-3(a)(21):** Records Identifying Individuals Who Can Explain Types of Records

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.

- ***Retention Period:*** *Six years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(a).*

**SEA Rule 17a-3(a)(22):** Principal Responsible for Establishing Policies and Procedures

A record listing each principal of a broker-dealer 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 broker-dealer is a member that requires acceptance or approval of a record by a principal.

- ***Retention Period:*** *Six years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(a).*

**SEA Rule 17a-3(a)(23):** Credit, Market, and Liquidity Risk Management Controls

A record documenting the credit, market, and liquidity risk management controls established and maintained by the broker-dealer to assist it in analyzing and managing the risks associated with its business, provided that the records need only be made if the broker-dealer has more than:

- \$1,000,000 in aggregate credit items as computed under SEA Rule 15c3-3a; or
- \$20,000,000 in capital, which includes debt subordinated in accordance with SEA Rule 15c3-1d.

➤ **Retention Period:** *Three years after the termination of the use of the risk management controls documented therein; Source: SEA Rule 17a-4(e)(9).*

**SEA Rule 17a-3(g):** Office Records

The following records must be created and kept current as to each office:

- Blotters or Similar Records (SEA Rule 17a-3(a)(1)).
- Memoranda of Brokerage Orders (Order Tickets) (SEA Rule 17a-3(a)(6)).
- Memoranda of Purchases and Sales (SEA Rule 17a-3(a)(7)).
- Employment Applications and Associated Person Records (SEA Rule 17a-3(a)(12)).
- Records Relating to Customer Accounts (SEA Rule 17a-3(a)(17)).
- Customer Complaints (SEA Rule 17a-3(a)(18)(i)).
- Compensation Records (SEA Rule 17a-3(a)(19)).
- Communications Supervision Records (SEA Rule 17a-3(a)(20)).
- Records Identifying Individuals Who Can Explain Types of Records (SEA Rule 17a-3(a)(21)).
- Principal Responsible for Establishing Policies and Procedures (SEA Rule 17a-3(a)(22)).

**SEA Rule 17a-3(h)(1):** Definition of Office

The term *office* means any location where one or more associated persons regularly conduct 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.

**SEA Rule 17a-4**

**SEA Rule 17a-4(b)(2):** Banking Documents

All check books, bank statements, cancelled checks and cash reconciliations.

- **Retention Period:** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-4(b)(3):** Bills

All bills receivable or payable (or copies thereof), paid or unpaid, relating to the broker-dealer's business as such.

- **Retention Period:** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-4(b)(4):** Communications Relating to Broker-Dealer's Business As Such

Originals of all communications received and copies of all communications sent (and any approvals thereof) by the broker-dealer (including inter-office memoranda and communications) relating to its business as such, including all communications that are subject to rules of a self-regulatory organization of which the broker-dealer is a member regarding communications with the public. The term communications includes sales scripts.

- **Retention Period:** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

SEA Rule 17a-4(b)(4) requires that a broker-dealer retain originals of all communications received and copies of all communications sent by the broker-dealer relating to its "business as such" for at least three years, the first two years in an easily accessible place. See FINRA Rule 3110.09 (regarding the retention of internal communications and correspondence of associated persons relating to the member's investment banking or securities business). This requirement applies to

all electronic communications relating to the firm's business, including emails and instant messages. See Notice to Members 03-33 (July 2003) (Clarification for Members Regarding Supervisory Obligations and Recordkeeping Requirements for Instant Messaging).

Significantly, this requirement covers both external and internal electronic communications relating to the firm's business. An email between registered representatives in the same firm is one example of an internal electronic communication.

Furthermore, the requirement equally applies whether the electronic communication was received or sent through a member's or a third-party's platform or system. Firms may not permit the use of any type of electronic communication if they are unable to satisfy the applicable recordkeeping requirements with respect to that particular type of electronic communication.

