

## Suggested Formats for Books and Records

The firm needs to provide samples of the books and records that it will utilize in conducting its securities business. The following list will aid the firm in preparing such records. Please note the following:

- The books and records contained on the following list are suggested formats. The firm should also review the applicable rules for content requirements.
- For a firm operating on a fully-disclosed basis, the books and records requirements will usually be less than for a self-clearing firm, since many of the books and records for such a firm will be maintained by its clearing firm. The introducing firm however, must maintain the appropriate books and records for that portion of its business not processed on a fully-disclosed basis. For example, a firm may clear all of its transactions in equities through its clearing firm, but not transactions in mutual funds, variable annuities, direct participation programs, et cetera.

For those types of transactions, the firm will be required to maintain the appropriate books and records as required by SEC Rule 17a-3 along with other regulations.

- Firms that utilize applications or subscription agreements (transactions in mutual funds, variable annuities, direct participation programs; etc.) for their customer account information should be aware that such documents do not necessarily comply with content requirements. It usually is best to maintain a separate customer new account form.
- A firm may elect to utilize a unit system for maintaining certain records. In a unit system, individual records are accumulated and are filed or bound together in chronological order. This may be an acceptable format for firms engaging in transactions in mutual funds, variable annuities, direct participation programs, etc. If an applicant firm intends to utilize such a system, it should provide a description of that system. It should be noted that the unit system must conform in every way to the informational requirements of SEC Rule 17a-3 and other regulations.
- Note that there may be several commonly used names for certain books and records.
- Please read Rules 8210, 8220, and 9132 regarding FINRA's inspection of books and records, and a firm's responsibility to furnish information requested.
- Blotters are books of original entry, containing a daily account of all transactions of the firm and its customers. Ledgers are books kept by account and are posted chronologically from information contained in the blotters.

<b>CASH RECEIPTS &amp; DISBURSEMENTS BLOTTER</b>	
<b>X</b>	<p><b>Purpose:</b> A daily record of all receipts and disbursements of cash relating to the firm's business.</p> <p><b>Required Contents:</b>  Date funds were received.  From whom funds were received.  Date funds were disbursed.  To whom funds were disbursed.  Name of account to be debited or credited.  Total dollars and cents debited or credited.</p> <p><b>Rule:</b> 17a-3(a)(1)</p> <p><b>Timeliness:</b> Record should reflect the activity as of the date it occurs and should be prepared no later than the following business day.</p>

<b>CHECKS RECEIVED AND FORWARDED BLOTTER</b>	
<b>(CASH RECEIPTS AND FORWARDED BLOTTER)</b>	
<b>X</b>	<p><b>Purpose:</b> A daily record of all <u>checks</u> received from customers and forwarded to a third party.</p> <p><b>Required Contents:</b>  Date checks were received.  From whom checks were received.  Date checks were forwarded.  To whom checks were forwarded.  Amount of check.</p> <p><b>Rule:</b> 17a-3(a)(1)</p> <p><b>Timeliness:</b> It should reflect the activity as of the date it occurs and should be prepared no later than the following business day.</p>

## CONFIRMATIONS

**Purpose:** Confirmations are written acknowledgements sent to customers informing them of transactions executed for their accounts. Confirmations also serve as invoices to a customer.

**X Required Contents:**

Number of shares the customer purchased or sold.

The name and symbol of the security.

The unit price at which the transaction was executed.

Trade date and settlement date with a legend that execution time will be furnished upon request.

Proper capacity disclosure, namely, whether the member is acting as an agent for the customer, as a dealer for its own account, as an agent for some other person, or as an agent for both the customer and some other person (dual agent).

Customer's name and address or an adequate identification of the account.

Source and amount of any commission or other remuneration received, or to be received, by the member; all other charges or credits and the aggregate amount.

Whether any odd lot differential or fee has been paid by the customer and that the amount of any such differential or fee will be furnished upon request.

