



**GUIDE TO  
RECORD RETENTION REQUIREMENTS  
FOR MEMBERS**

**1996**

## **GUIDE TO RECORD RETENTION REQUIREMENTS FOR MEMBERS**

### **INTRODUCTION:**

Schedule A attached hereto sets out suggested retention periods for the documents and records which an IDA member firm (a "Member") may accumulate in the day-to-day operation of its business.

The two main factors, apart from business considerations, which affect the period of time for which records of Members must be kept are the possibility of legal actions brought by or against a Member and the requirements contained in various statutes which prescribe the periods for which certain records must be kept. Members may be exempt from certain statutory requirements if they comply with the IDA's rules or those of a provincial securities regulatory authority or a stock exchange.

With respect to legal actions, there are in force in each province of Canada statutes which contain limitations restricting the time in which actions may be commenced. Although these statutes do not impose a legal obligation to retain records for any minimum length of time, any documents which would be necessary to defend an action against a Member or support an action by a Member should be kept at least until the appropriate limitation period has expired. In all provinces of Canada, except Quebec, depending on the circumstances, an action for simple contract or tort (which includes negligence) is barred after six years from either the date the cause of action arose or the date the plaintiff discovers or is able to discover the deficiencies for which the remedy is sought. In Quebec, the limitation period for the same causes of action is three years. There are also certain circumstances, such as where the plaintiffs are incompetents or minors, in which these limitation periods will be extended.

In addition, another exception to the six year general limitation period in Ontario is for actions on the covenant (i.e. for a contract under seal) for which the limitation period is 20 years. The fact that a contract was intended to be made under seal, but was not, does not mean that the contract is subject to the limitation period for an action on the covenant.

It is suggested that a cautious approach would be to add one year to the general six year limitation period and therefore a retention period of seven years has been selected for certain documents which might be of assistance in a legal action against a Member. It is important to keep in mind that a limitation period may start to run before or after the time the record is made and that limitation periods are merely factors which may influence the decision to return or destroy records.

Apart from legislation relating to limitation periods, there are provincial and federal statutes which relate to the admissibility of evidence in provincial and federal proceedings. These statutes provide for the form and manner in which documentation may be presented in a court. In addition, the form in which records required by statute are to be made or retained may vary. Apart from manually produced records, various statutes permit records to be kept by mechanical, electronic or other devices as long as appropriate precautions are taken to avoid falsification and a means is provided to make the information available in an accurate and intelligible form. Document imaging systems currently available can be used to facilitate Members records retention activities. Guidance with respect to microfilm as

documentary evidence has been prepared by the Canadian General Standards Board in a 1993 report available from the Ministry of Supply and Services Canada.<sup>1</sup>

As mentioned above, the other factor to be considered with respect to the period of retention apart from possible legal actions, is the length of time which a statute may prescribe for certain documents that relate to a particular matter. Some statutes require that certain documents must be prepared and maintained but no period of retention is specified. In these situations, and if the government department which administers the statute in question has no policy as to how long such records must be kept, a presumption has been made that permanent records must be kept.

Some of the statutes which contain specific provisions as to the retention of documents include the provincial securities and commodities acts, federal and provincial corporations acts and income tax acts, pension plan acts, the *Proceeds of Crime (money laundering) Act* (Canada)<sup>2</sup>, the *Unemployment Insurance Act* (Canada) and provincial employment legislation. Under the *Income Tax Act* (Canada), for instance, the general rule is that, books and records, together with the accounts and vouchers related thereto, must be retained for a minimum of six years from the end of the last taxation year to which they relate. The retention period may be extended, however, in circumstances such as where Revenue Canada demands the period be extended, where a tax return for a particular year is filed late, or where the books and records are necessary for dealing with a notice of objection or appeal. For guidance, Revenue Canada's Information Circular 78-10R2 and Information Circular 78-10R2 (SR), copies of which are attached hereto as Schedule C may be referred to.

Those Members which have been incorporated under the *Canada Business Corporations Act* or under certain of the provincial corporations acts are required to keep "adequate accounting records" with respect to all financial and other transactions of the Corporation including records of all sums of money received and disbursed by the Corporation and the matters in respect of which receipt and disbursement took place, all sales and purchases by the Corporation; all assets and liabilities of the Corporation; and all other transactions affecting the financial position of the Corporation. The relevant sections of these acts contain no time limitation and therefore to the extent that any of the documents in the attached Schedule A fall within any of these categories it appears that such documents should be kept for all time.

In general, provincial statutes stipulate that the records which they mandate must be retained within their particular province. Additionally, in order that complete details concerning trades in a specific province should be readily available to the securities regulator in that province and its staff it is a condition attaching to all registrations, excepting salesmen, underwriters and non-resident registrants, whose head office records are maintained other than in the specific province, that there shall be maintained in that province and readily available for examination by the securities regulator's staff such ledgers, books of account, correspondence and other documents and records as are necessary to provide complete details of each transaction from or within that province.