**SEA Rule 17a-4(b)(5):** Trial Balances and Other Specified Financial Documents

All trial balances, computations of aggregate indebtedness and net capital (and working papers in connection therewith), financial statements, branch office reconciliations and internal audit working papers, relating to the broker-dealer's business as such. (See also SEA Rule 17a-3(a)(11): Monthly Trial Balances and Net Capital Computations).

- ***Retention Period:*** *Three years (the first two years in an easily accessible place); Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-4(b)(6):** Guarantees, Powers of Attorney and Other Specified Account Authorization Documents

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.

- ***Retention Period:*** *Three years (the first two years in an easily accessible place); Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-4(b)(7):** Written Agreements

All written agreements (or copies thereof) entered into by the broker-dealer relating to its business as such, including agreements with respect to any account.



- **Retention Period:** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-4(b)(8):** Documents in Support of FOCUS Reports

Records that contain the following information in support of amounts included in the report prepared as of the audit date on SEA Form X-17A-5 Part II or Part IIA or Part IIB and in annual audited financial statements required by SEA Rules 17a-5(d) and 17a-12(b):

- Money balance position, long or short, including description, quantity, price and valuation of each security including contractual commitments in customers' accounts, in cash and fully secured accounts, partly secured accounts, unsecured accounts and in securities accounts payable to customers;
- Money balance and position, long or short, including description, quantity, price and valuation of each security including contractual commitments in noncustomers' accounts, in cash and fully secured accounts, partly secured and unsecured accounts and in securities accounts payable to noncustomers;
- Position, long or short, including description, quantity, price and valuation of each security including contractual commitments included in the Computation of Net Capital as commitments, securities owned, securities owned not readily marketable and other investments owned not readily marketable;
- Amount of secured demand note, description of collateral securing such secured demand note including quantity, price and valuation of each security and cash balance securing such secured demand note;
- Description of futures commodity contracts, contract value on trade date, market value, gain or loss and liquidating equity or deficit in customers' and noncustomers' accounts;
- Description of futures commodity contracts, contract value on trade date, market value, gain or loss and liquidating equity or deficit in trading and investment accounts;

- Description, money balance, quantity, price and valuation of each spot commodity position or commitments in customers' and noncustomers' accounts;
  - Description, money balance, quantity, price and valuation of each spot commodity position or commitments in trading and investment accounts;
  - Number of shares, description of security, exercise price, cost and market value of put and call options including short out of the money options having no market or exercise value, showing listed and unlisted put and call options separately;
  - Quantity, price, and valuation of each security underlying the haircut for undue concentration made in the Computation for Net Capital;
  - Description, quantity, price and valuation of each security and commodity position or contractual commitment, long or short, in each joint account in which the broker or dealer has an interest, including each participant's interest and margin deposit;
  - Description, settlement date, contract amount, quantity, market price and valuation for each aged failed to deliver requiring a charge in the Computation of Net Capital pursuant to SEA Rule 15c3-1;
  - Detail relating to information for possession or control requirements under SEA Rule 15c3-3 and reported on the schedule in Part II or IIA of SEA Form X-17A-5;
  - Detail of all items, not otherwise substantiated, that are charged or credited in the Computation of Net Capital pursuant to SEA Rule 15c3-1, such as cash margin deficiencies, deductions related to securities values and undue concentration, aged securities differences and insurance claims receivable; and
  - Other schedules that are specifically prescribed by the SEC as necessary to support information reported as required by SEA Rules 17a-5 and 17a-12.
- ***Retention Period:*** *Three years (the first two years in an easily accessible place); Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-4(b)(9):** Procedures Relating to Compliance with Possession and Control Requirements and Specified Records Relating to Security Futures Products

The records required to be made pursuant to SEA Rules 15c3-3(d)(5) and (o).

- **Retention Period:** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-4(b)(10):** Records Relating to Internal Risk Management Control Systems for OTC Derivatives Dealers

The records required to be made pursuant to SEA Rule 15c3-4 and the results of the periodic reviews conducted pursuant to SEA Rule 15c3-4(d).