**Note: There are additional requirements for confirmations depending upon the type of transaction. Firms should review the following rules:**

**Rules:** 10b-10; 17a-3(a)(8); 11220; 2230; IM-2230; G-15 and other MSRB rules

**Timeliness:** Should be prepared no later than the business day after transaction day.

**CUSTOMER NEW ACCOUNT RECORDS**

**(CUSTOMER NEW ACCOUNT FORM; CUSTOMER ACCOUNT CARDS)**

X

**Purpose:** To record background information on customers.

**Required Contents:**

Customer's name (account number also suggested).

Customer's address.

Whether customer is of legal age.

Signature of the registered representative introducing the account.

Signature of the member or partner, officer, or manager who accepts the account.

If the customer is a corporation, partnership, or other legal entity, the names of any persons authorized to transact business on behalf of the entity.

**For each account other than an institutional account, and accounts in which investments are limited to transactions in money market funds, each member shall also make reasonable efforts, prior to settlement of the initial transaction in the account, to obtain the following information to the extent it is applicable to the account:**

Customer's tax identification or social security number.

Occupation of customer and name and address of employer.

Whether customer is an associated person of another member.

**For a discretionary account, in addition to the above, the member shall provide the following information:**

Signature of each person authorized to exercise discretion in the account.

Date such discretion is granted.

**In addition to the above information as required by Rule 3110, Rule 2310 requires that, prior to the execution of a transaction recommended to a non-institutional customer, other than transactions with customer where investments are limited to money market mutual funds, a member shall make reasonable efforts to obtain information concerning:**

Customer's financial status.

Customer's tax status.

Customer's investment objectives.

Other information used or considered to be reasonable by such member or registered representative in making recommendations to the customer.

**Rule:** 3110; 2310

**Timeliness:** The information should be obtained prior to any trading activity by the customer.

<b>CUSTOMER LEDGER</b>	
<b>X</b>	<p><b>Purpose:</b> To record all securities transactions and related activities for customers and others.</p> <p><b>Required Contents:</b> Customer name. Customer address. Date of all customer's purchases, sales, receipts and deliveries of securities. Number of shares bought or received into the account. Number of shares sold or delivered out of the account. Name of the security(ies). Money debits or credits.</p> <p><b>Rule:</b> 17a-3(a)(3)</p> <p><b>Timeliness:</b> Postings relating to the purchase or sale of securities must be recorded no later than settlement date. Postings relating to securities movements and cash receipts and disbursements must reflect the date the activity occurred and must be recorded no later than the first business day following such activity.</p>

	<b>DIVIDENDS AND INTEREST LEDGER</b>
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	<b>Purpose:</b> A listing of dividends and interest receivable and/or payable by a broker-dealer on stocks and bonds carried by a customer for its customers and others.
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<b>X</b>	<b>Required Contents:</b>
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	Name of the security.
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	Ex-dividend or interest date.
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	Record date.
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	Rate payable (cash or securities) per share.
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	Date payable.
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	<b>Rule:</b> 17a-3(a)(4)
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	<b>Timeliness :</b> Must be posted no later than the business day after movement of the money or the business day subsequent to the payable date.
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## **FAILS TO DELIVER LEDGER**

**Purpose:** To record open contracts between broker-dealers which have reached settlement date but have not yet cleared. The seller has not presented the security to the buyer for payment.

**X Required Contents:**

Name of the security.

Number of shares (or principal amount of bonds).

Sale price.

Broker-dealer to whom the securities are due.

Fail date (the date of which delivery of securities was due but not made).

Date the securities were delivered.

**Rule:** 17a-3(a)(4)

**Timeliness:** Transactions between broker-dealers not completed on settlement date must be posted no later than the first business day following settlement date. Resolution of fail transactions should be recorded no later than the first business day following resolution.

