

Interested persons were afforded an opportunity to participate in the rule-making through the submission of comments. All comments received were favorable.

In consideration of the foregoing, Part 71 of the Federal Aviation Regulations is amended, effective 0901 G.m.t., July 18, 1974, as hereinafter set forth.

In § 71.181 (39 FR 440), the Knoxville, Tenn., transition area is amended as follows:

\*\*\* excluding the portion within the Morristown, Tenn., transition area \*\*\* is deleted and \*\*\* within an 8-mile radius of Knoxville Downtown Island Airport (latitude 35° 57'45" N., longitude 83°52'30" W.); excluding the portion within Morristown, Tenn., transition area \*\*\* is substituted therefor.

(Sec. 307(a), Federal Aviation Act of 1958, (49 U.S.C. 1348(a)); sec. 6(c), Department of Transportation Act, (49 U.S.C. 1655(c)))

Issued in East Point, Ga., on April 30, 1974.

DUANE W. FREER,

*Acting Director, Southern Region.*

[FR Doc. 74-10631 Filed 5-8-74; 8:45 am]

[Airspace Docket No. 74-WA-11]

**PART 71—DESIGNATION OF FEDERAL AIRWAYS, AREA LOW ROUTES, CONTROLLED AIRSPACE, AND REPORTING POINTS**

**Designation and Redesignation of Reporting Points**

The purpose of this amendment to Part 71 of the Federal Aviation Regulations is to designate the Ainsworth, Nebr., VOR reporting point and to redesignate the Hobe, Palmetto, Shad, Snook, Squid, and Swordfish reporting points. Designation of the Ainsworth, Nebr., domestic low altitude reporting point will reduce controller workload and communication frequency congestion. Reporting points at Hobe INT, Palmetto INT, Snook INT, Squid INT, and Swordfish INT are incorrectly described by inbound bearings. Their redescription by outbound bearings does not change their locations. The Millville, N.J., RBN has been renamed Rainbow, N.J., RBN. The description of the Shad INT reporting point is amended by making this name change.

Because this action merely designates and redescribes reporting points in accordance with the requirements of current air traffic control procedures, and without altering any route structures or designated airspace, this action is a minor matter on which the public would have no particular desire to comment. Therefore, notice and public procedure thereon are unnecessary. In order to provide sufficient time for changes to be depicted on appropriate charts, this amendment will be made effective on July 18, 1974.

In consideration of the foregoing, Part 71 of the Federal Aviation Regulations is amended, effective 0901 G.m.t., July 18, 1974, as hereinafter set forth.

**RULES AND REGULATIONS**

Section 71.203 (39 FR 620) is amended by adding the following:

Ainsworth, Nebr.

Section 71.209 (39 FR 630) is amended as follows:

a. In Hobe INT: "INT of 195° bearing" is deleted and "INT of 014° bearing" is substituted therefor.

b. In Palmetto INT: "INT of 192° bearing" is deleted and "INT of 011° bearing" is substituted therefor.

c. In Shad INT: "INT of Millville, N.J. RBN" is deleted and "INT of Rainbow, N.J., RBN" is substituted therefor.

d. In Snook INT: "INT of 182° bearing" is deleted and "INT of 002° bearing" is substituted therefor.

e. Squid INT: is amended to read as follows:

Squid INT: INT of 192° bearing Croton, N.C., RBN and 090° bearing Dinsmore, Fla., RBN.

f. Swordfish INT: is amended to read as follows:

Swordfish INT: INT of 182° bearing Croton, N.C., RBN and 090° bearing Dinsmore, Fla., RBN.

(Sec. 307(a), Federal Aviation Act of 1958, (49 U.S.C. 1348(a)); sec. 6(c), Department of Transportation Act (49 U.S.C. 1655(c)))

Issued in Washington, D.C., on May 2, 1974.

GORDON E. KEWER,  
*Acting Chief, Airspace and  
Air Traffic Rules Division.*

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**Title 17—Commodity and Securities Exchanges**

**CHAPTER II—SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-10756]

**PART 241—INTERPRETATIVE RELEASE RELATING TO THE SECURITIES EXCHANGE ACT OF 1934 AND GENERAL RULES AND REGULATIONS THEREUNDER**

**Statement Regarding Maintenance of Current Books and Records by Brokers and Dealers**

Inquiries have been received by the Commission requesting clarification of the requirement of Rule 17a-3(a) under the Securities Exchange Act of 1934 that every broker-dealer shall "make and keep current" certain books and records enumerated in the rule. Also, subparagraph (c) of Rule 17a-11 requires that telegraphic notice be given to the Commission when a broker or dealer fails to comply with the requirements of Rule 17a-3 to "make and keep current" books and records prescribed by the rule.