- **Retention Period:** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-4(b)(11):** Notices Relating to Internal Broker-Dealer System

All notices relating to an internal broker-dealer system provided to the customers of the broker-dealer that sponsors such internal broker-dealer system, as defined in SEA Rule 17a-3(a)(16)(ii)(A).

Notices, whether written or communicated through the internal broker-dealer trading system or other automated means, must be preserved under SEA Rule 17a-4(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. Examples of notices to be preserved under SEA Rule 17a-4(b)(11) include, but are not limited to, notices addressing hours of system operations, system malfunctions, changes to system procedures, maintenance of hardware and software and instructions pertaining to access to the internal broker-dealer system.

- **Retention Period:** *Three years (the first two years in an easily accessible place);*  
*Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-4(b)(12):** Record of Credit Rating Basis and Credit Risk Weight Basis

The records required to be made pursuant to SEA Rules 15c3-1e(c)(4)(vi)(D) and (E).

- **Retention Period:** *Three years (the first two years in an easily accessible place); Source: SEA Rule 17a-4(b).*

**SEA Rule 17a-4(c):** Customer Account Cards

Account cards or records that relate to the terms and conditions with respect to the opening and maintenance of a customer account.

- **Retention Period:** *Until six years after the closing of the customer's account; Source: SEA Rule 17a-4(c).*

**SEA Rule 17a-4(d):** Organizational Records, Records of Formation and Broker-Dealer Registration Documents

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 SEC Forms BD and BDW and all amendments to these forms, all licenses or other documentation showing the registration of the broker-dealer with any securities regulatory authority.

- **Retention Period:** *Life of the enterprise and of any successor enterprise; Source: SEA Rule 17a-4(d).*

**SEA Rule 17a-4(e)(6):** Regulatory Reports

Each report that a securities regulatory authority has requested or required the broker-dealer to make and furnish to it pursuant to an order or settlement, and each securities regulatory authority examination report.

- **Retention Period:** *In an easily accessible place, until three years after the date of the report; Source: SEA Rule 17a-4(e)(6).*

**SEA Rule 17a-4(e)(7):** Compliance, Supervisory and Procedures Manuals

Each compliance, supervisory and procedures manual, including any updates, modifications and revisions to the manual, describing the policies and practices of the broker-dealer with respect to compliance with applicable laws and rules, and supervision of the activities of each natural person associated with the broker-dealer.

- ***Retention Period:*** *In an easily accessible place, until three years after the termination of the use of the manual; Source: SEA Rule 17a-4(e)(7).*

**SEA Rule 17a-4(e)(8): Unusual Activity or Exception Reports**

All reports produced to review for unusual activity in customer accounts. Instead of maintaining the reports, the broker-dealer 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 that 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 broker-dealer must 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.

- ***Retention Period:*** *In an easily accessible place, until eighteen months after the date the report was generated; Source: SEA Rule 17a-4(e)(8).*

**SEA Rule 17a-4(f): Electronic Recordkeeping System and Micrographic Media**

The records required to be maintained and preserved pursuant to SEA Rules 17a-3 and 17a-4 may be immediately produced or reproduced by means of an electronic recordkeeping system (a system that preserves records in a digital format in a manner that permits the records to be viewed and downloaded) or micrographic media (microfilm or microfiche, or any similar medium) that meets the conditions set forth in SEA Rule 17a-4(f) and may be maintained and preserved for the duration of its applicable retention period in that form.

An electronic recordkeeping system must meet the following conditions pursuant to SEA Rule 17a-4(f)(2):

- Records Preservation Format***  
Preserve records exclusively in a non-rewriteable, non-erasable (*i.e.*, WORM) format; or

Preserve a record for the duration of its applicable retention period in a manner that maintains a complete time-stamped audit trail that includes: (1) all modifications to and deletions of the record or any part of it; (2) the date and time of actions that create, modify or delete the record; (3) if applicable, the identity of the individual creating, modifying or deleting the record; and (4) any other information needed to maintain an audit trail of the record in a way that maintains security, signatures and data to ensure the authenticity and reliability of the record and will permit recreation of the original record.

