

OpenText Compliance Brief - SEC Rule 17a-4

Overview of SEC Rule 17a-4

Section 17(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act") authorizes the U.S. Securities & Exchange Commission ("SEC") to issue rules requiring broker-dealers to make, keep and furnish copies of such records as are necessary or appropriate for the protection of investors or otherwise in furtherance of the purposes of the Exchange Act. Pursuant to this authority, the SEC adopted Rules 17a-3 and 17a-4.

These two rules are designed to require broker-dealers to create and preserve a comprehensive record of each securities transaction they effect and of their securities business in general. The SEC relies on these preserved records as a means to monitor compliance by broker-dealers with applicable securities laws, including antifraud provisions and financial responsibility standards.

Rule 17a-3 requires broker-dealers to maintain trade blotters, asset and liability ledgers, income ledgers, customer account ledgers, securities records, order tickets, trade confirmations, trial balances, and various employment related documents, among other types of records.

Rule 17a-4 specifies the manner in which the records created in accordance with Rule 17a-3, and certain other records produced by broker-dealers, must be maintained. It also specifies the required retention periods for these records. For example, communications that relate to the broker-dealer's business as such must be retained for three years and certain other records must be retained for longer periods.

The SEC has provided additional guidance as to the technical means by which compliance with SEC Rule 17a-4 can be achieved, such as in Release 34-47806, 17 CFR Part 241, entitled "Electronic Storage of Broker-Dealer Records." Among other requirements, the hardware/software system designed to support compliance with SEC Rule 17a-4(f) must (A) allow storage of records in a non-rewriteable, non-erasable format, (B) verify automatically the quality and accuracy of the storage media recording process, (C) serialize the original and, if applicable, duplicate units of storage media, and time-date for the required period of retention the information placed on such electronic storage media, and (D) have the capacity to readily download indexes and records preserved on the electronic storage media.

INDUSTRY

Capital Markets in the United States

WHO IS SUBJECT

U.S. broker-dealers and members of a national securities exchange registered with the U.S. Securities and Exchange Commission ("SEC")

THE OPENTEXT SOLUTION

OPENTEXT CONTENT SERVER & ARCHIVE SERVER

OpenText helps U.S. broker-dealers manage electronic records in compliance with SEC Rule 17a-4 through:

- ***The capabilities of OpenText Content Server & Archive Server***
- ***Consulting services provided by OpenText and OpenText partners, such as 17a-4, LLC, that help broker-dealers develop the policies, procedures, and best practices to ensure that OpenText software products are used in an SEC Rule 17a-4-compliant manner.***

17a-4, LLC has determined, based on its own independent investigation, that the OpenText Content Server & Archive Server have the required technical elements to support an SEC Rule 17a-4 compliant system.

17a-4, LLC can provide an SEC Letter of Undertaking pursuant to SEC Rule 17a-4(f)(3)(vii) and other regulatory advisory services to complement the OpenText Content Server & Archive Server.

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