	<b>FAILS TO RECEIVE LEDGER</b>
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<b>X</b>	<b>Purpose:</b> To record open contracts between broker-dealers which have reached settlement date but have not yet cleared. The buyer has not made payment because the seller's broker has not yet made delivery.
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<b>X</b>	<b>Required Contents:</b>
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<b>X</b>	Name of the security.
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<b>X</b>	Number of shares (or principal amount of bonds).
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<b>X</b>	Purchase price.
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<b>X</b>	Broker-dealer from whom the securities are due.
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<b>X</b>	Fail date (the date of which receipt of securities was due).
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<b>X</b>	Date on which the securities were received.
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<b>X</b>	<b>Rule:</b> 17a-3(a)(4)
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<b>X</b>	<b>Timeliness:</b> Transactions between broker-dealers not completed on settlement date must be posted no later than the first business day following settlement date. Resolution of fail transactions should be recorded no later than the first business day following resolution.
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	<b>GENERAL LEDGER</b>
<b>X</b>	<p><b>Purpose:</b> A record of all of the firm's asset, liability, income, expense, and capital accounts.</p> <p><b>Required Contents:</b>  All asset account balances.  All liability account balances.  All income account balances.  All expense account balances.  All capital account balances.</p> <p><b>Rule:</b> 17a-3(a)(2)</p> <p><b>Timeliness:</b> Should be kept up-to-date and should be posted as frequently as activity warrants - daily, if necessary, but at least monthly in order to prepare financial statements.</p>

	<b>SECURITIES (TRADING AND INVESTMENT) ACCOUNT</b>
<b>X</b>	<p><b>Purpose:</b> To reflect all purchases and sales and all long or short positions for each security in which the broker-dealer has a proprietary interest. A separate account or sub-account should be maintained for each security.</p> <p><b>Required Contents:</b>  Number of shares or units purchased or sold.  Unit price.  Aggregate purchase or sale price of the transaction.  Date of purchase or sale (settlement date if that system of posting is used).</p> <p><b>Timeliness:</b> Must be recorded on a current basis in order for the firm to know what its proprietary positions are at any given time.</p>

<b>MONIES BORROWED AND LOANED LEDGER</b>	
<b>X</b>	<p><b>Purpose:</b> To show all monies borrowed or loaned and is maintained regardless of whether a customer's or the firm's securities are pledged as collateral.</p> <p><b>Required Contents:</b>  Name of the bank.  Date the loan was made.  Interest rate.  Amount of the loan.  Date the loan was paid.</p> <p><b>An additional page, called a collateral record, should be provided for each loan. This record should contain the following:</b>  Number of shares or the principal amount of bonds.  Name of the securities used to secure the loan.  Certificate numbers of securities used as collateral for each particular loan.</p> <p><b>Rule:</b> 17a-3(a)(4)</p> <p><b>Timeliness:</b> Must be posted no later than the business day after movement of the money.</p>

## OPTIONS ACCOUNT INFORMATION

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**Purpose:** To obtain background information on option customers.

**Required Contents:**

Investment objective (e.g., safety of principal, income, growth, trading profits, speculation).

Employment status (name of employer, self-employed or retired).

Estimated annual income from all sources.

Estimated net worth (exclusive of family residence).

Estimated liquid net worth (cash, securities, other).

Marital status.

Number of dependents.

Age.

Investment experience and knowledge (e.g., number of years, size, frequency and type of transaction) for options, stocks and bonds, commodities, other.

**In addition, a customer's account records shall contain the following information, if applicable:**

Source or sources of background and financial information (including estimates) concerning the customer.

Discretionary authorization agreement on file, name, relationship to customer and experience of person holding trading authority.

Date disclosure document(s) furnished to customer.

Nature and types of transactions for which account is approved (e.g., buying covered writing, uncovered writing, spreading, discretionary transaction).

Name of registered representative.

Name of ROP approving account.

Date of approval.

Date of verification of Timeliness of account information.