**Verification**

Automatically verify the completeness and accuracy of the processes for storing and retaining records electronically.

**Serialization (If Applicable)**

If an electronic recordkeeping system uses optical disks to meet the WORM format pursuant to SEA Rule 17a-4 (f)(2)(i)(B), such electronic recordkeeping system must serialize the original and duplicate units of storage media, and time-date for the required retention period the information placed on such storage media.

**Download and Transfer**

Have the capacity to: (1) readily download and transfer copies of a record and its audit trail (if applicable) in *both* a human readable format *and* in a reasonably usable electronic format; and (2) readily download and transfer the information needed to locate the electronic record as required by the staffs of the SEC, SROs or state securities regulators.

**Backup System or Redundancy Capabilities**

Include a backup electronic recordkeeping system that meets the requirements of SEA Rule 17a-4(f) and that retains the records in a manner that will serve as a redundant set of records if the original electronic recordkeeping system is temporarily or permanently inaccessible; or

Have other redundancy capabilities that are designed to ensure access to the records (with a level of redundancy that is at least equal to the level that is achieved through using a backup electronic recordkeeping system).

Broker-dealers using an electronic recordkeeping system must also meet the following requirements pursuant to SEA Rule 17a-4(f)(3):

- ***Production Facilities***  
Have at all times available, for examination by the staffs of the SEC, SROs or state securities regulators, facilities for immediately producing records preserved by means of the electronic recordkeeping system and for producing copies of those records.
- ***Production Ability***  
Be ready at all times to provide, and immediately provide, any record stored by means of the electronic recordkeeping system that the staffs of the SEC, SROs or state securities regulators may request.
- ***Audit System (If Applicable)***  
Broker-dealers using an electronic recordkeeping system that preserves records exclusively in a WORM format pursuant to SEA Rule 17a-4(f)(2)(i)(B) must have in place an audit system that identifies when original and duplicate records are input into the electronic recordkeeping system and when any changes to every original and duplicate records are made. Additionally, the staffs of the SEC and SROs must be able to examine the results of such audit system, and broker-dealers must retain the audit results for the same amount of time required for the audited records.
- ***Accessing and Locating Records***  
Organize, maintain, keep current and provide promptly upon request by the staffs of the SEC, SROs or state securities regulators all information necessary to access and locate records preserved by means of the electronic recordkeeping system.
- ***Undertakings***  
Have at all times filed with the broker-dealer's designated examining authority the undertakings pursuant to SEA Rule 17a-4(f)(3)(v)(A) with respect to such records signed by either a designated executive officer (DEO) or designated third party (D3P).

A DEO who signs the undertaking pursuant to Rule 17a-4(f)(3)(v)(A) either must have the knowledge, credentials, and information necessary to

access and provide the records without having to rely on other individuals at the firm or have appointed in writing up to three designated specialists who have such knowledge, credentials, and information and that are direct or indirect reports to the DEO.

A DEO who signs the undertaking pursuant to Rule 17a-4(f)(3)(v)(A) also can appoint in writing up to two designated officers who will take the steps necessary to fulfill the obligations of the DEO set forth in the undertakings in the event the DEO is unable to fulfill those obligations. A designated officer must have access to and the ability to provide records maintained and preserved on the electronic recordkeeping system either directly or through a designated specialist who reports directly or indirectly to the designated officer. In any event, the appointment of, or reliance on, a designated officer or designated specialist(s) does not relieve the DEO of the obligations set forth in the undertakings.

As noted above, broker-dealers may instead have a D3P (a non-affiliated person) sign the undertaking, which the broker-dealer can then submit to its designated examining authority.

The SEC has designated a broker-dealer's examining authority (e.g., FINRA) as a Commission designee for the purposes of Rule 17a-4(f).

