

EMC Software and SEC 17a-3 and a-4

What is SEC 17a-3 & 4 and what does it mean to be compliant to this standard?

SEC 17a-3 & 4 are regulations and associated rules that govern all broker/dealer institutions and define what types of records these institutions must create and retain. SEC-compliant record archiving and retention is now a point of pain at the highest management levels in financial services firms. In the 1990s, new trading volumes were set almost daily and the tech boom exponentially increased both the demand and capacity for transactions. While the SEC rules have been in effect for years, federal regulators have recently become stricter in enforcing them.

The growth hasn't stopped. According to the Enterprise Storage Group's (ESG) Compliance report, the volume of trading data is doubling every six to nine months. Data needs to be shared seamlessly between internal and external constituents while security firms are required to offer robust data protection and minimize their risk and exposure. Not only are records of individual transactions important to track, it is essential to also maintain copies of electronic communications such as memos and correspondence with customers, including e-mail.

E-mail has become a standard communications tool for internal audiences and with customers, suppliers, and business partners. This presents opportunities and challenges for financial companies regulated by the SEC, which requires all business-related communications to be retained under Rule 17a-4. Record-keeping deficiencies are among the most common reasons for SEC investigations. EMC software helps organizations comply with these regulations in a framework of information protection, automated availability, and content and messaging management solutions.

The above is not a complete listing of all requirements under the standard, but is provided to illustrate the scope and nature of the regulation. Therefore, organizations should consult with their own legal and compliance experts to determine what they must do to comply. Non-compliance presents a significant risk, with fines ranging into the millions.

How does EMC software address compliance from a business requirements perspective?

EMC offers software products that address multiple aspects of SEC Rule 17a-3&4.

Content and message management

EMC content and messaging management solutions primarily address those sections related to collecting and accessing electronic records, as well as securing them from unauthorized access and providing audit trails of all system activity. Types of records that can be managed include reports; account records and maintenance; e-mail, including attachments and instant messages; statements and notices; communications; interoffice memos; and customer correspondence.

EMC® EmailXtender® provides real-time archiving, comprehensive search and retrieval and audit functionality for leading e-mail systems, including Microsoft Exchange, Lotus Notes/Domino, Bloomberg mail, and UNIX Sendmail, as well as Instant Messaging (IM). It also enables businesses to comply with the SEC requirement that financial broker-dealers must specifically preserve key business records, such as e-mail, on non-rewritable, non-erasable WORM (write-once, read many) media that is fully indexed and easily searchable for three years from origination.

The EMC Documentum® ApplicationXtender® suite helps you comply with SEC 17a-3 and 17a-4 by allowing you to quickly capture, organize, and deliver fixed-content images, documents, reports, and other business-critical information. Built on a central repository, ApplicationXtender can perform high-speed image capture and storage. You'll quickly access information from a universal desktop interface, enabling greater control over business documents, enhancing the quality of decisions, increasing customer service levels, and improving employee productivity.

How can EMC software help keep you in compliance?

Our opportunity to serve the financial services industry is multifold. EMC software:

- Provides validatable document and e-mail management for financial services firms of all sizes
- Provides full monitoring and supervision of e-mail correspondence to ensure regulatory compliance with NASD 3010
- Provides enterprise backup, replication, and restore capabilities to protect customer records and communications data
- Provides long-term data retention to protect financial services data and ensure its ready retrieval throughout its lifecycle
- Ensures availability of applications and business critical data
- Enables full auditing and reporting of archival and supervisory activity to ensure adherence to appropriate rules of evidence and codes of conduct
- Provides a complete information lifecycle management approach for compliance with technical controls outlined in SEC Rules 17a-3 & 4

Information protection

EMC information protection solutions, including EMC DiskXtender® and EMC RepliStor®, provide long-term archiving of records, along with backup and rapid recovery to ensure the highest-degrees of information protection. Our automated availability products ensure that the various systems on which the organization depends continue to operate at peak performance, while delivering virtually instantaneous recovery in the event of disaster for critical systems.