This guide does not include sections outlining the consequences of non-compliance with the suggested retention periods. In general, it is an offence not to comply with statutory record-keeping requirements and officers and employees, as well as corporations, can be found to have committed an offence in cases of non-compliance. The

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<sup>1</sup> *Microfilm and Electronic Images as Documentary Evidence* (CAN/CGSB - 72.11.93). See Schedule B for an overview of this report.

<sup>2</sup> Schedule D contains a description of the records retention requirements imposed by the *Proceeds of Crime (money laundering) Act* (Canada), as well as a copy of the IDA's Interpretation Bulletin C-55 which provides additional guidance to Members on this issue.

limitation periods for these offenses do not provide an adequate basis for a retention policy as it is common for these statutes to extend the period for prosecution in cases where some fraudulent intent is found.

These penal limitation periods should have minimal impact on record destruction decisions and, for that reason, are not included in this guide. In addition, those responsible for record destruction decisions should be aware of Section 397 of the *Criminal Code*, R.S.C. 1985, c. C-46, which makes it an offence to destroy or mutilate business records with intent to defraud and for which there is no limitation period.

**NOTE:**

This record retention guide has been prepared by the IDA to assist Members in establishing their own record retention program and updates the guide published in 1982. During the interim there have been significant legislative changes pertaining to records retention. There have also been changes to the IDA's By-laws, Regulations and Policies which have increased the Members' record keeping obligations. For example, the requirement to comply with the IDA's internal control policy statements required Members to enhance their previous record keeping systems.

Due to the fact that provincial requirements differ and that retention periods may be changed from time to time it must be emphasized that this guide should be considered as a "starting point" in establishing a record retention program. It is not intended or designed to serve as a substitute for legal counsel, nor does this guide offer interpretations or opinions which should be construed as giving legal advice. It is also suggested that before implementing any record retention program it should be examined by the Member's legal counsel and auditor and once implemented, it should be reviewed from time to time (perhaps on an annual basis) to ensure its continued accuracy.

While the material contained in this record retention guide has been compiled from sources which the Association believes to be accurate, the Association does not assume any responsibility for its completeness or accuracy.

## **MINIMUM ACCOUNTING RECORDS FOR AN INVESTMENT DEALER**

### **SECURITIES**

Accounting records are required to facilitate the control of cash and securities throughout their inflow, duration and outflow processes. Historical records provide management information upon which past actions can be judged and future decisions can be based. There must be sufficient accounting records within a Member to enable management and/or auditors to properly follow the chronological flow of each transaction, each customer's account and each department's function to ensure that:

- (a) regulatory requirements are met;
- (b) internal control on cash and securities is adequate;
- (c) firm standards and budgets are scrutinized;
- (d) management's actions can be reviewed; and
- (e) the customer is notified of all transactions in their account, on a timely basis.

The format used to comply with the minimum requirements is at the user's discretion. The means of recording the information should be complemented by appropriate internal controls to guard against the risk of falsification and should be able to make available clear and accurate information within a reasonable length of time. The records must be kept up to date and include the following:

#### **A. Blotters - Journals of Original Entry - Daily**

These will be used to record all pertinent information concerning purchases, sales, receipts and deliveries of securities (including certificate numbers), receipts and disbursements of cash, and all other debits and credits. Separate data files may be maintained to record each type of transaction such as purchases versus sales, unlisted securities, bonds, cash receipts, cash disbursements and stock record journals.

##### **1. Securities purchases and sales should show - Daily**

- (a) name, class and designation of securities
- (b) number, value or amount of securities
- (c) unit and aggregate purchase or sale price (if any)
- (d) name or other designation of the other side of the transaction
- (e) accrued interest
- (f) commission
- (g) settlement amount
- (h) trade date
- (i) settlement date
- (j) customer account number or designation

##### **2. Securities receipts and deliveries**

- (a) security name, class and designation and certificate number
- (b) number of shares or principal amounts of bonds
- (c) date received or delivered

- (d) where received from or delivered to
- (e) affected account name and/or number designation
- (f) location of security segregation
  - e.g. "in transfer"
  - "in current box"
  - "in safekeeping"
  - "at bank"
  - "to customer"
- (g) registration.

### **3. Cash Receipts and Disbursements**

- (a) date
- (b) affected account name and/or number designation
- (c) reference to original purchase or sale, if applicable.

### **B. General Ledger - Monthly**

Accounts reflecting all assets and liabilities, capital, income and expense accounts. In general, all accounts must be calculated on a basis consistent with generally accepted accounting principles.

