

MEMORANDUM

TO: File Number S7-05-14

FROM: Jessica Mark
Law Clerk
Office of Financial Responsibility, Division of Trading and Markets
U.S. Securities and Exchange Commission

DATE: February 2, 2016

RE: Meeting with SIFMA Representatives

On February 2, 2016, Commission staff discussed with representatives of the Securities Industry and Financial Markets Association (“SIFMA”) the proposed rules and rule amendments on recordkeeping and reporting requirements for security-based swap dealers, major security-based swap participants, and broker-dealers, and the capital rule for certain security-based swap dealers (release number 34-71958).

Commission staff included Michael Macchiaroli, Thomas McGowan, Randall Roy, Joe Levinson, Ray Lombardo, Tim Fox, Valentina Deng, and Jessica Mark.

SIFMA representatives on the call included Maria Barcelona and Mary Kay Scucci (SIFMA); Mark Buro, John Olmstead, and William Tirrell (Bank of America); Thomas Favia and Paul Meys (Goldman Sachs); and Ralph Mattone and Michael Rogozinski (Nomura).

SBSD & MSBSP Recordkeeping Requirements with SIFMA Comments & Recommendations

Item #	SEC Proposed Rules & CFTC Rules	SEC Proposed Requirements	CFTC Requirements	SIFMA Comments and Recommendations For discussion on Feb. 2, 2016
1	Trade Blotters (proposed amended 17a-3(a)(1), proposed 18a-5(a)(1))	<p>Every broker or dealer must make and keep current the following books and records relating to its business:</p> <ul style="list-style-type: none"> • Blotters (or other records of original entry) containing an itemized daily record of all purchases and sales of securities (including SBS); [A] all receipts and deliveries of securities (including certificate numbers), all receipts and disbursements of cash and all other debits and credits [B] • Required info for all transactions: <ul style="list-style-type: none"> ○ Account for which each purchase or sale was effected ○ Name and amount of securities ○ Unit and aggregate purchase or sale price (if any) ○ Trade date ○ Name or other designation of the person from whom such securities were purchased or received or to whom sold or delivered • Additional required info for SBS: <ul style="list-style-type: none"> ○ Type ○ Reference security, index or obligor ○ Date and time of execution ○ Effective date 	<p>Each swap dealer and major swap participant shall make and keep daily trading records of all swaps it executes, including all documents on which transaction information is originally recorded. Each swap dealer and major swap participant shall ensure that its records include all information necessary to conduct a comprehensive and accurate trade reconstruction for each swap. Each swap dealer and major swap participant shall maintain each transaction record in a manner identifiable and searchable by transaction and counterparty. (§23.202(a))</p> <p><i>Pre-execution trade information:</i> Each swap dealer and major swap participant shall make and keep pre-execution trade information, including, at a minimum, records of all oral and written communications provided or received concerning quotes, solicitations, bids, offers, instructions, trading, and prices, that lead to the execution of a swap, whether communicated by telephone, voicemail, facsimile, instant messaging, chat rooms, electronic mail, mobile device, or other digital or electronic media. Such records shall include, but are not limited to:</p> <ul style="list-style-type: none"> • Reliable timing data for the initiation of the trade that would permit complete and accurate trade reconstruction • A record of the date and time, to the nearest minute, using Coordinated Universal Time (UTC), by timestamp or other timing device, for each quotation provided to, or received from, the 	<p><u>General comment:</u> Cleared swaps will fall into the industry format and follow in the CFTC provisions. For cleared products, we recommend the SEC defer to the CFTC’s standards for the various provisions (recordkeeping, data elements).</p> <p>A. Stock records are primarily kept for securities. There may be occasions where firms record swaps on stock records; however, swaps are typically <u>not</u> recorded on a stock record.</p> <p>As a result, SIFMA recommends the SEC clarify and distinguish the differences in requirements between:</p> <ol style="list-style-type: none"> 1) Securities 2) Securities-Based Swaps. <p>B. Can the SEC please clarify what “all other debits and credits” (as highlighted) alludes to?</p> <p>C. For uncleared swaps, there is typically no time stamp of the execution of the swap. We recommend the SEC defer to Financial products Markup Language (FpML), which establishes standards for electronic dealing and processing of OTC derivatives.</p>