How does EMC software address SEC Rule 17 from a technical requirements perspective?

EMC software helps businesses comply with SEC Rule 17a-3 and 17a-4 in the following ways.

Audit trails

The ApplicationXtender suite is ODMA-compliant, and enables comprehensive audit trails to be established for user management, access management, and system monitoring functions for content capture and modification. In order to gain compliance, the audit trails functionality must be enabled. The audit trails keep the information and parameters in logs that can then be used to create compliance reports for Rule 17. In order to generate these reports, an industry standard reporting package (such as Crystal Reports) must be obtained by the implementing organization to generate reports based in the data tracked through the ApplicationXtender audit trails. Audit trails are maintained as part of the overall system, and are retained as long as the underlying records. Additional audit functionality and reporting can be gained through integration with other vendors' modules, or through services provided by other partners or EMC Professional Services.

The EmailXtender suite also provides full audit trails of user and supervisory access and other functions performed on the message archive, as well as a variety of standard reports against the audit trail. Additionally, these auditing records cannot be altered, ensuring the appropriate rules of evidence are enforced. The audit trails are maintained as part of the overall system and are retained as long as the underlying records.

Security

The ApplicationXtender suite offers multiple levels of security, including encrypted connections for both network and web-based user session initiations. Where appropriate, the use of secure sockets and other industry standard technologies are implemented. ApplicationXtender provides for the granting of system access to users and to defined user groups. Administrators or "super users" can also be defined. In addition to system-level access security, EMC offers application-level, functional, and document-level security. Additional security or encryption functionality can be gained through integration with other vendors or through services provided by EMC Professional Services if required.

EmailXtender creates a single repository for e-mail messages and their attachments, much as ApplicationXtender does for documents. Secure access to the EmailXtender repository is controlled through e-mail system security such as Exchange or Notes-based security roles and permissions. Typically an individual can only access e-mail messages that he or she either sent or received. However, there are two additional levels of access: supervisory and administrative. Supervisors or other authorized personnel can be granted access to the messages of multiple individuals, such as all people on their team. Administrators have access to the entire repository of messages. Supervisory privileges can be granted to others, such as compliance officers or corporate legal counsel, who might need access to a set of messages for monitoring or discovery purposes.

Data Retention

SEC Rule 17 requirements for retention of electronic records or other data are specific. Standard EMC DiskXtender functionality, implemented as the storage and archival component for ApplicationXtender and EmailXtender, meets these requirements fully. DiskXtender on its own can provide long-term archival of virtually any type of data file for a wide variety of applications. DiskXtender works by migrating data off of primary servers onto alternate storage media. In addition, DiskXtender provides quick, transparent access to archived data for users and applications—without intervention from IT personnel. DiskXtender enables you to use a wide variety of storage media for archival depending on your budget constraints, retrieval time objectives, data volume, and other factors.

Search and Retrieval

Both ApplicationXtender and EmailXtender offer flexible search and retrieval as part of their core functionality. In both cases, users can (according to their security privileges) search the repository for relevant information using simple or complex terms. This capability ensures rapid retrieval of relevant information, which can be displayed on screen, printed, e-mailed, or otherwise collected for review by an internal or outside party. Both systems also offer secure, browser-based access, which could enable an authorized user from an outside party to search and retrieve information for review.

Both ApplicationXtender and EmailXtender offer functionality to distribute content to third parties on CD or other forms of removable media. The results of a search within ApplicationXtender or EmailXtender can be output, along with a search and viewing utility. Therefore, if a regulator requires a set of documents or other materials related to a particular topic, you can quickly produce a CD-ROM containing all the relevant information and make it available to the regulator for review at his or her convenience. Since ApplicationXtender and EmailXtender are tightly integrated with DiskXtender, users can easily retrieve data that has been archived.

Take the Next Step

To learn more about EMC solutions for SEC 17a-3 & 4, visit us online at <http://software.EMC.com> or call **800.607.9546** (outside the U.S.: +1.925.600.5802).



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