### **C. Customers' Accounts - Daily**

A separate accounting must be kept in detail of each cash and margin account of every customer. The term "customers" includes the investing public, financial institutions, other investment dealers and stock brokers, affiliates and partners, shareholders, directors, officers and employees of a Member and its affiliates. Each account must itemize:

- (a) account identification (i.e. name and/or number)
- (b) type of account (e.g. cash, margin)
- (c) purchases
- (d) sales
- (e) securities receipts
- (f) securities deliveries
- (g) cash receipts
- (h) cash disbursements
- (i) other trades of securities
- (j) all other debits and credits.

In addition, Members should include records for each such account showing the beneficial owner (if other than the person in whose name the account is carried), the guarantor of such account, if any, and written authorization, or ratification from the client where trading instructions were received from any other persons, naming such person.

With respect to all securities and property received to margin, guarantee or secure the trades or contracts of customers, each account must itemize:

- (a) description of the securities or property
- (b) date when received
- (c) identity of any deposit institution where such securities or property are segregated
- (d) dates of deposit and withdrawal from such institutions
- (e) date of return of such securities or property to the customer or other disposition thereof, together with the facts and circumstances of such other disposition.

With respect to any investments of such money, proceeds or funds segregated for the benefit of the customers, each account must itemize:

- (a) date of such investments
- (b) identity of the person or company through or from whom such securities were purchased
- (c) amount invested
- (d) description of the securities
- (e) identity of the deposit institution, other dealer or dealer registered under any applicable securities legislation where such securities are deposited
- (f) date of liquidation or other disposition and the money received on such disposition
- (g) identity of the person or company to or through whom such securities were disposed.

**D. Subsidiary Ledger or Record - Daily**

Should show:

- (a) securities in transfer (sent to and held by transfer agents or between external locations)
- (b) dividends and interest received
- (c) securities borrowed and securities loaned
- (d) money borrowed and/or money loaned along with a record of collateral therefore on an up-to-date basis
- (e) securities failed to receive and failed to deliver
- (f) money, securities and property received to margin, guarantee or secure the trades or contracts of customers, and all funds accruing to customers, which must be segregated for the benefit of customers under any applicable legislation.

**E. Securities Position Record - Daily**

This is an itemized listing by order of securities carried for client or firm accounts (perhaps identified by type, e.g., stocks, bonds, options) showing all long and short positions (including securities in segregation or safekeeping) by account and balanced by location (i.e., for each security the total long positions should equal the total short positions). The following items should appear:

- (a) name of security
- (b) accounts which are "long" or "short" that security
- (c) daily changes in position
- (d) location of securities long and the offsetting position to all securities short
- (e) name or designation of account in which each position is carried

Members who are TSE members must also have records which indicate:

- (a) number of shares owing to or from the clearing house
- (b) number of shares hypothecated
- (c) number of shares in transfer
- (d) number of shares on hand.

**F. Trial Balance and Capital Computation - Monthly**

A record of the proof of money balances of all ledger accounts in the form of trial balances and a record of risk adjusted capital, prepared currently at least once a month, and a record of reasonable calculation of minimum risk adjusted capital, minimum free capital, adjusted liabilities and capital required, prepared for each month within a reasonable time after each month end.

TSE members must include with this, together with a statement of profit and loss and of any other changes in capital or surplus (or undivided profits), margin requirements as shall, based on the latest available computation of capital requirements and capital position, be adequate to alert management to any possibility of failure to meet capital requirements.

Records of all early warning forms, reports and related documents in respect of a Member's capital profitability and liquidity position, and in connection with the Member's compliance with IDA By-law No. 30 "Early Warning System", may also be required to be prepared from time to time.

**G. Margin Calls**

A record of all margin calls whether such calls are made in writing, by telephone or other means of communication.

**H. Record of Orders and Other Instructions**

- (a) terms and conditions of orders or instructions for purchases and sales or involving changes or cancellations
- (b) account designation name and/or number
- (c) time of entry, and execution and location (e.g. stock exchange) if available, and if discretionary account a statement to that effect
- (d) where the order relates to an omnibus account, the component accounts within the omnibus account on whose behalf the order is to be executed, and the allocation among the component accounts intended on execution
- (e) broker from, or to or through whom the security was bought or sold
- (f) if order placed by individual other than person named in account or authorized individual agent, the name, sales number/designation of individual placing order
- (g) price at which order or instruction executed
- (h) time of alteration or cancellation
- (i) time of report of execution.