SBSD & MSBSP Recordkeeping Requirements with SIFMA Comments & Recommendations

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		<ul style="list-style-type: none"> ○ Termination or maturity date ○ Notional amount ○ Unique transaction identifier ○ Unique counterparty identifier 	<p>counterparty prior to execution. (§23.202(a)(1))</p> <p><i>Execution trade information:</i> Each swap dealer and major swap participant shall make and keep trade execution records, including:</p> <ul style="list-style-type: none"> • All terms of each swap, including all terms regarding payment or settlement instructions, initial and variation margin requirements, option premiums, payment dates, and any other cash flows • The trade ticket for each swap (which, together with the time of execution of each swap, shall be immediately recorded electronically for further processing) • The unique swap identifier for each swap • A record of the date and time of execution of each swap, to the nearest minute, using Coordinated Universal Time (UTC), by timestamp or other timing device [C] • The name of the counterparty with which each such swap was executed, including its unique counterparty identifier • The date and title of the agreement to which each swap is subject, including but not limited to, any swap trading relationship documentation and credit support arrangements • The product name of each swap, including its unique product identifier • The price at which the swap was executed • Fees or commissions and other expenses, identified by transaction <p>Any other information relevant to the swap. (§23.202(a)(2))</p>	

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			<p><i>Post-execution trade information.</i> Each swap dealer and major swap participant shall make and keep records of post-execution trade information containing an itemized record of all relevant post-trade processing and events, including, as applicable:</p> <ul style="list-style-type: none"> • Confirmation • Termination • Novation • Amendment • Assignment • Netting • Compression • Reconciliation • Valuation • Margining • Collateralization • Central clearing. (§23.202(a)(3)(i)) <p>Each swap dealer and major swap participant shall make and keep a record of all swap confirmations, along with the date and time, to the nearest minute, using Coordinated Universal Time (UTC), by timestamp or other timing device (§23.202(a)(3)(ii))</p>	

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2	General Ledger (17a-3(a)(2), proposed 18a-5(a)(2))	<p>Every broker or dealer must make and keep current ledgers (or other records) reflecting:</p> <ul style="list-style-type: none"> • All assets and liabilities • Income and expense • Capital accounts 	<p>Each swap dealer and major swap participant shall keep full, complete, and systematic records of all activities related to its business as a swap dealer or major swap participant, including but not limited to:</p> <ul style="list-style-type: none"> • Financial records reflecting all assets and liabilities, income and expenses and capital accounts (§23.201(b)(2)) 	<p>SIFMA recommends that the SEC be flexible in their format of the General Ledger. For swaps, the data capture will most likely be more akin to capturing contracts (futures).</p>
3	Ledger for Customer and Non-Customer Accounts (proposed amended 17a-3(a)(3), proposed 18a-5(a),(b))	<p>Every broker or dealer must make and keep current ledger accounts (or other records) itemizing separately as to each cash, margin, or security-based swap account of every customer and of such broker or dealer and partners thereof:</p> <ul style="list-style-type: none"> • all purchases, sales, receipts and deliveries of securities and commodities for such account and all other debits and credits [B] to such account • Additional required info for SBS: <ul style="list-style-type: none"> ○ Type ○ Reference security, index or obligor ○ Date and time of execution [C] ○ Effective date ○ Termination or maturity date ○ Notional amount ○ Unique transaction identifier ○ Unique counterparty identifier 	<p>Each swap dealer and major swap participant shall make and keep ledgers (or other records) reflecting the following:</p> <ul style="list-style-type: none"> • Payments and interest received • Money borrowed and money loaned • Daily calculation of the value of each outstanding swap • Daily calculation of initial margin to be posted for each counterparty and daily calculation of initial margin to be posted by each counterparty • Daily calculation of variation margin payable to or receivable from each counterparty • Daily calculation of value of all collateral, before and after haircuts, held by or posted by the SD or MSP • All transfers of collateral including any substitutions of collateral, identifying in sufficient detail the amounts and types of collateral transferred • All charges and credits to each counterparty's account, including funds deposited, withdrawn, or transferred, and charges or credits resulting from losses or 	<p>A. Similar to Item #1 (Trade Blotters), SIFMA recommends the SEC clarify and distinguish the differences in requirements between:</p> <ol style="list-style-type: none"> 1) Securities 2) Securities-Based Swaps. <p>B. Can the SEC please clarify what “all other debits and credits” (as highlighted) alludes to? Does this indicate more collateral?</p> <p>C. For uncleared swaps, there is typically no time stamp of the execution of the swap. We recommend the SEC defer to Financial products Markup Language (FpML), which establishes standards for electronic dealing and processing of OTC derivatives.</p> <p><u>General comment:</u> SIFMA recommends that the SEC needs to have a mechanism where reporting could incorporate any corresponding collateral.</p>

