

# AccuRoute® Unified Document Handling Solutions for SEC 17A(4) Compliance

A Smarter Strategy To Ensure Full Compliance, Reduce Risk, and Streamline Broker-Dealer Processes



## Eliminating the Fear Factor

“Compliance issues have created a “culture of fear” in many organizations that is counter-productive to revenue-generation, customer satisfaction, and efficiency. Committing to a culture of compliance eliminates the “fear factor”, enabling corporate-wide adoption and shared understanding.”

Leonor Ciarlone,  
Senior Analyst  
The Gilbane Group

In 1993, the U.S. Securities and Exchange Commission adopted a revision to Rule 17A(4) of the Securities Exchange Act of 1934, paving the way for broker-dealers to use and store electronic records in their businesses. To safeguard against potential abuses, the SEC carefully crafted the amended rule to include specific requirements for storage and management of those electronic records. But what often gets overlooked in this sweeping mandate are the faxes and other paper records that are integral components of the business and an essential component of SEC 17A(4) compliance. Here's what the lifecycle of a record looks like for broker-dealers today.

- **Capture** – The SEC has adopted a broad definition, requiring broker-dealers to capture all documents created or received in the course of its business. That means all documents relating to policies, procedures, customer accounts, correspondence, and, of course, transactions – even information about contemplated or discussed transactions that are never executed. And it means all formats – e-mail, IM, Web, as well as paper forms such as postal mail, couriered mail, faxes, and in-person document exchanges.

- **Storage** – Broker-dealers must store records in a way that ensures the authenticity of the information and that it has not been tampered with. For paper documents, broker-dealers must keep originals of the records in their paper format. However, electronic copies are also advisable to facilitate rapid searching and retrieval using digital indexing. Those records must be accessible in the office where they originated or were received for at least two years. Overall, the broker-dealer must maintain those records for a minimum of six years.

- **Monitoring** – Each broker-dealer should have a formal, documented, SEC-approved monitoring process through its self-regulating organization (SRO). This monitoring should verify compliance with its published standards and procedures for record-keeping and all other SEC regulations governing customer communications, transactions, and accounts.

- **Access and Retrieval** – Under 17A, the SEC reserves the right to request access to any of the records it requires broker-dealers to maintain. The information that the broker-dealer provides must be comprehensive and delivered within 48 hours. This



## Culture of Compliance Key Capabilities

- Enterprise-wide infrastructure with distributed architecture
- Intuitive user interface for process owners
- Mixed-mode support (paper and electronic communications)
- Automated information classification and indexing
- Intelligent workflow with automated routing and multi-channel distribution
- Secure capture of compliance metadata to enable auditing and reporting
- Integration to other compliance components such as e-mail and archival management systems
- Applicability to multiple business processes

Source:  
The Gilbane Group, October 2006

virtually mandates the use of electronic indexing and search technologies to meet those time-sensitive demands.

## Obstacles to Address

Unfortunately SEC 17A creates numerous challenges that must be successfully addressed.

- **Risks** – Failing to properly store paper, fax, and electronic records in an SEC-compliant manner can leave the broker-dealer firm exposed to stiff penalties and sanctions that can severely impair the business.
- **Costs** – Storing and retrieving those paper documents. For two years, those paper records – the originals, not copies – must be retained in the office where they originated or were received. That wastes expensive real estate and creates productivity costs. If the broker-dealer uses an off-site storage partner for older archives, it carries an added expense for both storage and retrieval.
- **Retrieval** – Whether on-site or off-site, it takes time to find and retrieve original paper documents. But the SEC requires access to fully indexed documents within 48 hours. Many outsourced record-storage firms require at least 24 hours for a more-expensive rush request for retrieval. However, in most instances, SEC requests do not require originals – paper or electronic copies will suffice.

- **Distributed Organizations** – Multi-office broker-dealers can end up with paper records dispersed literally nationwide, creating retrieval challenges when documents are needed by regulators. Virtual centralization is an effective strategy to combat this challenge.