Rule 17a-3(a) requires that registered broker-dealers prepare records of transactions and dealings in securities for the accounts of the firm's customers as well as for its own risk and account, and to prepare records of other financial transactions related to the business of the broker-dealer. These requirements are intended to serve three basic regulatory purposes. First, it is expected that the

broker-dealer maintain current books and records for the protection and convenience of customers; that is, customers are entitled to prompt responses to inquiries and resolution of claims relating to their accounts. Secondly, these requirements are intended to enable a broker-dealer to be aware of the extent of its compliance with the various rules and requirements, particularly the net capital and other customer protection rules,<sup>1</sup> and be able to demonstrate compliance to the Commission and the self-regulatory authorities without the burden of bringing books and records up-to-date being placed upon the regulatory authorities. Third, a broker-dealer should have current books and records to enable it to fulfill its obligations and responsibilities to other broker-dealers with whom business is transacted. Additionally, good business practice requires timely information for effective management decisions. In order to serve these purposes, we discuss in the following paragraphs general guidelines for the maintenance of current books and records with respect to the requirements of Rules 17a-3(a) and 17a-11.<sup>2</sup>

**A. Order tickets and confirmations.** Subparagraphs (6) and (7) of Rule 17a-3(a) require the preparation of a memorandum of each brokerage order and each principal transaction and subparagraph (8) requires maintenance of copies of confirmations of transactions for the accounts of customers and partners. These are the basic source documents and transaction records of a broker-dealer. By their nature the memoranda of brokerage and principal transactions should be prepared at the time of the transactions, and the confirmations, which are prepared from the memoranda, should be prepared and mailed on the day of the transaction or the following business day.

**B. Records of original entry.** The blotters or other records or original entry described in subparagraph (1) of Rule 17a-3 itemize each day's transactions in a format that facilitates posting to the general and subsidiary ledgers. Blotter records relating to securities transactions—e.g., daily purchase and sale blotters—should reflect all transactions as of the trade date and should be prepared no later than the following business day. Similarly, blotter records relating to securities movements and the receipt and disbursement of cash should reflect such transactions on the date they occur and should be prepared no later than the following business day.

**C. General ledgers.** The ledgers prescribed in subparagraph (2) of Rule 17a-3 are the general records reflecting all

<sup>1</sup> Including Rule 15c3-1 or comparable requirements of a national securities exchange of which the broker-dealer is a member and Rule 15c3-3.

<sup>2</sup> Subsequent modification or change of applicable rules may result in the revision of the guidelines set forth herein (for example, see proposed revisions to Rule 15c1-4, Securities Exchange Act Release No. 10681, Investment Company Act Release No. 8275).

asset, liability and capital accounts and all income and expense accounts and include control accounts for subsidiary ledgers. The blotters and other records of original entry should be maintained not only on a daily basis as discussed above, but in a form which will facilitate posting of the general ledger as frequently as necessary to enable the broker-dealer to make the computations necessary to ascertain his compliance with the net capital rule and the customers' reserve requirement rule.<sup>3</sup> For many broker-dealers, compliance with the customers' reserve requirement entails a weekly computation based on updated general ledger account balances.

A broker-dealer is required to be in compliance with the net capital rule at all times and the general ledger must be posted as frequently as may be necessary to make that determination. Compliance with this rule and the concern for frequent computations becomes particularly important in periods of sharp changes in securities prices and increases in trading volume. Firms which are frequent participants in underwriting syndicates or which effect transactions in large blocks of stock may also find it necessary to post their ledger on a daily basis because of the need for making frequent net capital computations. If a broker-dealer effects only a limited number of transactions during an accounting period and it is clear from the nature of the business conducted that such transactions would have no material adverse effect on the broker-dealer's financial and operational condition, net capital or customers' protection requirements during the period it may be appropriate to post the general ledger on a monthly basis.<sup>4</sup>

*D. Customer's ledger accounts.* Transactions involving the purchase and sale of securities should be posted to the customer's ledger accounts described in subparagraph (3) of Rule 17a-3 no later than settlement date. Other customer transactions relating to securities movements and cash receipts and disbursements should be reflected as of the transaction date and should be posted to the accounts no later than the first business day following the transaction.