**I. Confirmations**



Confirmations of all purchases and sales of securities, prepared in accordance with the requirements of the relevant regulatory bodies, must be promptly sent to all customers and must include:

- (a) quantity and description of the security
- (b) consideration
- (c) whether or not the person or company registered for trading acted as principal or agent
- (d) if acting as agent, identity of the other broker
- (e) exchange where executed
- (f) trade date and settlement date
- (g) commission
- (h) name of the salesman, if any
- (i) if mutual fund security, the price per unit and amount deducted as sales, service or other charge (additional requirements will apply if the trade is made in a mutual fund under a contractual plan)

and in the case of all trades in stripped coupons and residual debt instruments:

- (a) yield thereon calculated on a semi-annual basis in a manner consistent with the yield calculation for the debt instrument which has been stripped
- (b) yield thereon calculated on an annual basis in a manner consistent with the yield calculation for other debt securities which are commonly regarded as being competitive in the market with such coupons or residuals such as guaranteed investment certificates, bank deposit receipts and other indebtedness for which the term and interest rate are fixed

and in the case of all trades in mortgage-backed securities and subject to the proviso below:

- (a) original principal amount of the trade
- (b) description of the security, including interest rate and maturity date
- (c) remaining principal amount (RPA) factor
- (d) purchase/sale price per \$100 of original principal amount
- (e) accrued interest
- (f) total settlement amount
- (g) settlement date

provided that in the case of trades entered into from the third clearing day before month end to the fourth clearing day of the following month, inclusive, a preliminary confirmation shall be issued showing the trade date and the information in clauses (a), (b), (d) and (g) and indicating that the information in clauses (c), (e) and (f) cannot yet be determined and that a final confirmation will be issued as soon as such information is available. After the remaining principal amount factor for the security is available from the central payor and transfer agent, a final confirmation shall be issued including all of the information required above.

Members may provide confirmations by electronic means to customers which are acceptable counterparties or acceptable institutions as defined in Form 1 (Joint Regulatory Financial Questionnaire and Report) if the customer has authorized the Member to do so and the Member has complied with the terms of this section. Any Member wishing to provide electronic confirmations must first apply to the Director of Compliance for permission.

**J. Monthly Statements**

Monthly statements, prepared in accordance with the requirements of the relevant regulatory bodies, should be sent out to all customers whose accounts had an entry during the month and a cash balance or a security position; and at least one copy of this statement should be retained by the Member for control purposes.

**K. Quarterly Statements**

Quarterly statements, prepared in accordance with the requirements of the relevant regulatory bodies, should be sent to all customers whose accounts had a cash balance or security position (including securities in safekeeping) at the end of the quarter; and at least one copy of this statement should be retained by the Member for control purposes.

**L. Customers' Records**

A record in respect of each cash and margin account containing the name and address of the beneficial owner (and guarantor, if any) for such account and, where trading instructions are accepted by a person other than the client, written authorization or notification naming the person, and in the case of a margin account, a properly executed margin agreement containing the signature of such owner (and guarantor, if any). Provided that, in the case of a joint account or an account of a corporation, such records are required only in respect of the person or persons authorized to transact business for such account.

**M. Member's Options**

A record of all puts, calls, spreads, straddles and other options in which the Member has any direct or indirect interest or which the Member has granted or guaranteed, containing at least an identification of the security and number of the underlying security and the number of underlying securities to which the put, call, spread, straddle or other option relates. Such a record may be kept in any suitable form which shows the date, details regarding the option, name of security, number of shares, and the expiration date; letters pertaining to such options, including those received from and addressed to customers, should be kept together with the record.

## COMMODITIES

The record keeping requirements in respect of commodity futures contracts and options are similar to the requirements described in connection with securities with certain differences. The following describes some of the particular additional records required for commodity futures contracts and options.

### A. **Blotters - Journals of Original Entry - Daily**

#### 1. **Purchases and sales should show - Daily**

In the case of trades in commodity future contracts:

- (a) trades
- (b) all receipts and cash disbursements
- (c) other debits and credits
- (d) customer account number or designation
- (e) commodity futures exchange
- (f) name of the dealer, if any, used by the Member as its agent to effect the trade
- (g) commodity and quantity bought or sold
- (h) delivery month and year
- (i) price at which contract entered into

and in the case of trades in commodity futures contract options:

- (a) trades
- (b) all receipts and cash disbursements
- (c) other debits and credits
- (d) customer account number or designation
- (e) commodity futures exchange
- (f) name of the dealer, if any, used by the Member as its agent to effect the trade
- (g) type and number of commodity option
- (h) premium
- (i) commodity futures contract that is the subject of the commodity futures contract option
- (j) delivery month and year of the commodity futures contract that is the subject of the commodity futures contract option
- (k) declaration date
- (l) striking price
- (m) the commodity futures exchange
- (n) the name of the dealer, if any, used by the Member as its agent to effect the trade

#### 2. **Segregated Property and Collateral Ledger**

- (a) money, securities and property required to be segregated for clients
- (b) money borrowed and loaned together with collateral and substitutions

**B. Commodity Ledger or Record**

A commodity ledger or record showing separately for each commodity as of the trade date all long positions or short positions in commodity futures contracts carried for the Member's account or for the account of customers, and, in all cases, the name or designation of the account in which each position is carried.