- **Reputation Damage** – Compliance lapses can create embarrassing disclosures that can decrease investor confidence and damage your brand and reputation.

## Characteristics of a Complete Compliance Solution

Driven by these stringent requirements and stiff penalties associated with compliance failures, broker-dealers are under extreme pressure to deploy a comprehensive solution to meet SEC record-keeping requirements at each step of the lifecycle – for electronic and paper records. The characteristics of such a solution include:



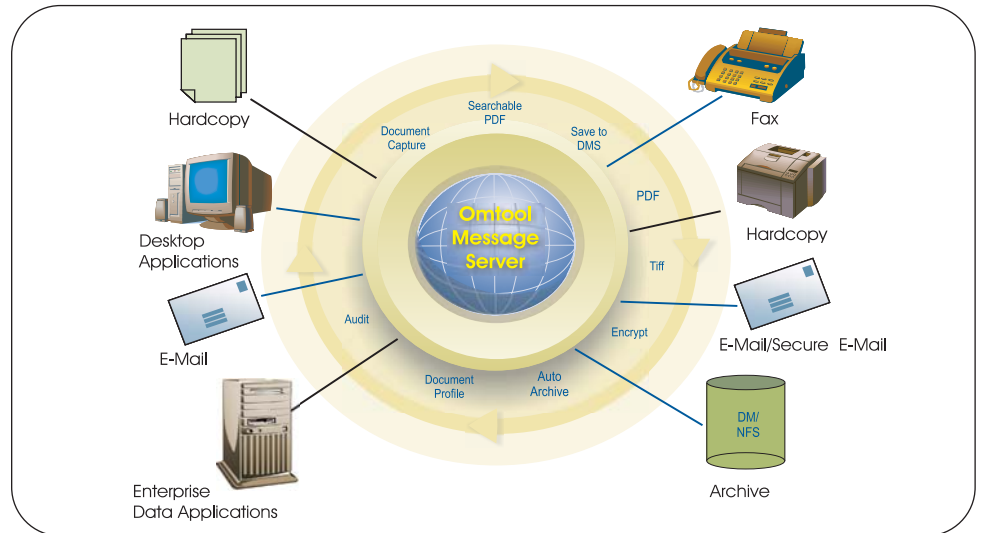
Tell your documents where to go...

# AccuRoute® Capturing paper, improving your SEC 17A compliance

- **Functionality to address the full life-cycle of every document** – The solution must capture, store, monitor, access, and retrieve all required records.
- **Support for all sources and types of records** – A solution is insufficient if it only addresses some or most of the records – or only addresses e-mail or voice records and ignores paper records.
- **Pervasive Usability** – Compliance requires a complete adoption of the archiving solution by every user in the broker-dealer organization, which mandates a simple-to-use, unobtrusive system that dovetails into each employee's typical work processes.
- **Use of Digital Imaging, Indexing, Storage, and Retrieval** – The only realistic way for broker-dealers to manage all of their records – electronic and paper – is to establish a standard, universal process using digital image-capture, indexing, storage, and retrieval. Unifying all electronic and paper records provides an auditable, searchable trail of all content and communications – a critical compliance requirement.

## AccuRoute – Capturing Paper, Improving Your SEC 17A Compliance

AccuRoute, the document handling platform, responds to these compliance challenges by capturing content from various sources (hardcopy, e-mail, fax, or data streams) processing it (such as converting from one format to another and compressing it), or merging documents, and



delivering the finished product to the various delivery destinations. Those can be e-mail, fax, output devices, or electronic content management systems that can index, manage, and quickly retrieve copies of all documents to comply with SEC 17A regulations.

AccuRoute is an ideal compliance solution because it can easily handle electronic documents that come in via e-mail or fax as well as paper documents that can be imaged by any user of a standard digital copier.

