

RECORD KEEPING REQUIREMENTS FOR  
SEC REGISTERED  
ADVISERS

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# About the Adviser's Business

- Journals or logs that record in chronological order
  - Cash receipts and disbursements
  - Other records of original entry on which ledger entries are based

# About the Adviser's Business

- General and auxiliary ledgers reflecting asset, liability, reserve capital, income and expense accounts
- All trial balances, financial statements and internal audit working papers

# About the Adviser's Business

- All check books, bank statements, cancelled checks and cash reconciliations
- All bills or statements, paid or unpaid, relating to the business as such

# Personal Trading Records

- A record of every transaction in a security in which the adviser or any representative has or acquires any direct or indirect beneficial ownership
- A representative is deemed to own securities held by a spouse, minor children and other relatives sharing the same household

# Personal Trading Records

*These records must contain*

- Title and amount of security
- Date and nature of transaction (purchase, sale, etc.)
- Price at which transaction was made

Personal trading records may  
disclaim beneficial ownership  
of reported securities

# Personal Trading Records

- Personal transactions must be recorded within 10 days after each calendar quarter end
- Adviser may instead keep copies of broker confirmations or account statements that:
  - Are received by the reporting deadline and contain all required information
  - Are organized in a manner that allows easy access to and retrieval of a particular confirmation or statement

# Personal Transactions Exempt from Reporting

- Transactions in accounts that neither the adviser nor any representative directly or indirectly influences or controls
- Transactions in:
  - Direct U.S. government obligations
  - Money market instruments and other high quality short term debt
  - Mutual fund shares



# Delivery of Required Disclosure Documents

- A copy of each version of Form ADV, Part II (or substitute brochure) given or sent to a prospective or existing client
- A record of the date the Part II or brochure was given or offered to an existing or prospective client
- Solicitation fee disclosure documents and clients' acknowledgements of receipt

# Advertising Records and Other Communications

- A copy of each notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication circulated or distributed, directly or indirectly, to 10 or more persons
- For communications containing recommendations but not supporting reasons, a memorandum indicating the reasons for these recommendations

# Records That Need Not Be Kept

- Unsolicited market letters and similar publicly distributed communications not prepared by or for the adviser
- Names and addresses of recipients of any notice, circular or advertisement offering advisory services sent to more than 10 persons
  - Except that, if the recipients were named on a list, the adviser must retain a memorandum describing the list and its source

# Performance Records

## *Records supporting performance calculations*

- All accounts, books, internal working papers and other records:
  - Necessary to form the basis for or demonstrate the calculation of the performance or rate of return of
  - Any or all managed accounts or securities recommendations
  - Contained in any communication circulated or distributed to 10 or more persons

# Performance Records

## *Records supporting performance calculations*

- For the performance of managed accounts, this recordkeeping requirement can be met by keeping:
  - All client account statements if they reflect all debits, credits and other transactions in the account for the period of the statement
  - All worksheets necessary to demonstrate the calculation of the performance or rate of return of all managed accounts

# Performance Records

## *Records supporting performance calculations*

- In a recent no-action letter, the SEC staff said that advisers can facilitate SEC inspections by maintaining:
  - Records prepared by brokers and custodians that confirm the accuracy of client account statements
  - Auditors' reports verifying the method of computing advertised performance

# Client Relationship Records

A list of all accounts in which the adviser has discretion over client funds, securities or transactions

- All powers of attorney and other evidence that discretionary authority has been granted by a client
- All advisory agreements with clients

# Client Transaction Records

- A memorandum of:
  - Each order for the purchase or sale of any security (a trade ticket)
  - Any instruction from the client concerning the purchase, sale, receipt or delivery of a security
  - Any change or cancellation of an order or instruction



# Client Transaction Records

- This memorandum should:
  - Describe the terms and conditions of the order, instruction, change or cancellation
  - Identify the person who recommended the transaction and placed the order

# Client Transaction Records

- This memorandum should:
  - List the account for which entered, the entry date and the bank, broker or dealer who executed the transaction
  - Indicate whether the adviser is exercising investment discretion

# Electronic Records

- Records may be created and retained in electronic format if the adviser:
  - Arranges and indexes the records to permit their immediate location
  - Is always ready to produce printouts or copies of the records upon SEC request

# Electronic Records

- Records may be created and retained in electronic format if the adviser:
  - Stores an extra copy of each record separately from the original
  - Has reasonable procedures to maintain and preserve records from loss, alteration and destruction

# General Retention Periods

- For all adviser records that don't have special retention periods, keep records:
  - In an easily accessible place, for at least 5 years after the end of the fiscal year in which the last entry in the record was made
  - In the adviser's office for at least the first 2 years

# Special Retention Periods

- For charter documents, by-laws, minute books and stock certificate books:
  - In the adviser's principal office for at least 3 years after the termination of the adviser's business

# Special Retention Periods

- For all records of advertising and other communications and for records supporting the computation of performance:
  - In an easily accessible place, for at least 5 years after the end of the fiscal year in which the adviser last published or used the advertising or performance data
  - In the adviser's office for at least the first 2 years

# Mutual Fund Retention Periods

- For all records pertaining to mutual funds managed by the adviser:
  - In an easily accessible place, for at least 6 years after the end of the fiscal year in which the transaction covered by the record occurred
  - In the adviser's office for at least the first 2 years



# Additional Mutual Fund Records

- Records of each brokerage order or other securities transaction containing:
  - Name of broker
  - Terms and conditions, and any change or cancellation
  - Time of entry or cancellation
  - Execution price and time
  - Name of person placing the order

# Additional Mutual Fund Records

- Records of each contractual commitment to purchase or sell securities or other property, including options, containing:
  - Identification of security
  - Number of units
  - Option price
  - Issuance and maturity dates
  - Person to whom issued

# Additional Mutual Fund Records

- Quarterly records showing basis for allocating brokerage transactions and compensation reflecting consideration given to:
  - Sales of fund shares by brokers
  - Research or other soft dollar benefits to fund, adviser or affiliates
  - Factors other than execution capability of the brokers

# Additional Mutual Fund Records

- Quarterly brokerage allocation records should also show:
  - Nature of soft dollar benefits received
  - Application of any formula for allocating brokerage transactions and compensation
  - Names of persons responsible for determining allocations

# Additional Mutual Fund Records

- Memorandum identifying the persons or members of committees authorizing portfolio securities transactions must be created and retained
- Any memorandum, recommendation or instruction supporting or authorizing a transaction must be retained

# Money Market Fund Records

- Rule 2a-7 procedures--6 years
- Minutes recording board decisions--6 years
- Credit risk analyses, support for minimal credit risk determination & NRSRO ratings--3 years after last review
- Determinations that adjustable rate securities without demand feature will reset at amortized cost--3 years

# Money Market Fund Records

- For asset backed securities, information about 10% obligors--3 years
  - Identities, % of qualifying assets & % of fund's total assets
  - Any determination that an asset backed security is unlikely to have any 10% obligors
- Determinations that a fund is not relying on a demand feature or guarantee for quality, maturity or liquidity--3 years