Broker-dealers using a micrographic media system must meet the following requirements pursuant to SEA Rule 17a-4(f)(4):

***Production Facilities***

At all times have available, for examination by the staffs of the SEC, SROs or state securities regulators, facilities for immediate, easily readable projection or production of micrographic media and for producing easily readable images.

***Facsimile Enlargements***

Be ready at all times to immediately provide any facsimile enlargement that the staffs of the SEC, SROs or state securities regulator may request. For instance, if a record is stored in a scaled-down size, the broker-dealer



must be able to provide an exact enlargement of the record upon request.

□ **Duplicate Copies**

Store a duplicate copy of the record separately from the original. The duplicate copy may be stored on any of the formats or media acceptable under SEA Rule 17a-4 (*i.e.*, paper form, micrographic media or electronic recordkeeping system). The duplicate copy must be stored for the same amount of time as the original record.

□ **Indexes**

Accurately organize and index all information maintained on both the original and duplicate copy of the record stored on any of the formats or media acceptable under Exchange Act Rule 17a-4 (*i.e.*, paper form, micrographic media or electronic recordkeeping system). The broker-dealer must be able at all times to have such indexes available for examination by the staffs of the SEC, SROs or state securities regulators. The broker-dealer also must duplicate each index and store the duplicate copies separately from each original index. The original and duplicate indexes must be preserved for the same amount of time as the underlying indexed record.

**SEA Rule 17a-4(g): Preserving Records After Ceasing Business**

If a firm ceases to do business, records must be maintained for the remainder of the applicable retention period.

**SEA Rule 17a-4(i): Records Stored with Third Party**

If a broker-dealer's required records are prepared or maintained by a third-party service provider, such third-party service provider must file with the SEC either a "Traditional Undertaking" or an "Alternative Undertaking" pursuant to SEA Rule 17a-4(i).

**Traditional Undertaking**

Where a broker-dealer's required records are prepared or maintained by a third-party service provider (in either paper or electronic form), and the broker-dealer does not have "independent access" to the records (as defined in Rule 17a-4(i)(1)(ii)(B)), that third-party service provider must file with the

SEC a written undertaking pursuant to SEA Rule 17a-4(i)(1)(i) (“Traditional Undertaking”) to the effect that the records in question are the property of, the broker-dealer, and such records will be surrendered promptly on request of the respective broker-dealer. The Traditional Undertaking also must include a provision whereby the third party agrees to, among other things, permit examination of the records by representatives or designees of the SEC, and to furnish them promptly. Traditional Undertaking must be signed by a duly authorized person and be in a form acceptable to the SEC.

### **Alternative Undertaking**

A third-party service provider may instead of the Traditional Undertaking file with the SEC an undertaking pursuant to SEA Rule 17a-4(i)(1)(ii) (“Alternative Undertaking”) if the required records are maintained and preserved by means of an electronic recordkeeping system, as defined in SEA Rule 17a-4(f), utilizing servers or other storage devices that are owned or operated by the third party (including an affiliate of the broker-dealer) *and* the broker-dealer has “independent access” to the records, as defined in SEA Rule 17a-4(i)(1)(ii)(B). The term “independent access” means having the ability to regularly access the records without the need of any intervention of the outside entity and through such access: (1) permit examination of the records at any time or from time to time during business hours by representatives or designees of the Commission; and (2) promptly furnish to the Commission or its designee a true, correct, complete and current hard copy of any or all or any part of such records.

As is the case with the Traditional Undertaking, the Alternative Undertaking must be signed by a duly authorized person and be in a form acceptable to the SEC. The ability to provide the Alternative Undertaking does not apply when the third party maintains records in a paper format or on micrographic media.

As part of the Alternative Undertaking, the third-party service provider must acknowledge that the records are the property of the broker-dealer, and that the broker-dealer has represented to the recordkeeping service that the broker-dealer: (1) is subject to Commission rules governing the maintenance and preservation of certain records; (2) has independent access to the records maintained by the third party; and (3) consents to the third party fulfilling the obligations set forth in the Alternative Undertaking. Additionally, the third-party service provider must undertake to facilitate within its ability, and not impede or prevent: (1) the

examination, access, download, or transfer of records by a representative or designee of the SEC as permitted under the law; or (2) a trustee appointed under the Securities Investor Protection Act of 1970 to liquidate the broker-dealer in accessing, downloading, or transferring the records as permitted under the law.