**C. Statement on Liquidating Trades**

A Member which has acted as an agent in connection with a liquidating trade in a commodity futures contract shall promptly send to customers a statement of purchase and sale setting forth:

- (a) dates of initial transaction and liquidating trade
- (b) commodity and quantity
- (c) commodity exchange
- (d) delivery month and year
- (e) prices on initial and liquidating trade
- (f) gross profit or loss
- (g) commission
- (h) net profit or loss

**D. Statement of Open or Unexercised Position - Monthly**

Monthly statements, prepared in accordance with the requirements of the relevant regulatory bodies, should be sent to all customers in whose account there was an unexpired and unexercised commodity futures contract option or open commodity futures contract at the month end. The following items should appear:

- (a) opening cash balance for month
- (b) deposits, credits, withdrawals and debits
- (c) closing cash balance
- (d) unexpired and unexercised options
- (e) striking price of each unexpired and unexercised option
- (f) open commodity contracts
- (g) price at which each open commodity contract was entered into

**E. Confirmations of All Trades in Commodity Futures and Commodity Futures Options**

In the case of trades in commodity futures contracts:

- (a) commodity and quantity bought or sold
- (b) price at which the contract was entered into
- (c) description of the contract including delivery month and year
- (d) whether the Member was acting as principal or agent
- (e) if acting as agent, identity of the other broker
- (f) exchange where executed
- (g) trade date and settlement date
- (h) commission
- (i) name of the salesman, if any

In the case of trades in commodity futures contract options:

- (a) quantity and description of option
- (b) premium
- (c) contract that is the subject of the option and its delivery month and year
- (d) declaration/expiration date
- (e) striking price
- (f) whether the Member was acting as principal or agent
- (g) if acting as agent, identity of the other broker
- (h) exchange where executed
- (i) trade date and settlement date
- (j) commission
- (k) name of the salesman, if any

**F. Risk Disclosure Records**

In the case of trading or advising in respect of commodity futures contracts or commodity futures option, a Member must maintain a record showing the names and address of all persons to whom a current risk disclosure statement or an amendment thereto has been distributed and the date or dates of such distributions.

**SCHEDULE A**  
**SUGGESTED DOCUMENT RETENTION PERIODS**

<u>Document</u>	<u>Purpose or Use of Document</u>	<u>Minimum Recommended Retention Period<sup>1</sup></u>	<u>Reason</u>
<b>Accounting Documents</b>			
General Ledger	Shows <ul style="list-style-type: none"> <li>- all sums of money received and disbursed by the corporation and the matters with respect to which receipt and disbursement took place</li> <li>- all sales and purchases of the corporation</li> <li>- the assets and liabilities of the corporation</li> <li>- all other transactions affecting the financial position of the corporation</li> </ul>	Permanent	Corporations acts and income tax considerations

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<sup>1</sup> Retention periods may be extended in certain cases (for examples in respect of income tax considerations, see discussion on page (iii)). As well, provincial law may require longer retention periods. For example, the *Corporations Tax Act* (Ontario) requires that corporations keep all books of accounts and vouchers until written permission for disposal is obtained from the Minister of Finance. For the purposes of the Goods and Services Tax, the general rule is that records must be retained for six years from the end of year to which they relate. However, this period may be extended in certain circumstances.

<u>Document</u>	<u>Purpose or Use of Document</u>	<u>Minimum Recommended Retention Period</u>	<u>Reason</u>
<b>Accounting Documents</b>			
Subsidiary Ledgers - client's and inventory control		7 years	Limitation of action and income tax considerations
Private Ledger	Complementary to general ledger - shows director's personal accounts or drawing accounts	Permanent	Corporations acts considerations
Books of Original Entry		6 years	Income tax considerations
Corporate Records	Minute book, share certificate books, annual notices, etc.	Permanent	Corporation and income tax considerations
Accounting Records		6 years	Corporations acts considerations
Year-End General Ledger Trial Balance		Variable depending on internal requirements	
Audited Annual Financial Statements		Permanent	Corporations acts considerations
Subsidiaries' Financial Statements		Permanent	Corporations acts considerations
Month-End General Ledger Trial Balance		Variable depending on internal requirements	
Monthly Financial Statements		Variable depending on internal requirements	

<u>Document</u>	<u>Purpose or Use of Document</u>	<u>Minimum Recommended Retention Period</u>	<u>Reason</u>
<b>Accounting Documents</b>			
Monthly Financial Reports (including supplemental information and supporting documentation)	Shows basis for Reports	6 years, last 3 months should be readily available	IDA requirement
Joint Regulatory Financial Questionnaire and Report (including supplemental information and supporting documentation)	Shows basis for Questionnaire	6 years, most recent should be readily available	IDA requirement
Quarterly Operations Questionnaire (including supplemental information and supporting documentation)	Shows basis for Questionnaire	6 years, most recent should be readily available	IDA requirement
Corporate Tax Returns (including assessment notices, etc.)		Permanent	Income tax considerations
Fixed Asset Records	To establish investment cost and depreciation	Permanent	Income tax considerations
Sales Invoices, Statements and Slips		6 years	Income tax considerations
Sales Journal		6 years	Income tax considerations
Annual Inventory Records		6 years	Income tax considerations



