

June 9, 1978

SUBJECT: RETENTION OF RECORDS REQUIRED BY FLOOR BROKERS WHO DO
NOT DEAL WITH THE PUBLIC

SEC Rule 17a-3 sets forth the books and records which are to be maintained and 17a-4 establishes the periods of time such books and records must be preserved. These rules and NYSE Rules 123, 350, 410(a), and 440 apply to all brokers and dealers including individual members and member organizations acting solely as floor brokers. Each broker or dealer, including one acting as floor broker on a retainer, has a responsibility to make and preserve records which are sufficient to satisfy the requirements of the above rules and to substantiate reports made on NYSE Form 600 Net Commissions Received and Retained on Floor Transactions, SIPC 6 Quarterly General Assessment Payment Form and SIPC 7 Annual General Assessment Reconciliation Form.

For your convenience the following abstract of the rules describes records of a floor broker. It has been reworded for easier understanding and to highlight the requirements of the rules. The references are to the subsections of Rules 17a-3 and 17a-4 from which the abstracts were derived.

Retention Six Years (Two Years in a Readily
Accessible Place) (17a-4(a))

17a-3(a)

- (1) Blotters or other records containing an itemized daily record of all receipts and disbursements of cash and all other debits and credits. 1/
- (2) Ledgers or other records reflecting all assets and liabilities, income and expense and capital accounts. 1/

1/ Ordinarily a columnarized cash receipts and disbursements record, which is footed and balanced monthly and is supported by a check register having detailed explanation of deposits (receipts) and checks paid (disbursements), will satisfy these requirements when the individual or member organization is not required to make capital computations under SEC Rule 15c3-1. Those individuals or member organizations required to make capital computations would have to make and retain computations of Net Capital and Aggregate Indebtedness.

Retention Three Years (Two Years In A Readily
Accessible Place) (see 17a-4(b) and (e))

17a-3(a)

- (6) A memorandum of each brokerage order, cancellation order, execution report and any other instruction given or received for the purchase or sale of securities, whether executed or unexecuted and whether originated on or off the Floor. This will include copies of floor tickets substantiating commissions billed, "Questioned Trade" tickets and all Floor records relating to error transactions (purchase or sale) whether for the floor broker's own account or the account of another individual member or member organization. 2/
- (7) A memorandum of each purchase and sale of securities.
- (11) A monthly trial balance of all general ledger accounts and if subject to the Uniform Net Capital Rule, a computation of aggregate indebtedness and net capital as of the trial balance date.
- (12) A questionnaire or application for employment executed by each partner, officer, director or employee handling funds or securities of member organizations (Uniform Application for Securities and Commodities Industry Representative and/or Agent - Form U-4) to be preserved for a period of not less than three years after termination of association.

17a-4(b)

- (2) All checkbooks, bank statements, cancelled checks and cash reconciliations.
- (3) All bills receivable or payable (or copies thereof), paid or unpaid relating to the business of the individual or member organization.
- (4) Originals of all communications received and copies of all communications sent relating to the business of the individual or member organization. This will include communications with Federal, State or other regulatory authorities and copies of Forms B/D (Broker/Dealer Registration), SIPC 6 (Quarterly General Assessment Payment Form), SIPC 7 (Annual General Assessment Reconciliation Form) and NYSE Form 600 (Net Commissions Received and Retained on Floor Transactions).
- (7) All written agreements (or copies thereof) entered into by members or member organizations relating to their business activities, such as clearing agreements, etc. These documents should be preserved for three years after expiration. However, see longer preservation requirement for some documents under 17a-4(d) which follows.

Indefinite Retention Period

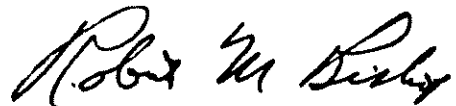
17a-4(d)

Partnership articles or, in the case of a corporation, all articles of incorporation or charter, minute books and stock certificate books are to be preserved for the life of the enterprise.

While lease, A-B-C and seat financing (subordination) agreements are not specifically mentioned, preservation of such documents for the life of the enterprise is required by interpretation.

Members and member organizations conducting only a Floor business are required to maintain at least the records described generally above. It is to be emphasized that this list is for your convenience and ease of reference only, and is not necessarily all-inclusive. Personal reasons, tax reasons, other rules, new rule developments and prudent business practice may require additional records or longer periods of retention. In devising a recordkeeping system, it is recommended that each member and member organization consult with a qualified brokerage accountant and/or attorney. Any doubts concerning the retention schedule for a required record should be resolved in favor of its preservation.

[Questions should be directed to your Supervising Coordinator.]



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