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		<p>NB: proposed 18a-5(a)(3) would omit reference to “cash and margin accounts”; proposed 18a-5(b)(2) would require bank SBSBs and MSBSPs to keep current ledger accounts relating to securities transactions but only with respect to SBS customers and non-customers.</p>	<p>gains on transactions (§23.202 (a)(4))</p> <p>See also “Trade Blotters” requirements above.</p>	
4	<p>Stock Record (proposed amended 17a-3(a)(5), proposed 18a-5(a)(4))</p>	<p>Every broker or dealer must make and keep current a securities record or ledger reflecting separately for each SBS:</p> <ul style="list-style-type: none"> • Reference security, index or obligor • Unique transaction identifier • Unique counterparty identifier • Whether long or short • Whether cleared or not • Name of clearing agency if cleared 	<p>Each swap dealer and major swap participant shall keep full, complete and systematic records, together with all pertinent data and memoranda, of all its swap activities. Such records shall include:</p> <ul style="list-style-type: none"> • Position records: records of each position held identified by product and counterparty, whether long or short and whether cleared. Position records shall be linked to transaction records in a manner that permits identification of the transactions that established the position. (§23.201(a)(2)) • Records of each transaction executed on a swap execution facility or designated contract market or cleared by a derivatives clearing organization maintained in compliance with the Act and Commission regulations (§23.201(a)(3)) • A record of each swap portfolio reconciliation, including the number of portfolio reconciliation discrepancies and the number of swap valuation disputes (including the time-to-resolution of each valuation dispute and the age of outstanding valuation disputes, categorized 	<p>SIFMA recommends the SEC clarify and distinguish the differences in requirements between:</p> <ol style="list-style-type: none"> 1) Securities 2) Securities-Based Swaps.

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			<p>by transaction and counterparty). (§23.202(a)(3)(iii))</p> <ul style="list-style-type: none"> • A record of each swap portfolio compression exercise in which it participates, including the dates of the compression, the swaps included in the compression, the identity of the counterparties participating in the exercise, the results of the compression, and the name of the third-party entity performing the compression, if any. (§23.202(a)(3)(iv)) • A record of each swap that it centrally clears, categorized by transaction and counterparty. (§23.202(a)(3)(v)) 	
5	Memoranda of Brokerage Orders (proposed amended 17a-3(a)(6), proposed 18b-5(b)(4))	<p>Every broker or dealer must make and keep current a memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of a security, whether executed or unexecuted, including:</p> <ul style="list-style-type: none"> • Terms and conditions of the order or instruction and of any modification or cancelation thereof • Account for which entered • Time the order was received • Time of entry • Price at which executed • Identity of each associated person responsible for the account • Identity of any other person who entered or accepted the order on behalf of the customer or notation 	<p>Each swap dealer and major swap participant shall keep full, complete and systematic records, together with all pertinent data and memoranda, of all its swap activities. Such records shall include:</p> <ul style="list-style-type: none"> • Records of each transaction, including all documents on which transaction information is originally recorded, in a form and manner identifiable and searchable by transaction and by counterparty. Such records shall include: <ul style="list-style-type: none"> ○ All documents customarily generated in accordance with market practice that demonstrate the existence and nature of an order or transaction including, but not limited to <ul style="list-style-type: none"> ▪ Records of all orders (filled, unfilled, or 	<p>SIFMA recommends the SEC clarify and distinguish the differences in requirements between:</p> <ol style="list-style-type: none"> 1) Securities 2) Securities-Based Swaps.

