

MEMO# 8402

November 15, 1996

PROPOSED BROKER-DEALER BOOKS AND RECORDKEEPING REQUIREMENTS

November 15, 1996 TO: COMPLIANCE ADVISORY COMMITTEE No. 33-96 SEC RULES COMMITTEE No. 121-96 RE: PROPOSED BROKER-DEALER BOOKS AND RECORDKEEPING REQUIREMENTS

The Securities and Exchange Commission has proposed amendments to the broker-dealer books and records rules (Rules 17a-3 and 17a-4 under the Securities Exchange Act of 1934) in response to certain concerns raised by members of the North American Securities Administrators Association (NASAA) about the location of broker-dealer books, the lack of uniformity in interpreting the books and records requirements and the need for additional records to improve oversight of the industry and increase investor protection. A copy of the Commission's release is attached. The proposed amendments would require broker-dealers to maintain, among other things, (1) additional records concerning associated persons, (2) an account form for each customer account and (3) files of written materials relating to customer complaints and written memoranda of oral complaints alleging certain types of fraud and theft. The proposed account form would require background information about a client (e.g., age, marital status, education level, employment information, annual income, net worth), as well as a designation of the customer's investment objectives. The Commission has proposed a one-year updating requirement with respect to the designated investment objectives, but has solicited comments on whether there are less burdensome alternatives that would nevertheless provide broker-dealers and regulators with a reasonably current indication of each customer's investment objectives. In addition, recognizing that some broker-dealers may engage in certain businesses of a type that render unnecessary the account form requirements being proposed, the Commission has expressly solicited suggested standards for the exemption of categories of broker-dealers from these requirements. The proposed amendments also would modify the current record retention requirements in Rules 17a-4(a) and 17a-4(b) and the record production and organization requirements in Rule 17a-4(j), and would adopt a new requirement that broker-dealers make available certain records in each of their local offices. Comments are due on the proposed broker-dealer books and records amendments by December 27, 1996. If you have any comments on these amendments that you would like the Institute to consider including in a possible comment letter, please contact me by December 4, 1996. My direct number is 202/326-5824, the fax number is 202/326-5827 and my e-mail address is amy@ici.com. Amy B. R. Lancellotta Associate Counsel Attachment

abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.