## AccuRoute Advantages for SEC 17A Compliance

- **Multi-Format Support** – AccuRoute can work with a wide range of documents and formats: paper, fax and electronic documents. Users can scan paper documents using networked digital copiers. AccuRoute can capture and archive incoming and outgoing faxes as well as faxes that originate from desktop computers.

- **Integrated Fax Server** – AccuRoute's ability to leverage centralized fax servers not only increases compliance, it reduces the cost and risk associated with shared central standalone fax machines.

- **Ability to Work with Archiving Stores** – AccuRoute can integrate with popular document-management, content-management, and document archive systems.

- **Distributed Scanning Capability** – By using networked digital copiers, broker-dealers can centralize their archives of scanned images from multiple offices.

- **Complete PDF Support** – AccuRoute uses OCR technology to create searchable PDFs. Intelligent document classification programs can then determine what to store and where.

- **Dramatically Decreased Retrieval Times** – AccuRoute delivers immediate document retrievals, instead of the hours or days it can take to track down physical paper – or even electronic – documents.



...and what to do when they get there

## See Beyond Regulatory Compliance

In "Eliminating the Fear Factor: Creating a Culture of Compliance" The Gilbane Group's Leonor Ciarlone describes a culture of compliance that enables organizations to get "back to basics" in terms of enterprise-wide focus on standard corporate goals such as revenue-generation and customer satisfaction. The idea of "seeing beyond regulatory compliance" should be core to any technology-driven compliance solution, characterized by the solution's applicability to other business initiatives and applications.

- **Reduced Expenses** –Broker-dealers can better manage their costs, especially as document volumes continue to grow and diversify.

- **Better Preparation for Other Potential Litigation/Arbitration** – By implementing an efficient strategy to comply with SEC 17A regulations, a broker-dealer is also well-prepared to respond to discovery requests in other civil litigation or arbitration matters that may arise.

### Compliance and Process-Improvement

For broker-dealers compliance efforts are non-negotiable requirements in order to secure and maintain a license – an inherently legitimate and appropriate motivation and justification for numerous initiatives to achieve compliance. However, domain experts agree that compliance should be viewed not merely as an exercise in preserving the company reputation or avoiding fines and penalties. It represents an opportunity to improve business outcomes and standardize business process.

What do you get from being compliant? Beyond the opportunity to participate in a market as a licensed, trusted entity, you get a more efficient organization that is directing its resources to follow a thoughtful and manageable business process.

Compliance is not an inhibitor through unnecessary and burdensome process using penalties to enforce compliance. Instead, it is a key enabler for a more efficient organization.

### About Omtool, Ltd.

Omtool, Ltd is a leading provider of document handling solutions that simplify the integration of paper and electronic documents in enterprise information management systems. Our flagship product, AccuRoute, streamlines the capture, conversion and communication of paper and electronic documents, enabling fast, secure, simultaneous distribution to multiple destinations in multiple formats. Available at any network-enabled scan device or from user's desktop computer, AccuRoute provides faster, more efficient workflows, while reducing cost, complexity and risk. Omtool solutions are used worldwide by businesses in document-intensive industries that demand secure handling, integration and tracking of documents in full compliance with a range of regulatory requirements. Based in Andover, Massachusetts with offices in the United Kingdom, Omtool can be contacted at (800) 886-7845 or [www.omtool.com](http://www.omtool.com).

*Corporate Headquarters*  
Omtool, Ltd.  
6 Riverside Drive  
Andover, MA 01810  
Tel. 978.327.5700  
Fax. 978.659.1300  
Sales. 800.886.7845

*Omtool Europe, Ltd.*  
25 Southampton Buildings  
London WC2A 1AL UK  
Tel: +44 (0) 203 043 8580  
Fax: +44 (0) 203 043 8581  
E-mail: [salesuk@omtool.com](mailto:salesuk@omtool.com)

[www.omtool.com](http://www.omtool.com)