*E. Subsidiary ledgers.* The subsidiary ledgers and other records<sup>5</sup> relating to

securities in transfer, dividends and interest received, securities borrowed and securities loaned, and monies loaned required under subparagraph (4)(A)-(D) should be posted no later than two business days subsequent to the date of the securities or money movements. Transactions between brokers not completed on settlement date should be posted to the appropriate fail to deliver or fail to receive ledger (or other record) 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. A broker-dealer who maintains his accounts on the trade date basis of accounting and uses "fail" accounts to reflect transactions with other brokers should post transactions to the accounts no later than two business days subsequent to the transaction date. In accordance with the provisions of Rule 17a-3(b)(5), long and short stock record differences shall be entered in an appropriate ledger account (subparagraph (4)(F)) no later than seven business days after the date of a required quarterly securities examination and verification.

*F. Securities position record.* The securities record required by subparagraph (5) of Rule 17a-3(a) shall reflect the changes resulting from purchase and sale transactions either as broker or dealer as of clearance date, or settlement date, and should be recorded no later than the following business day.<sup>6</sup> In addition, other changes in securities positions should be reflected on the date of the security movement or on the following business day as of the date of the movement. Long and short securities record differences shall be entered concurrently with their recording in the subsidiary ledger required by subparagraph (4)(F).

*G. Transactions in options.* The record of puts, calls, spreads, straddles, and other options described in subparagraph (10) should reflect transactions as of the date an option is written, guaranteed, traded or exercised and should be prepared no later than the business day following the transaction.

*H. Trial balances and capital computation.* Subparagraph (11) requires the monthly preparation of a trial balance of all ledger accounts and a computation of aggregate indebtedness and net capital as of the trial balance date. These records should be prepared no later than 10 business days after the end of the accounting period, except in those instances where the records must be prepared in a lesser period to satisfy any reporting requirements established by any

<sup>3</sup> Rule 15c3-3(e).

<sup>4</sup> In the course of posting the books at interim date during a month, it may not be necessary to make adjustments for accruals and deferrals such as for depreciation or prepaid expenses if they would not materially affect the financial condition of the broker-dealer.

<sup>5</sup> As used in subparagraph (4) and elsewhere in Rule 17a-3, the term, "other records" should be construed to include, where appropriate, copies of vouchers, confirmations, or similar documents which reflect the information required by the applicable subparagraph arranged in appropriate sequence and in permanent form, including similar records developed by the use of automatic data processing systems and produced or reproduced on microfilm.

self-regulatory authority of which the broker-dealer is a member.<sup>7</sup>

*I. Other records.* The record of beneficial ownership of each cash or margin account (subparagraph (9) of Rule 17a-3) should be prepared before transactions are effected in an account. The employment questionnaire or application (subparagraph (12) of Rule 17a-3) should be prepared at or prior to the commencement of employment.

*J. Time lag in transmission of data.* Under certain limited circumstances the accounting department of a broker-dealer may not be aware of a transaction until a few days after it occurs. Transactions such as receipts and disbursements in out-of-town branches or by correspondents should be recorded no later than the day after the transaction is reported to the accounting department, and dividend and interest claims from other brokers should be recorded no later than the day after the validity of the claim is established.

*K. Service bureaus.* If a broker-dealer hires or engages an outside service bureau or other recordkeeping service to handle its records, the requirement to make and keep current the broker-dealer's books and records is in no way diminished and under such circumstances the broker-dealer is responsible to the same degree for maintaining current books and records as if he were maintaining them himself. Where a broker-dealer undertakes to have his books and records prepared and maintained by a service bureau or recordkeeping service, he should assure himself that the service will be provided in conformity with the Commission recordkeeping rules.

By the Commission.

[SEAL] GEORGE A. FITZSIMMONS,  
Secretary

APRIL 26, 1974.

[FR Doc. 74-10687 Filed 5-8-74; 8:45 am]

**Title 18—Conservation of Power and Water Resources**

**CHAPTER I—FEDERAL POWER COMMISSION**

**SUBCHAPTER A—GENERAL RULES**

[Docket No. RM74-24; Order No. 509]

**PART 2—GENERAL POLICY AND INTERPRETATIONS**

**Availability of All Relevant Information Acquired by Staff Investigation in Contested Cases**

MAY 2, 1974.

The Commission is herein promulgating a statement of policy with respect to

<sup>6</sup> Although not specifically referred to in Rule 17a-3, the weekly or monthly computation of the amount to be on deposit under the customers' reserve requirement rule must be made in sufficient time to enable the broker-dealer to make the required deposit no later than one hour after the opening of banking business on the second business day following the date on which the computation is based, as required by Rule 15c3-3(e).