

SEC Rule 17a-4 & UDO Media



To protect investors from misleading or fraudulent activities in the financial and securities industries, the Securities and Exchange Commission (Commission) enacted the Securities Exchange Act of 1934, requiring, among other things, that records be made and kept for the purposes of reviewing and auditing of securities transactions. Rule 17a-4 specifies the manner in which the records must be maintained and its companion Rule 17a-3, details the specific records that must be retained.

While Rule 17a-3 specifies the specific records to be retained – trade blotters, accounting ledgers, securities records, order tickets, trade confirmation, and other key information - it is Rule 17a-4 that specifies the manner in which records must be maintained and for how long. Length of record retention generally varies between 3 to 6 years depending on the specific documents indicated in Rule 17a-3. The SEC views optical storage as the standard or baseline against which other storage technologies are measured.

Additionally, organizations must give notice to examining authorities of their use of electronic storage media. Special conditions exist if a media other than optical disk technology is used. Traditionally, organizations used Write-Once-Read-Many (WORM) based optical storage to comply with the major requirements noted above. During 1997, the Commission amended the primary rule 17a-4 to allow broker dealers to store records electronically, including electronic communications and messaging such as email and instant messages. To comply, organizations must use systems that meet all of the defined standards of paragraph (f) of SEC Rule 17a-4 (see below).

However, according to a 2003 SEC Interpretation, a broker dealer's use of electronic storage media "must comply with every requirement in paragraph (f)." Specifically, storage systems that only mitigate the risk of a record being overwritten or violate other provisions of paragraph (f) do not comply with the regulation. While the 2003 Interpretation allows for the use of systems that prevent overwriting, deletion or alteration of records via integrated hardware and software controls, all systems must have in place audit systems in compliance with paragraph (f).

SEC Record Retention Requirement	UDO Media Capability
17a-4 (a), (b), (c), (d), (e): Preserve data "for a period of not less than six years", "three years", "18 months" or for the "life of the enterprise" (depends upon the data type, audits, etc.). "...the first two years in an easily accessible place"	UDO Write Once media ensures authenticity of data and accessibility. UDO's highly stable recording surface delivers media life in excess of 50 years, minimizing the frequency of data migration and virtually eliminating media maintenance. Media can be removed from the library, freeing up capacity, yet remaining manageable and accessible until disposition.
17a-4 (f)(2)(ii)(A): Electronic Storage Media must: "Preserve the records exclusively in a non-rewriteable, non-erasable format"	UDO Write Once Media cannot be overwritten or erased (unlike software WORM), and is unaffected by magnetic fields and environmental conditions. It uses a phase change recording process that permanently alters the molecular structure of the recording surface such that data cannot be altered or overwritten.
17a-4 (f)(2)(ii)(B): "Verify automatically the quality and accuracy of the storage media recording process"	Automatically verifies writes as data is recorded, ensuring that the data on the disk is indeed the data being written.
17a-4 (f)(2)(ii)(C): "Serialize the original, and, if applicable, duplicate units of storage media and time-date for the required period of retention..."	Each piece of media is uniquely identified and replicated pieces of media are time-stamped and logically linked.

SEC Rule 17a-4 & UDO Media



SEC Record Retention Requirement	UDO Media Capability
<p>17a-4 (f)(2)(ii)(D): "Have the capacity to readily download indexes and records preserved on the electronic storage media to any medium acceptable under this paragraph."</p> <p>17a-4 (f)(3)(i): "At all times have available, for examination by the staffs of the [SEC] Commission...the electronic storage media images"</p> <p>17a-4 (f)(3)(ii): "Be ready at all times to provide, and immediately provide, any facsimile enlargement "</p>	<p>Data can be downloaded outside of the archiving library and media can be easily duplicated and removed.</p> <p>UDO guarantees record authenticity, while providing immediate access for review or printing.</p>
<p>17a-4 (f)(3)(iii): "Store separately from the original, a duplicate copy...on medium acceptable under Rule 17a-4 acceptable for the time required"</p>	<p>ASTI library-based compliance solutions can create a second data copy (or multiple copies) to be retained in the same library, a remote library, or offline.</p>
<p>17a-4 (f)(3)(iv): "Organize and index accurately all information maintained on both original and any duplicate storage media."...both primary and secondary "indexes maintained for the time required."</p>	<p>ASTI library-based compliance solutions index all information on both original and duplicate media (which can be stored in separate slots or libraries--even a separate library across the network). Metadata indexes can be backed up automatically.</p>
<p>17a-4 (f)(3)(v): "...Must have in place an audit system providing for accountability regarding input of records required to be maintained". The audit system is "available for examination by the staffs' of the Commission and is retained for the life of the data."</p>	<p>ASTI compliance solutions, utilizing UDO media, can store both primary data and related audit information for as long as required. Data and audit information can be stored in open systems UDF format.</p>
<p>7a-4 (f)(3)(vi): "maintain, keep current...and provide promptly... the physical and logical file format, field format of all information written to the electronic storage medium."</p>	<p>All required data, including metadata, can be archived on UDO media. UDO's random access capability ensures rapid data recovery. Its UDF file system provides open systems interoperability and data portability.</p>
<p>17a-4 (f)(3)(vii) : "at least one third-party (the undersigned)"... who has "the ability to download information...shall file with the designated examining authority..."</p>	<p>UDO supports multiple access. In some solution spaces web-based access is also available as part of the application suite.</p>
<p>17a-4 (f)(3)(i): If the records to be maintained and preserved by an outside service bureau, depository, bank that does not operate pursuant to Rule 17a-3(b)(2) ... then the broker or dealer must preserve such records. Promptly furnish to said Commission or its designee.</p>	<p>UDO guarantees authenticity of records, while providing immediate access for review or printing. Multiple copies of data can be created and provided to other parties for analysis providing they have a library in which to put the media.</p>
<p>17a-4 (f)(3)(l): "Records for the most recent two year period ... related to an office shall be maintained at the office to which they related" .. or may choose rather than to maintain at each office...to produce records promptly at the related office or other location agreed.</p>	<p>UDO can be accessed across a network, either directly or a VPN connection. UDO media is removable, permitting physical transportation offsite.</p>

The above information is provided for general guidance only and does not constitute legal advice. Before making any decision or taking action based on this summary of securities law and regulations, you should first consult your legal adviser. UDO is an ASTI registered trademark.