

Addressing FINRA Records Requirements with StoredIQ Information Governance

PROBLEM

New FINRA rules effective December 5th, 2011 require member firms to make and preserve certain books and records to comply with securities laws, rules and regulations.

Broker-Dealers need to update policies and procedures with supporting information governance systems so they are prepared for their 2012 FINRA audit.

KEY SOLUTION BENEFITS

Comply with FINRA and government regulations, knowing exactly what information is stored and where.

Reduce risk, preempt litigation and avoid fines, based on the ability to proactively identify and secure documents as required by law.

Help ensure that valuable business information is safe and accessible to authorized personnel only, according to regulatory compliance requirements and corporate access policies.

Migrate older, infrequently accessed documents to less expensive storage facilities.

Automatically enforce record retention schedules through automated identification and retention of records.

“Clean house” by proactively identifying and destroying documents whose age exceeds document retention policies.

In April 2011, the Financial Industry Regulation Authority (FINRA), announced amendments to broker-dealer books and records requirements under FINRA 4511 and 4512, *which take effect December 5, 2011*. The new rules require member firms to make and preserve certain books and records to show their compliance with securities laws, rules and regulations. These requirements will undoubtedly impact ongoing records management and retention processes for broker-dealers, as well as impact future FINRA audits and legal discovery requests.

FINRA Rule 4511 clarifies that member firms must: (1) make and preserve books and records as required by FINRA rules, the Securities Exchange Act of 1934 (Exchange Act) and applicable Exchange Act rules; and (2) preserve books and records required by FINRA rules in a format and media that complies with Exchange Act Rule 17a-4.

FINRA Rule 4512 requires retention of specified customer account information and it expands the record keeping requirements with respect to discretionary accounts.

A short list of requirements mandated by FINRA concerning record requirements includes:

RECORD TYPE	FINRA RETENTION POLICY
Memoranda of Brokerage Orders and Dealer Transactions	3 years, the first 2 years in an easily accessible place
Associated Person Location and Identification Number Records	3 years after the associated person has terminated employment and all other connections with the firm
Associated Person Compensation Records	3 years, the first 2 in an easily accessible place
Associated Person Complaint Records	3 years, the first 2 in an easily accessible place
Customer Account Records	6 years after the closing of the account or the date on which the information was replaced or updated, whichever is earlier
Communications Supervision Records	3 years, the first 2 years in an easily accessible place
Contact Person Records	6 years, the first 2 years in an easily accessible place
Responsible Principal Records	6 years, the first 2 years in an easily accessible place
Office Records	For the most recent 2 year period
Communications with the Public	3 years, the first 2 years in an easily accessible place
Organizational Documents	Life of the enterprise and of a successor enterprise
Special Records	3 years after the data of the report
Compliance, Supervisory & Procedures Manuals	Record Retention: 3 years after the termination of use manual
Exception Reports	18 months after the date the report was generated

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- Madison Capital Management
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Planning for FINRA Compliance

With the effective date only a few months away, broker-dealers will need to be prepared to show updated policies and procedures with supporting systems so they are prepared for their 2012 FINRA audit. Compliance officers should ask:

- Do we have the systems capabilities in place to identify, track and preserve the required records?
- Is now a good time to perform a holistic data assessment review of the information and records your firm currently has stored across all data repositories, content management systems and archives?
- Are we able to implement defensible data deletion policies as prescribed by the new FINRA requirements?
- Can our current data storage and archiving capabilities withstand the volumes for day-to-day reporting and historical archiving? If not, how can we strategically clean up our data storage?
- Will new technologies be needed to assist, and what does the implementation timetable look like to be in compliance by December?

Meeting FINRA Requirements with StoredIQ

StoredIQ's Information Governance solution provides broker-dealers with a comprehensive, secure and efficient approach to meeting their FINRA information governance needs. With StoredIQ, companies can manage risk and contain costs by leveraging automated compliance and governance policies. The result is an efficient and cost-effective answer for today's highly regulated business world.

Organizations can proactively identify content that does not comply with FINRA governance policies and remediate any potential risk before they become legal matters. Once exposed sensitive data has been identified, automated polices can address the problem by modifying the file's security attributes, move the data to a more secure system within the enterprise, or alternatively, delete the item of risk. With StoredIQ's Information Governance solution, organizations can better manage both risk and cost while supporting efforts toward FINRA compliance in a strategic, effective manner.

Benefits of the StoredIQ Information Governance Solution

StoredIQ's Information Governance solution is carefully designed to help organizations:

- Comply with FINRA policy and compliance mandates in order to meet all regulatory requirements.
- Reduce risk, preempt litigation and avoid fines by proactively identifying and securing documents as required by law.
- Ensure that valuable business information is safe and accessible to authorized personnel only, according to regulatory compliance requirements and corporate access policies.

By implementing StoredIQ now and planning accordingly, broker-dealers can be in compliance by the December 5th FINRA implementation date and ready for a 2012 FINRA audit examination.

For more information on any of StoredIQ's products or services please visit us at: www.storediq.com

