

## Compliance Requirements for Email Archiving

### U.S. FINANCIAL SERVICES

Financial services firms have to deal with growing amounts of employee generated content based on regulatory mandates. Large and small firms fall under stringent compliance regulations with regards to archiving email, IM and other employee communication.

Without the ability to retrieve an accurate audit trail of email and IM communications financial service organizations are vulnerable to enormous risks. In the new regulatory environment firms are challenged to comply without adding a burden to already strained IT resources.

Sonian provides a highly scalable and compliant solution that provides authorized users immediate access from any internet connection. Users can quickly and easily search and retrieve messages to support the increasing demands of electronic discovery and litigation support.

- Automatically retain all emails and attachments.
- Monitor and review email and attachments for policy compliance.
- Index, search, and audit email and attachments to respond to regulatory requests quickly, and accurately.
- E-mails, Attachments, and IMs are redundantly stored and encrypted in SAS70 & DOD compliant data centers with an additional copy on WORM (write once read many) storage.

#### 1. FINRA: Books and Records (Rule 3110)

- Correspondence must be maintained in compliance with applicable FINRA rules and with SEC Rules 17a-3 and 17a-4.
- Email or instant messaging to the public relating to the firm's business whether generated from the office, home or elsewhere, is subject to these provisions.
- Advertisements and sales literature must be maintained as part of the firm's records for three years from the date of last use.

#### 2. SEC 17A-4 & NASD 3010:

- Archived messages must be stored in duplicate
- Storage media must be verified automatically for quality and accuracy
- Archived messages must be date and time-stamped and serialized
- A searchable index of all stored data must be maintained.
- Message indexes must be easily retrievable and downloadable to other media

These rules focus on records retention requirements for communications between broker-dealers and their customers. They outline how retained data is to be stored, how it must be accessible, and how sampling is to be performed to ensure that communications with clients is supervised.

#### 3. SEC Rule 17a-4:

Requires records, including emails, from brokers and dealers be preserved for at least six years, the first two years "in an easily accessible place"; while other records must be retained for at least three years

#### 4. Amendments to Rules 31a-2 and 204-2:

These amendments permit funds and advisers to maintain all of their records in an electronic format, as long as they protect records from "loss, alteration or destruction"; that access to these records is limited only to authorized personnel; and that "electronic copies of non-electronic originals are complete, true, and legible."

## FINANCIAL



### FINES & PRECEDENTS

#### **\$1.45 billion:**

Fine for a Fortune 500 financial services firm after failing to produce email during e-Discovery.

#### **\$1.8 million:**

The average cost associated with eDiscovery.

#### **\$1.2 million:**

FINRA fine for an insurance company that failed to review e-mails.

#### **\$350,000:**

Fine for a mid-sized financial services firm that failed to retain emails.

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### **5. NASD 3110:**

The National Association of Securities Dealers requires under this rule that, "each member shall make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations, and statements of policy promulgated there under and with the Rules of this Association and as prescribed by SEC Rule 17a-3. The record keeping format, medium, and retention period shall comply with SEC Rule 17a-4." Other provisions of this rule require that each member maintain a record of written complaints from customers or their representatives, and that all records maintained under this rule are subject to the time and accessibility requirements specified under SEC Rule 17a-4(b).

### **6. NASD 2860 (b) (17)**

"Every member shall maintain and keep current a separate central log, index or other file for all options-related complaints, through which these complaints can easily be identified and retrieved... Background and financial information of customers who have been approved for options trading shall be maintained at both the branch office servicing the customer's account and the principal supervisory office having jurisdiction over that branch office."

### **7. NYSE Rule 342**

This New York Stock Exchange rule requires that "procedures be designed for review of communications between members of the NYSE and the public so that reasonable supervision can be exercised over members' representatives." This rule also requires members to create written procedures and policies regarding their communications with the public.

## **SONIAN: COMPLIANT, SECURE, RELIABLE, SCALABLE.**

### **Robust**

Sonian uses cloud-compute infrastructure for scalability and reliability. Sonian's unique and differentiated cloud-compute software stack harnesses on-demand CPU and geographically dispersed storage to power archival functions for data ingestion, indexing, search, eDiscovery and export. The Sonian system uses map-reduce style parallel processing to search very large data sets in sub-second response times. Parallel processing is only possible with cloud-compute CPU, taking advantage of the ability to scale up in real-time so that every customer search experience is quick and there is no waiting for jobs to complete.

### **Unlimited Storage**

Storage capacity automatically increases on a per customer basis, at no cost. Regardless of how much email you add, you will never run out of storage, or be charged additional fees. Cloud-based storage allows for continuous uninterrupted data growth without the cost and capacity issues that plague traditional storage architectures.

### **Ease of Use**

With no hardware to buy or software to install, you can be up and running immediately. The simple and intuitive web-based interface allows for easy archive set up and our support team provides training for you and your staff. Rapid search and retrieval is possible by individuals in a personal archive, or across the whole archive by authorized users such as lawyers or compliance officers—without burdening your IT staff.

### **Security and Privacy**

Sonian data security exists at three levels: physical infrastructure, data encryption, and the application layer. Data is secured in transit, and at rest. Our data storage meets rigorous PCI DSS standards (Payment Card Industry Data Security Standard) and the guidelines set forth by the Cloud Security Alliance. All data is secured via industry standard encryption (Defense Department AES and SSL), with no shared encryption keys across customers. There is never any co-mingling of archived data between customers. At the application layer, Sonian uses Secure Socket Layers (SSL)