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		<p>that customer entered the order on an electronic system</p> <ul style="list-style-type: none"> • The time of cancellation, to the extent feasible, if applicable • Type • Reference security, index or obligor • Date and time of execution; • Effective date • Termination or maturity date • Notional amount • Unique transaction identifier • Unique counterparty identifier • Designation if order entered pursuant to the exercise of discretionary authority <p>NB: Bank SBSBs and MSBSPs - only with respect to SBS; Stand-alone SBSBs or MSBSPs – does not apply.</p>	<ul style="list-style-type: none"> cancelled) ▪ Correspondences ▪ Journals ▪ Memoranda ▪ Ledgers ▪ Confirmations ▪ Risk disclosure documents ▪ Statements of purchase and sale ▪ Contracts ▪ Invoices ▪ Warehouse receipts ▪ Documents of title (§23.201(a)(1)) <ul style="list-style-type: none"> ○ The daily trading records required to be kept in accordance with §23.202 (see above). (§23.201(a)(1)) 	
6	Memoranda of Proprietary Orders (proposed amended 17a-3(a)(7), proposed 18a-5(a)(5)/(b)(5))	<p>Every broker or dealer must make and keep current a memorandum of each purchase or sale of SBS for the account of the broker or dealer showing the price, and, where the purchase or sale is with a customer other than a broker or dealer, a memorandum of each order received, showing:</p> <ul style="list-style-type: none"> • Time of receipt • Terms and conditions of the order and of any modifications thereof 	N/A	<p>SIFMA recommends the SEC clarify and distinguish the differences in requirements between:</p> <ol style="list-style-type: none"> 1) Securities 2) Securities-Based Swaps.

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		<ul style="list-style-type: none"> • Account for which it was entered • Identity of each associated person • Identity of any other person who entered or accepted the order on behalf of the customer or notation that customer entered the order on an electronic system • Type • Reference security, index, or obligator • Date and time of execution • Effective date • Termination or maturity date • Notional amount • Unique transaction identifier • Unique counterparty identifier • Designation that order was entered pursuant to the exercise of discretionary authority, as applicable <p>NB: Bank SBSBs and MSBSPs – only with respect to SBS proprietary transactions</p>		
7	Confirmations (proposed amended 17a-3(a)(8), proposed 18a-5(a)(6),(b)(6))	<p>Every broker or dealer must make and keep current, w/r/t SBS, copies of the security-based swap trade acknowledgement and verification made in compliance with [proposed rule §240.15Fi-1 (prescribing standards related to timely and accurate confirmation and documentation of SBS)]</p> <p>Bank SBSBs and MSBSPs – only need</p>	<p>All documents customarily generated in accordance with market practice that demonstrate the existence and nature of an order or transaction, including, but not limited to... confirmations (§23.201(a)(1)(i))</p> <p>Each swap dealer and major swap participant shall make and keep daily trading records of all swaps it executes, including all documents on which transaction information is originally recorded . . . :</p>	<p>The CFTC requirements do not contain specific trade verification requirements. SIFMA recommends the SEC replicate the industry standard/practice for swap trade verification (CFTC).</p>

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		<p>records with respect to positions related to their business as an SBSB or MSBSP</p> <p>Proposed rule §240.15Fi-1 would require trade acknowledgments within prescribed times and in the form and including the content prescribed in the rule. Proposed rule would require trade verification as well.</p>	<p>(§23.202(a))</p> <ul style="list-style-type: none"> • Each swap dealer and major swap participant shall make and keep records of post-execution trade information containing an itemized record of all relevant post-trade processing and events (§23.202(a)(3)) <ul style="list-style-type: none"> ○ Records of post-trade processing and events shall include all of the following: (§23.202(a)(3)(i)) <ul style="list-style-type: none"> ▪ Confirmation, termination, novation, amendment, assignment, netting, compression, reconciliation, valuation, margining, collateralization, central clearing ○ Each swap dealer and major swap participant shall make and keep a record of all swap confirmations, along with the date and time (§23.202(a)(3)(ii)) <p>Swap confirmation requirements defined under §23.501:</p> <ul style="list-style-type: none"> • Each swap dealer and major swap participant entering into a swap transaction with a counterparty that is a swap dealer or major swap participant shall execute a confirmation for the swap transaction as soon as technologically practicable, but in any event by the end of first business day following the day of execution. 	

