

Designated Third Party Provider Compliance Service (D3P)



Face your next SEC audit with confidence.

In the drive toward full compliance with SEC rules for preservation of electronic records, such as Title 17a.4, many securities firms have overlooked a critical record-keeping obligation: the designated third party requirement. Established to ensure that a broker-dealer's records are accessible to regulators, the designated third party requirement has been pushed into the background while more pressing issues regarding electronic document preservation were resolved.

Still, the rules are quite clear and firms that fail to designate an independent third party are non-compliant. Period. Increasingly, SEC auditors are asking for proof that broker-dealers have established this important relationship and fines are potentially looming in the near term. Those who are non-compliant are at risk of exposing their company to further investigative actions and a tarnished public image.

MINIMIZE YOUR EXPOSURE WITH IRON MOUNTAIN

Since 1993, Iron Mountain has been helping financial services firms achieve SEC compliance. The Company was the very first to develop a set of best practices and to file a third party undertaking in accordance with the new ruling. Today more broker-dealers – including six of the nation's top ten firms – depend upon Iron Mountain's Designated Third Party (D3P) service than any other provider to ensure compliance with the designated third party requirement.

Iron Mountain's comprehensive D3P service is available for all types of electronic records, including COLD, back-office, imaged, transactional, as well as e-mail and messaging communications. It offers compliance for an extraordinarily broad range of Document Management Applications, including client-server to mainframe systems. Records can be stored in-house or off-site and on any type of WORM media. Equally important, Iron Mountain's D3P service offers three distinct options so you can choose the solution that best fits your needs:

D3P Independent Access, for independent retrieval of electronic records by Iron Mountain from your WORM Electronic Storage Media (ESM).

D3P On-Line Access, for remote access by Iron Mountain to your archive systems for e-records.

D3P On-Site Access, which brings Iron Mountain's compliance experts to your facility to retrieve records from archive ESM.

WHY NOW

“The regulators are moving towards a zero tolerance policy with respect to non-compliance with the rule, especially in connection with the retention of e-mails.”

— Jeffrey Plotkin, Partner, Pitney Hardin LLP
Former Assistant Regional Administrator for the Securities and Exchange Commission, Division of Broker-Dealer Enforcement

THE DELIVERABLES: ANALYSIS, VALIDATION AND PEACE OF MIND

With a strong knowledge of SEC regulations and proven best practices in providing the D3P services, Iron Mountain will provide your compliance organization with tremendous insight into your systems along with a host of other valuable services. As part of Iron Mountain's D3P service, you receive:

- **A System Configuration Plan (SCP) explaining access to records**
- **Two D3P audit reports each year to validate D3P accountability**
- **An annual test and test report to prove compliance**
- **Full filings with SEC/SROs/CFTC**
- **Up to 2 days for an SEC auditor at D3P facility**

With the detailed audit and test reports and SCP in hand, you can face your next SEC audit with confidence, knowing that its designated third party requirement is met.

THE VALUE OF D3P BEYOND COMPLIANCE

While the threat of penalties may be the motivating force behind designating an independent third party, the benefits extend far beyond compliance. Iron Mountain will work with you to prepare a *System Configuration Cookbook and Archiving Environment Guide*, which is a detailed analysis of the broker-dealer's IT environment and the record archiving and retrieval procedures. In addition to providing an indispensable overview of the current compliance status, this process inevitably uncovers previously hidden problems or issues that can be successfully addressed prior to an SEC audit. The SCP goes a long way in helping solve other compliance requirements for electronic records.

As part of Iron Mountain's D3P process, the knowledge within your IT and compliance organizations is captured and retained by Iron Mountain. This eliminates the knowledge gaps that can plague an organization when key individuals leave, a merger occurs, technology is upgraded or other significant events happen that cause institutional knowledge to drift away.

SAFE AND SECURE, AS ALWAYS

Iron Mountain built its reputation on data security, and it remains true to that mission with its D3P service. All tests related to Iron Mountain's D3P service are conducted in Iron Mountain's secure facilities or at your site and then archived in Iron Mountain's electronic media vaults, constructed specifically for storing digital media.

COST-EFFECTIVE

Iron Mountain will work with you to implement cost-effective and operationally sound processes that meet your firm's needs, while complying with applicable regulatory requirements such as for an independent designated third party.

WHAT RECORDS ARE COVERED BY TITLE 17A?

Broker-dealers are required to retain, and be able to produce on demand, a wide variety of records spanning all aspects of their business operations. Here is a partial list:

- Blotters, itemizing daily record of all purchases and sales of securities
- Ledgers reflecting all assets and liabilities, income and expense and capital accounts
- Ledger accounts
- Memorandums of each brokerage order, purchase and sale
- Copies of confirmations of all purchases and sales of securities
- Record of all puts, calls, spreads, straddles and other options
- Record of the proof of money balances of all ledger accounts, 3 years after termination
- Employment applications
- Fingerprints of personnel
- Record of customers with access to an internal broker-dealer system
- Written customer complaints
- Advertisements, sales literature, or communications
- Listings of people responsible for establishing compliance policies and procedures
- Check books, bank statements, cancelled checks and cash reconciliations
- All bills receivable or payable
- Originals of all communications received
- Copies of all communications
- All guarantees of accounts and all powers of attorney
- All written agreements

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