<u>Document</u>	<u>Purpose or Use of Document</u>	<u>Minimum Recommended Retention Period</u>	<u>Reason</u>
<b>Accounting Documents</b>			
Purchase Orders and Requisitions	To authorize internal purchases	Variable depending upon internal and auditor's requirements	
Purchase and Expense Invoices and Vouchers		6 years	Income tax considerations
Purchase Books		6 years	Income tax considerations
Suppliers' Statements	Suppliers' monthly recapitulation of amounts owing by Member	Variable depending upon internal and auditor's requirements	Information available on invoices
Cheque Requisitions	To originate cheque	Variable depending upon internal and auditor's requirements	Information available from cheque
<b>Banking Documents</b>			
Cancelled Cheques - dividend - others including payroll		7 years from date issued	Limitation of action considerations
Cheque Copies	Record of cheques issued	1 month after bank reconciliation	Business considerations
Bank Deposit Slips	Record of amounts deposited in Member's bank	3 years	Business considerations
Bank Statements		6 years	Income tax considerations
Bank Debt and Credit Advice		6 years	Income tax considerations

<u>Document</u>	<u>Purpose or Use of Document</u>	<u>Minimum Recommended Retention Period</u>	<u>Reason</u>
<b>Banking Documents</b>			
Bank Reconciliations	To reconcile bank account	3 years	Business Considerations
<b>Documents Relating to Customers</b>			
Margin Agreement	Defines relationship between customer and Member relating to margin account	7 years from date account closed	Limitation of action considerations
New Account Application	Provides necessary information regarding customer and investment objectives	7 years from date account closed	Limitation of action considerations
Guarantee	Guarantee of an account by someone other than customer	7 years (20 years if under seal at time of execution) from date of termination of guarantee	Limitation of action considerations
Joint Account Agreement	Defines rights and obligations and interests of each of more than one person in account	7 years from date account closed	Limitation of action considerations
Pledge Agreement	Between customer and Member re pledging of customer's securities	7 years from date account closed	Limitation of action considerations
Futures Account Agreement	Between customer and Member re trading in futures contracts or futures contract options	7 years from date account closed	Limitation of action considerations
Options Trading Agreement	Between customer and Member re trading in options	7 years from date account closed	Limitation of action considerations

<b><u>Document</u></b>	<b><u>Purpose or Use of Document</u></b>	<b><u>Minimum Recommended Retention Period</u></b>	<b><u>Reason</u></b>
<b>Documents Relating to Customers</b>			
Nominee Authorization	Defines rights of nominee and obligations of beneficial owner	7 years from date account closed	Limitation of action considerations
Cash Account Agreement (including extensions)	Defines relationship between customer and Member relating to cash account	7 years from date account closed	Limitation of action considerations
Power of Attorney and Written Instructions	Defines authority given by beneficial owner to another person or institution	7 years from date account closed	Limitation of action considerations
Corporate Resolutions	Records names and authority of signing officers	7 years from date account closed	Limitation of action considerations
Investment Club Applications	Records names and authority of signing officers	7 years from date account closed	Limitation of action considerations
Estate Forms (authorization to close out account)	Authorized Member to close out account of deceased customer	7 years from date account closed	Limitation of action considerations
Margin Calls	To demand margin	1 month, if record of advice kept	Information as to date sent available on customer's ledger cards or statements
Buy Back Agreements	Evidences Member's agreement to buy back from customer short term notes before maturity	7 years from date that note agreed to be brought back matures	Limitation of action considerations

<u>Document</u>	<u>Purpose or Use of Document</u>	<u>Minimum Recommended Retention Period</u>	<u>Reason</u>
<b>Documents Relating to Customers</b>			
Repurchase Agreements and Reverse Repurchase Agreements	Evidences Member's agreement to either buy securities back from or sell securities to a customer	7 years from date that purchase or sale occurs	Limitation of action considerations
Cash/Securities Loan (Call Loan) Agreements	Evidences Member's lending of cash or securities to a customer	7 years from date that agreement is terminated or expires	Limitation of action considerations
Securities Lending Agreements	Evidences Member's borrowing of securities from a customer	7 years from date that agreement is terminated or expires	Limitation of action considerations
Sell-out Advice	To advise customer of Member's intention to sell securities	1 month, if record of advice kept	Information as to date sent available on customer's ledger cards or statements
Stock Receipt	To record detail and provide evidence of receipt of stock by customer or Member	7 years from date account closed	Limitation of action considerations
Dividend Notice	Advice to customer as to debits or credits relating to dividends	1 month	Business considerations
Put, Call and Straddle Options	Records, rights and obligations between customer and Member relating to these options	Become filled or unfilled orders - same retention period	
Correspondence with Customers		7 years from date account closed	Limitation of action considerations
<b>Employment Documents</b>			