The SEC has also designated a broker-dealer's examining authority (e.g., FINRA) as a Commission designee for the purposes of Rule 17a-4(i).

SEA Rule 17a-4(i) further provides that an agreement with an outside entity does not relieve the broker-dealer from the responsibility to prepare and maintain required records.

A broker-dealer that uses another person, firm or organization to maintain its records also must provide the appropriate disclosures regarding such an arrangement on its Form BD (Uniform Application for Broker-Dealer Registration).

In addition, for a detailed discussion of obligations regarding outsourcing, see *Notice to Members* 05-48 (July 2005) (Members' Responsibilities When Outsourcing Activities to Third-Party Service Providers) and *Regulatory Notice* 21-29 (August 2021) (FINRA Reminds Firms of their Supervisory Obligations Related to Outsourcing to Third-Party Vendors).

**SEA Rule 17a-4(j):** Production of Records

Broker-dealers must furnish promptly to the SEC legible, true, complete and current copies of required records, or any other records of the broker-dealer subject to examination that are requested by the SEC. Also, if requested by the SEC, broker-dealers must furnish a record and its audit trail (if applicable) preserved on an electronic recordkeeping system in a reasonably usable electronic format.

**SEA Rule 17a-4(l):** Location of Office Records and Other Specified Records

For the most recent two-year period, specified records (records made pursuant to SEA Rules 17a-3(g), 17a-4(b)(4) (communications) and 17a-4(e)(7)) must 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 that office as the firm chooses.

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.

The word “promptly” has deliberately not been defined in the rule. However, the SEC has stated that, in general, requests for records that are readily available at the office (either on-site or electronically) should be filled on the day the request is made. If a request is unusually large or complex, then the firm should discuss with the regulator a mutually agreeable time frame for production. Additionally, while the firm must maintain specified records for its foreign office, it is not required to maintain or produce those records at the foreign office. Instead, those records would be maintained at the firm’s main office.

### **SEA Rule 17a-7**

**SEA Rule 17a-7:** Records of non-resident brokers and dealers

This rule permits non-resident broker-dealers to preserve their required records outside of the U.S. subject to specified conditions, including the filing with the Commission of a written undertaking to furnish such records upon request at the Commission’s principal office or at any of its regional offices.

A non-resident broker-dealer is defined as: (1) in the case of an individual, one who resides in or has his principal place of business in any place not subject to the jurisdiction of the U.S.; (2) in the case of a corporation, one incorporated in or having its principal place of business in any place not subject to the jurisdiction of the U.S.; and (3) in the case of a partnership or other unincorporated organization or association, one having its principal place of business in any place not subject to the jurisdiction of the U.S. See SEA Rule 17a-7(d)(3).

### **FINRA Rules**

In addition to the recordkeeping requirements of FINRA Rule [4511](#) (General Requirements), the following are **some** of the other FINRA recordkeeping rules:

FINRA reminds firms that this is **not** a complete list of books and records requirements.

**FINRA Rule 2210(b)(4):** Communications with the Public; Approval, Review and Recordkeeping

Firms must maintain all retail communications and institutional communications for the retention period required by SEA Rule 17a-4(b) and in a format and media that comply with SEA Rule 17a-4. The records must include:

- A copy of the communication and the dates of first and (if applicable) last use of such communication;
- The name of any registered principal who approved the communication and the date that approval was given;
- In the case of a retail communication or an institutional communication that is not approved prior to first use by a registered principal, the name of the person who prepared or distributed the communication;
- Information concerning the source of any statistical table, chart, graph or other illustration used in the communication;
- For any retail communication for which principal approval is not required pursuant to paragraph (b)(1)(C), the name of the member that filed the retail communication with the Department, and a copy of the corresponding review letter from the Department; and
- For any retail communication that includes or incorporates a performance ranking or performance comparison of a registered investment company, a copy of the ranking or performance used in the retail communication.