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			<ul style="list-style-type: none"> • Each swap dealer and major swap participant entering into a swap transaction with a counterparty that is not a swap dealer or a major swap participant shall send an acknowledgment of such swap transaction as soon as technologically practicable, but in any event by the end of the first business day following the day of execution. • Any swap transaction executed on a swap execution facility or designated contract market shall be deemed to satisfy the requirements of this section, provided that the rules of the swap execution facility or designated contract market establish that confirmation of all terms of the transaction shall take place at the same time as execution. • Any swap transaction submitted for clearing by a derivatives clearing organization shall be deemed to satisfy the requirements of this section, provided that: <ul style="list-style-type: none"> ○ The swap transaction is submitted for clearing as soon as technologically practicable, but in any event no later than the times established for confirmation under paragraphs (a)(1) or (3) of this section, and ○ Confirmation of all terms of the transaction takes place at the same time as the swap transaction is accepted for clearing pursuant to the rules of the derivatives clearing organization. 	

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			<ul style="list-style-type: none"> • If a swap dealer or major swap participant receives notice that a swap transaction has not been confirmed by a swap execution facility or a designated contract market, or accepted for clearing by a derivatives clearing organization, the swap dealer or major swap participant shall execute a confirmation for such swap transaction as soon as technologically practicable, but in any event no later than the times established for confirmation under paragraphs (a)(1) or (3) of this section as if such swap transaction were executed at the time the swap dealer or major swap participant receives such notice. • Each swap dealer and major swap participant shall make and retain a record of: <ul style="list-style-type: none"> ○ The date and time of transmission to, or receipt from, a counterparty of any acknowledgment ○ The date and time of transmission to, or receipt from, a counterparty of any confirmation. • All records required to be maintained pursuant to this section shall be maintained in accordance with §23.203 and shall be made available promptly upon request to any representative of the Commission or any applicable prudential regulator, or with regard to swaps defined in section 1a(47)(A)(v), to any representative of the Commission, the Securities and Exchange Commission, or any applicable prudential regulator. 	

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8	Accountholder Information (proposed amended 17a-3(a)(9), proposed 18a-5(a)(7),(b)(7))	<p>Every broker or dealer must make and keep current a record w/r/t each...SBS account with such broker or dealer indicating, as applicable:</p> <ul style="list-style-type: none"> • Name and address of beneficial owner of such account • Whether or not the beneficial owner of securities registered in the name of such brokers or dealers, or a registered clearing agency or its nominee objects to disclosure of his or her identity, address, and securities positions to issuers (except w/r/t employee benefit plan securities) • Additional info required for SBS accounts: <ul style="list-style-type: none"> ○ A record of the unique counterparty identifier ○ Name and address of each counterparty ○ Signature of authorized person to transact business in the SBS account 	<p>Each swap dealer and major swap participant shall make and keep trade execution records, including:</p> <ul style="list-style-type: none"> • The name of the counterparty with which each such swap was executed, including its unique counterparty identifier (§23.202(a)(2)(v)) • Each swap dealer or major swap participant shall obtain and retain a record which shall show the true name and address of each counterparty whose identity is known to the swap dealer or major swap participant prior to the execution of the transaction, the principal occupation or business of such counterparty as well as the name and address of any other person guaranteeing the performance of such counterparty and any person exercising any control with respect to the positions of such counterparty (§23.402(c)) 	No comment.
9	Options Positions (17a-3(a)(10), proposed 18a-5(a)(8))	<p>Every broker or dealer/SBSD or MSBSP must make and keep current a record of all puts, calls, spreads, straddles, and other options in which it has any direct or indirect interest in or has granted or guaranteed containing, at least, an identification of the security, and the number of units involved.</p>	<p>CFTC rules include “options” in definition of swaps activities,” so general recordkeeping requirements described above would apply.</p>	<p>A. Should the options be broken out between listed vs. non-listed (OTC)?</p> <ol style="list-style-type: none"> 1) Traditional listed options are more akin to securities. 2) Non-listed (OTC) options are more akin to swaps, where data elements may or may not be reported on a stock record. For cleared options, SIFMA recommends