**Rule:** IM-2860-2

<b>OPTION RECORD</b>	
<b>X</b>	<p><b>Purpose:</b> To record all puts and calls and other options in which the member has any direct or indirect interest.</p> <p><b>Required Contents:</b> Name of the security. Number of shares. Date. Details regarding the option. Expiration date.</p> <p><b>Rule:</b> 17a-3(a)(10)</p> <p><b>Timeliness:</b> Should be prepared no later than the business date following the date the option was written.</p>

## **PURCHASE & SALES BLOTTER**

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**Purpose:** A chronological listing of all of the firm's purchase and sale of securities.

**Required Contents:**

Trade date.

Settlement date (suggested).

Account identification - may be either the name and/or number of the account.

Number of shares or principal amount (in the case of bonds).

Description of the security (CUSIP # also suggested).

Unit Price - price per share at which the transaction was executed.

Aggregate Price - the total sale or purchase price.

Name of buyer or seller.

**Rule:** 17a-3(a)(1)

**Timeliness:** Each transaction must be posted to the blotter no later than the business day following the trade date.

**PURCHASE AND SALES MEMORANDUM (ORDER TICKETS)**

**Purpose:** Every broker-dealer must prepare a memorandum of each order received by the firm whether executed or unexecuted. Each order ticket must reflect the terms and conditions of the transaction including, among other things:

**X Required Contents:**

Buy or sell order.

Description of the security.

Whether the order is a market, limit, or stop-loss order.

Number of shares the customer wants to buy or sell.

Name of the customer and account number.

Agency or principal transaction.

Price at which executed.

Time and date when the customer placed the order.

Time and date that the broker-dealer executed the order or canceled the order per the customer's request.

Whether order entered pursuant to discretionary authority.

Contra broker-dealer.

Whether the transaction is long or short, if a sell.

Location of security if long sale.

**Rules:** 17a-3(a)(6); 17a-3 (a)(7); 3110(b)

**Timeliness:** Should be prepared before the execution of the trade.

<b>SECURITIES BORROWED AND LOANED LEDGER</b>	
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**Purpose:** To record all securities borrowed and loaned.

**Required Contents:**

Date the securities were borrowed or loaned.

Name of the party from whom the securities were borrowed or to whom they were loaned.

Number of shares.

Name of the security.

Price per share.

Total amount of shares borrowed or loaned.

Date the securities were returned.

**Rule:** 17a-3(a)(4)

**Timeliness:** Must be posted no later than the business day following the date of activity.

	<b>SECURITIES DIFFERENCE ACCOUNT</b>
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	<b>Purpose:</b> To record the differences, if any, between the long and short entries on the securities position record after all owners and locations have been verified.
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<b>X</b>	<b>Required Contents:</b>
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	Date of posting.
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	Date of examination or verification.
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	Description of the securities.
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	Number of shares or units or par amount (if bonds). For each security, the shares in excess of (long) or less than (short) the amount indicated on the position record.
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	Date of resolution, if applicable.
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	<b>Rule:</b> 17a-3(a)(4); 17a-13
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	<b>Timeliness:</b> Any long or short security differences unresolved seven business days after discovery must be posted by the following business day. The posting date is as of the seventh business day after the required quarterly securities count and verification.
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	<b>SECURITIES POSITION RECORD (STOCK RECORD, POSITION RECORD)</b>
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**Purpose:** A record of the ownership and location of each security for which the firm is responsible.

**X Required Contents:**

Name of the security.

Name or designation of the account for which each position is carried.

Location of all securities long and the offsetting position of all securities short (long refers to ownership, while short refers to the location of the security).

Number of shares or units or, in the case of bonds, the par amount for each account or location.

**Rule:** 17a-3(a)(5)

**Timeliness:** This record should show all the positions resulting from purchases and sales transactions as of settlement date. It must be posted no later than the business day after settlement date or the date of securities movement.