Members must maintain all correspondence in accordance with the recordkeeping requirements of FINRA Rules 3110.09 and 4511.

- ***Retention Period:*** *Three years from the date of last use; Source: FINRA Rule 2210(b)(4)(A) and SEA Rule 17a-4(b).*

**FINRA Rule 2241(d):** Research Analysts and Research Reports; Disclosure in Public Appearances

Firms must maintain records of public appearances by research analysts sufficient to demonstrate compliance by those research analysts with the applicable disclosure requirements under Rule 2241(d).

- **Retention Period:** *Three years from the date of the public appearance; Source: FINRA Rule 2241(d)(3).*

**FINRA Rule 2360(b)(23)(C)(iii):** Options; Requirements; Tendering Procedures for Exercise of Options; Allocation of Exercise Assignment Notices

A firm is required to preserve sufficient work papers and other documentary materials relating to the allocation of exercise assignment notices to establish the manner in which allocation of such exercise assignment notices is in fact being accomplished.

- **Retention Period:** *Three years; Source: FINRA Rule 2360(b)(23)(C)(iii)*

**FINRA Rule 4570:** Custodian of Books and Records

A member that files a Form BDW must designate on the Form BDW, as custodian of the member's books and records: (1) a person associated with the member at the time that the Form BDW is filed; or (2) another FINRA member. The custodian is required to preserve and produce such books and records in the same manner in which they were received from the member that filed the Form BDW and make such records available for inspection by FINRA upon request.

Where a member has agreed to act as custodian of the books and records of another member that has filed a Form BDW, the member that has agreed to act as custodian must: (1) treat such books and records as if they were its own books and records; and (2) arrange upon its dissolution for such books and records to continue to be retained for the remainder of the applicable retention periods under FINRA and Exchange Act rules in the same manner as its own books and records consistent with Rule 4570.

A member that is filing a Form BDW must, before the submission of the form, obtain from the person designated on the form as custodian of the member's books and records the person's affirmative consent to act in such a capacity. Prior to obtaining a custodian's consent, such member must inform the custodian of its obligations under the Exchange Act and FINRA rules, including Rule 4570.

- **Retention Period**: The remainder of the applicable retention periods under FINRA and Exchange Act rules; Source: FINRA Rule 4570(b).

***FINRA Rule 5130(b)***: Restrictions on the Purchase and Sale of Initial Equity Public Offerings; Preconditions for Sale

A firm is required to maintain a copy of all records and information relating to whether an account is eligible to purchase new issues in its files.

- **Retention Period**: *Until three years after the member's last sale of a new issue to that account; Source: FINRA Rule 5130(b)*

**FINRA Compliance Tool Disclaimer** – This optional tool is provided to assist member firms. This tool is provided as a starting point, and you must tailor this tool to reflect the size and needs of your firm. Using this tool does not guarantee compliance with or create any safe harbor with respect to FINRA rules, the federal securities laws or state laws, or other applicable federal or state regulatory requirements. This tool does not create any new legal or regulatory obligations for firms or other entities.

**Updates** – This tool was last reviewed and updated, as needed, on March 20, 2024. This tool does not reflect any regulatory changes since that date. FINRA periodically reviews and update these tools. FINRA reminds member firms to stay apprised of new or amended laws, rules and regulations, and update their WSPs and compliance programs on an ongoing basis.

**Additional Guidance** – Member firms seeking additional guidance on certain regulatory obligations should review the relevant FINRA [Key Topic Pages](#).

**Staff Contact(s)** – FINRA's Office of General Counsel (OGC) staff provides broker-dealers, attorneys, registered representatives, investors and other interested parties with interpretative guidance relating to FINRA's rules. Please see [Interpreting the Rules](#) for more information.

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