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		Bank SBSBs and MSBSPs – does not apply		<p align="center">the SEC follow standard industry requirements.</p> <p>B. SIFMA recommends the SEC make a distinction on types of options.</p>
10	Trial Balances and Computation of Net Capital (17a-3(a)(11), proposed 18a-5(a)(9))	<p>Every broker or dealer/SBSD or MSBSP must make and keep current a record of the proof of money balances [A] of all ledger accounts in the form of trial balances and certain records relating to the computation of aggregate indebtedness and net capital (SBSD/MSBSP: record of computation or tangible net worth, as applicable)</p> <p>Bank SBSBs and MSBSPs – does not apply</p>	<p>Each swap dealer and major swap participant shall satisfy all capital and margin requirements established by the Commission or prudential regulator, as applicable. (§23.600(c)(6))</p> <p>Financial reports for FCMs and introducing brokers must include a statement of the computation of the minimum capital requirements pursuant to §1.17 as of the date for which the report is made. (§1.10(d)(iv))</p> <p>Each applicant or registrant must make and keep as a record in accordance with § 1.31 formal computations of its adjusted net capital and of its minimum financial requirements pursuant to § 1.17 or the requirements of the designated self-regulatory organization to which it is subject as of the close of business each month (§1.18(b)(1))</p>	<p>A. Clarify what consists of “proof of money balances”?</p> <p>B. Credit Risk Charges</p> <ol style="list-style-type: none"> 1) Will the SEC give a day for margin calls? 2) How will we evidence that this exposure is going to be covered?
	Associated Persons (17a-3(a)(12), proposed 18a-5(a)(10),(b)(8))	<p>Every broker or dealer/SBSD or MSBSP must make and keep current a questionnaire or application for employment for each associated person, including:</p> <ul style="list-style-type: none"> • Person’s identifying information • Business affiliations for the past ten 	<p>Each swap dealer and major swap participant shall keep full, complete and systematic records of all activities related to its business as a swap dealer or major swap participant, including but not limited to biographies or resumes and job descriptions of managers, senior supervisors, officers and directors (§23.201(b)(1)(iii-iv))</p>	<p>SIFMA representatives consulted with their firms’ compliance departments, and are generally in agreement that the requirements listed for associated persons of an SBSB or MSBSP are reasonable. However, this is not primarily our area, and would advise the SEC to consult directly with compliance representatives to clarify specific points.</p>

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		<ul style="list-style-type: none"> • years • Relevant disciplinary history • Relevant criminal record • Place of business <p>Every broker or dealer/SBSD or MSBSP must make and keep current a record listing every associated person of the security-based swap dealer, major security-based swap participant which shows, for each associated person, every office of the security-based swap dealer or major security-based swap participant where the associated person regularly conducts the business of handling funds or securities or effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security, for the security-based swap dealer or major security-based swap participant and the Central Registration Depository number, if any, and every internal identification number or code assigned to that person by the security-based swap dealer or major security-based swap participant</p>	<p>§3.12 addresses registration of associated persons with National Futures Association. Form 8-R requires:</p> <ul style="list-style-type: none"> • Personal information • Exchange affiliation • Disciplinary history information • Criminal history information • Employment and education history for past ten years • Residential history for past five years • Proficiency requirements 	
12	Liquidity Stress Tests (proposed amended 17a-3(a)(24), proposed 18a-5(a)(11))	<p>Each ANC broker-dealer and ANC SBSBD must make and keep current a report of its monthly liquidity stress test, a record of the assumptions underlying the liquidity stress test, and the liquidity funding plan required under 15c3-1(f), if applicable</p> <p>Bank SBSBDs – would not apply</p>	N/A	No comment.

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13	Account Equity and Margin Calculations (proposed amended 17a-3(a)(25), proposed 18a-5(a)(12))	Every nonbank SBSB and MSBSP must make and keep current a record of the daily calculation of the amount of equity and, if applicable, the margin amount for each account of a counterparty required under [proposed] rule 18a-3.	<p>Each swap dealer and major swap participant shall make and keep ledgers (or other records) reflecting the following:</p> <ul style="list-style-type: none"> • Payments and interest received • Moneys borrowed and moneys loaned • The daily calculation of the value of each outstanding swap • The daily calculation of current and potential future exposure for each counterparty • The daily calculation of initial margin to be posted by the swap dealer or major swap participant for each counterparty and the daily calculation of initial margin to be posted by each counterparty • The daily calculation of variation margin payable to or receivable from each counterparty • The daily calculation of the value of all collateral, before and after haircuts, held by or posted by the swap dealer or major swap participant • All transfers of collateral, including any substitutions of collateral, identifying in sufficient detail the amounts and types of collateral transferred • All charges against and credits to each counterparty's account, including funds deposited, withdrawn, or transferred, and charges or credits resulting from losses or gains on transactions. (§23.202 (a)(4)) 	<p>SIFMA recommends the SEC clarify and distinguish the differences in requirements between:</p> <ol style="list-style-type: none"> 1) Securities 2) Securities-Based Swaps.