<b><u>Document</u></b>	<b><u>Purpose or Use of Document</u></b>	<b><u>Minimum Recommended Retention Period</u></b>	<b><u>Reason</u></b>
Earnings Cards	Records of earnings by individual	6 years	Income tax considerations
Payroll Journals	Record of payroll information	6 years	Income tax considerations
Health and Safety Records	Confirms compliance	Permanent	Federal and provincial labour codes and workers' compensation acts (if applicable)
Employee Records and Books of Account	To record remuneration paid to an employee in insurable employment	6 years	Unemployment Insurance Act (Canada) - must keep documents, including each employee's Social Insurance Number, as will enable any premiums payable under the Act or any premiums or other amounts that should have been deducted or paid to be determined (accounts and vouchers necessary to rectify the information contained in the records and books of account must also be kept)
Pension Records	To record remuneration paid to an employee in pensionable employment as will enable contributions that have been paid or should have been paid to be determined and, for private plans, to record contributions and plan holders rights to benefits	6 years for Canada Pension Plan, permanent records are suggested for all pension records	Federal and provincial pension legislation

<u>Document</u>	<u>Purpose or Use of Document</u>	<u>Minimum Recommended Retention Period</u>	<u>Reason</u>
<b>Employment Documents</b>			
Employee Records	To record employee information	Certain additional information depends upon requirements of federal and provincial acts, e.g., Ontario	<p>Employment standards acts</p> <ul style="list-style-type: none"> <li>- Information for 2 years after work performed</li> <li>- name and address of employee</li> <li>- date of birth, if employee is a student under 18</li> <li>- number of hours worked</li> <li>- wage rate and actual earnings</li> <li>- the amount of each deduction from the wages of the employee and the purpose for which each deduction is made</li> <li>- any living allowance or other payment to which employee is entitled</li> </ul>

<u>Document</u>	<u>Purpose or Use of Document</u>	<u>Minimum Recommended Retention Period</u>	<u>Reason</u>
<b>Employment Documents</b>			<ul style="list-style-type: none"> <li>- the net amount of money being paid to the employee</li> <li>- any documents or certificates relating to pregnancy leave under the Act</li> </ul> <p>and for 5 years after work performed</p> <ul style="list-style-type: none"> <li>- name and address</li> <li>- date of commencement of employment</li> <li>- earnings during each pay period and vacations with pay</li> </ul> <p>Workers' compensation acts</p> <ul style="list-style-type: none"> <li>- records required which can verify annual statement of wages earned by employees required to be filed with the Board</li> </ul>
Employment Equity Plans (including plans and information used in compilation of plans)	Plans are filed with federal or provincial governments	3 years after the plan expires	Federal or provincial employment equity acts

<u>Document</u>	<u>Purpose or Use of Document</u>	<u>Minimum Recommended Retention Period</u>	<u>Reason</u>
<b>Employment Documents</b>			
Employee Share Ownership Plan Documents (Accounts and Vouchers)	Details employee share plan information	Permanent	Employee share ownership plan acts
Commission Reports	Record of commission earned by salesmen	6 years	Income tax considerations
T4 and T5 Slips		6 years	Income tax considerations
TDI's, Beneficiary Appointment Forms, etc.		6 years	Income tax considerations
<b>Trading Documents</b>			
Order Filled	Evidences that trader has completed transaction	6 years	TSE requirements
Confirmation	Confirms details of purchase or sale to customer	5 years	TSE requirements
O.T.C. Confirmation	Confirms details of over-the-counter purchase or sale	5 years	
Commodity Futures Contract and Commodity Futures Contract Options Confirmation	Evidences that trader has completed transaction	2 years	Commodity Futures Act requirements
Short Sale Information	Shows all particulars	1 year	TSE requirements



<b><u>Document</u></b>	<b><u>Purpose or Use of Document</u></b>	<b><u>Minimum Recommended Retention Period</u></b>	<b><u>Reason</u></b>
<b>Trading Documents</b>			
Order Unfilled	Evidences that transaction was not completed	2 years	TSE and IDA requirements
Order (open)	Becomes one of above		
Floor Ticket	Evidence of completed trade (initialled by other side)	7 years after date of trade	Limitation of action considerations
Statement on Liquidating Trades Monthly Statement	Commodities	2 years	Commodity Futures Act requirements
Monthly Statement	Commodities	2 years	Commodity Futures Act requirements
Trading Blotter	Contains daily record of all purchases and sales, all receipts and deliveries and shows account for which each transaction was conducted and name of other side in each case	7 years	Limitation of action considerations
Delivery & Receipt Sheets - clearing tickets - transfer sheets	To evidence delivery and receipts to and from clearing house and transfer facilities	7 years	Limitation of action considerations
Stock Records	Internal document indicating physical location of securities in possession of Member	7 years	Limitation of action considerations
Clearing Sheets (put-ons and fails)	Record of fails (produced by Exchange)	1 year after annual audit	Business considerations