<b>SECURITIES RECEIVED AND DELIVERED BLOTTER</b>	
<b>X</b>	<p><b>Purpose:</b> A chronological record of all securities received and delivered by the firm in the course of its business.</p> <p><b>Required Contents:</b></p> <ul style="list-style-type: none"><li>Date securities received.</li><li>From whom received.</li><li>Date securities delivered.</li><li>To whom delivered.</li><li>Account for which receipt or delivery was made.</li><li>Security name.</li><li>Number of shares or units of each security.</li><li>Certificate numbers.</li></ul> <p><b>Rule:</b> 17a-3(a)(1)</p> <p><b>Timeliness:</b> All activity must be posted no later than the business day following receipt or delivery of securities.</p>

**X**

**SECURITIES RECEIVED AND DELIVERED TICKETS**

**(UNIFORM DELIVERY TICKETS)**

**Required Contents:**

Sending party's name, address, telephone number, and clearing house number (if appropriate).

Settlement date.

Delivery date.

Receiving party's name and clearing house number (if appropriate).

Account information (if appropriate).

Quantity.

CUSIP number.

**Optional Information**

Price.

Certificate number(s).

Future settlement code.

Transaction number.

Trade date.

On the receiver's copy - WHERE TRADED, TYPE OF ORDER and TYPE OF DELIVERY.

For users of the Depository Trust Corporation (DTC), the DTC copy will conform to DTC specifications.

## SECURITIES TRANSFER LEDGER

**Purpose:** The certificates of securities that a broker-dealer receives upon completion of the transaction may often be registered to the previous owner of the security. If a broker receives instructions to have certificates registered in an individual's name or street name, the certificates must often be sent to the transfer agent. The broker-dealer is required to keep a record showing all securities sent to transfer.

**X Required Contents:**

Number of shares in transfer.

Name in which the security was registered.

New name (the name in which new certificate will be registered).

Date the security was sent to transfer.

Old certificate number(s).

Date the security was received back from transfer.

New certificate number(s).

**Rule:** 17a-3(a)(4)

**Timeliness:** The Securities Transfer Ledger must be posted no later than one business day after the date the securities were sent to transfer or received from transfer.

## TRIAL BALANCE

**Purpose:** The trial balance is a statement of all open money balances (debits and credits) of all general ledger accounts.

**X Required Contents:**

Account name.

Open debit or credit balance for asset accounts.

Open debit or credit balance for liability accounts.

Open debit or credit balances for income accounts.

Open debit or credit balances for expense accounts.

Open debit or credit balances for capital accounts.

**Rule:** 17a-3(a)(11)

**Timeliness:** Must be maintained on a current basis and must be prepared at least monthly.

This record must be prepared no later than ten business days after the end of the accounting period.

## MISCELLANEOUS RECORDS

**The following are some other records that the firm may be required to maintain:**

Cash/Margin account agreement

Customer lending authorizations

Discretionary account agreement

Correspondence files

Customer complaint file

Advertising and sales literature

Written supervisory procedures

Predispute arbitration agreements

Collateral loan agreement

Partnership agreements

Corporate minutes

Underwriting and/or selling group agreements

Bank deposit slips, check register, cancelled checks, debit and credit memorandum

Net capital computations and aggregate indebtedness to net capital ratio

Possession and control determinations

15c3-3 reserve requirement computations

Bank account agreements - 15c3-3 and (k)(2)(i)

Option allocation procedures

Audited financials

Clearing agreement

Quarterly securities count record

Fingerprint records

Lost and stolen securities program records

Currency and foreign transactions reporting records

Continuing education records  
Due diligence records  
Fidelity bond  
Notifications of private securities transactions and outside business activities  
Form BD and amendments, U4s, U5s  
Branch inspection reports  
"Penny stock" disclosure documents  
Records relating to broker-dealers operating on bank premises - disclosure docs; bank agreement, etc.

**Note:** There could be considerably more books and records required to be maintained by a firm, depending on the type of business it conducts.