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14	Possession or Control (proposed amended 17a-3(a)(26), proposed 18a-5(a)(13),(b)(9))	Every broker-dealer, SBSB or MSBSP must make and keep current a record of compliance with the possession or control requirements under proposed rule 18a-4	CFTC Forms 102/102S, 40/40S and 71 address Ownership and Control Report requirements	For cleared products, SIFMA recommends that the SEC rule adopt the CFTC practice for client asset protection.
15	Customer Reserve Requirements (proposed amended 17a-3(a)(27), proposed 18a-5(a)(14),(b)(10))	All SBSBs must make and keep current a record of their reserve computations under proposed rule 18a-4.	Each FCM is required to prepare a schedule each business day documenting its compliance with CFTC segregation and secured amount requirements (§1.32)	<u>General comment:</u> The SEC Proposed Requirements language speaks on recordkeeping. However, SIFMA asks for more clarification and discussion regarding the actual Customer Reserve calculation.
16	Unverified Transactions (proposed amended 17a-3(a)(28)), proposed 18a-5(a)(15),(b)(11))	Every broker-dealer, SBSB and MSBSP must make and keep current records of all SBS trade acknowledgments that are not verified within five days of execution	N/A	<u>General comment:</u> Cleared swaps will fall into the industry format and follow in the CFTC provisions. For cleared products, we recommend the SEC defer to the CFTC's standards for the various provisions (recordkeeping, data elements).
17	Record Maintenance and Preservation Requirements (proposed amended 17a-4, proposed 18a-6)	Six year retention requirement (first two in an easily accessible place): <ul style="list-style-type: none"> • trade blotters • general ledgers • ledgers of customer and non-customer accounts • stock record • person who can explain records at 	Five year retention requirement (first two in an easily accessible place) unless otherwise noted Records of any swap or related cash or forward transaction shall be kept until the termination, maturity, expiration, transfer, assignment, or novation date of the transaction, and for a period of five years after such date.	SIFMA recommends that the SEC and CFTC harmonize their record retention requirements.

SBSD & MSBSP Recordkeeping Requirements with SIFMA Comments & Recommendations

Item #	SEC Proposed Rules & CFTC Rules	SEC Proposed Requirements	CFTC Requirements	SIFMA Comments and Recommendations For discussion on Feb. 2, 2016
		<ul style="list-style-type: none"> • each office • principal responsible for establishing compliance procedures • security future product records <p>Three year retention requirement (first two in an easily accessible place):</p> <ul style="list-style-type: none"> • certain ledgers • memoranda of brokerage orders • memoranda of proprietary orders • confirmations • accountholder information • options positions • internal broker-dealer system • associated person complaints • associated person compensation • advertisement and sales literature compliance • records of each broker-dealer office • liquidity stress test • proposed Rule 18a-3 calculations) • compliance with proposed Rule 18a-4 possession or control requirements • proposed Rule 18a-4 reserve account computations • unverified transactions • political contributions • compliance with external business conduct requirements • bank records • bills • communications (including telephone) 	<p>Records of oral communications communicated by telephone, voicemail, mobile device, or other digital or electronic media pursuant to §23.202(a)(1) and (b)(1) shall be kept for a period of one year. (§23.203(b))</p>	

SBSD & MSBSP Recordkeeping Requirements with SIFMA Comments & Recommendations

Item #	SEC Proposed Rules & CFTC Rules	SEC Proposed Requirements	CFTC Requirements	<p align="center">SIFMA Comments and Recommendations For discussion on Feb. 2, 2016</p>
		<ul style="list-style-type: none"> • trial balances • account documents • written agreements • information supporting financial reports • Rule 15c3-4 risk management records • credit risk determinations • information required to submit to a registered swap facility under Regulation SBSR • records relating to business conduct standards <p>Corporate documents: during the life of the enterprise</p> <p>Associated persons: until at least three years after termination of employment</p> <p>Regulatory authority reports: three years after date of reports</p> <p>Compliance, supervisory, and procedures manuals: three years after termination of use of manual</p>		