<u>Document</u>	<u>Purpose or Use of Document</u>	<u>Minimum Recommended Retention Period</u>	<u>Reason</u>
<b>Trading Documents</b>			
Branch Cash Sheets	To record daily security and cash movement within branch	2 years	Business considerations
Transfer Posting Copy	Records details of entries to ledger sheet	1 month	Information available on client's ledger sheets
Customer's Month-End Statements	To recapitulate for customer the record of transactions during the month	1 month if on ledger sheets, if not 6 years	Income tax considerations - Information available on client's ledger sheets
Customer's Month-End Futures Contract Option Statements	To recapitulate for customer the record of transactions during the month	2 years if on ledger sheets, if not 6 years	TSE requirements and income tax considerations
Dealer's Month-End Statements	To permit reconciliation of accounts with other dealers	Destroy after reconciled	
Dividend Claim Forms - Sent and Received	To determine entitlement to dividends paid on traded securities	7 years	Limitation of action considerations
Record of Complaints	Record of all complaints received	2 years	TSE requirements
<b>Miscellaneous</b>			
Registered Mail Book	Record of registered letters sent	7 years	Limitation of action considerations
Registered Mail Insurance Book	Record of insured mail	7 years	Limitation of action considerations
Brink's Book	Record of deliveries by Brink's	2 years	Business considerations

<u>Document</u>	<u>Purpose or Use of Document</u>	<u>Minimum Recommended Retention Period</u>	<u>Reason</u>
<b>Miscellaneous</b>			
Advertising and Sales Literature (including market letters)	Must identify persons preparing material and approving publication	2 years	TSE requirements
Insurance policies		Permanent	Limitation of action considerations

## **SCHEDULE B**

### **OVERVIEW OF THE CANADIAN GENERAL STANDARDS BOARD'S NATIONAL STANDARD FOR ELECTRONIC IMAGING**

The Canadian General Standards Board ("CGSB"), working with the Canadian Information and Image Management Society, has prepared a national standard for electronic imaging. The goal of the standard is to establish guidelines to be followed in establishing an image management program so that images produced in compliance with the program will be accepted as meeting the legal requirements under Canadian laws of evidence. Details of the national standard can be found in a document entitled "Microfilm and Electronic Images as Documentary Evidence", which was published by the CGSB in October, 1993.

#### **Explanation of the Standard**

The publication will be useful for Members' management and information officers and their advisors when developing compliant image management programs. The standard does not contain a list of technical standards or specifications, although it provides a list of publications which should be referred to for that purpose. Rather, the standard "provides rules and guidelines for organizations to establish and operate a credible image management program with the ability to demonstrate that the resulting captured images are accurate reproductions of source records", and as such, would be admissible business records, "made in the usual and ordinary course of business", as required under the various Canadian Evidence Acts and Ordinances.

Provisions are made in the standard for both microfilm based (micrographics) and electronic image management based programs. The standard, therefore, was created to permit organizations to take advantage of the cost savings, reduced storage requirements and increased storage and retrieval efficiencies available through the use of modern micrographic and electronic image management systems. At the same time, the standard allows organizations to dispose of or destroy the source documents, without the courts drawing any adverse inferences from such disposal or destruction.

The standard sets out the following seven factors necessary for implementation of a credible image management program: (i) the written authority from senior management to establish the image management program; (ii) the program's integration into the organization's usual and ordinary course of business; (iii) the written authority for the regular disposal of the source records within a reasonable period of time after the completion of the microfilming or image capture process; (iv) the establishment and documentation of the program's systems and procedures; (v) provision for quality assurance; (vi) provision for appropriate storage and preservation of storage medium considering its desired retention period; and (vii) the program's conformity to all applicable micrographics and electronic image standards (as set out in the applicable technical publications listed in the standard).

With these factors in mind, the standard sets out detailed rules and guidelines regarding (i) the establishment of the micrographics and electronic image management programs; (ii) the steps necessary in the preparation of source documents for microfilming or imaging; (iii) procedures to follow when microfilming; (iv) basic control objectives when creating electronic images; (v) evidentiary requirements for both microfilm and electronic images; and finally (vi) storage and preservation standards as regards micrographics.

## **Conclusion**

It is not certain whether Canadian courts and legislatures will adopt, and/or mandate, this national standard. However, adoption of the standard by organizations will likely enhance the probability of admissibility of, and increase the weight given to, any such business records produced as evidence before a court or tribunal.

*Copies of "Microfilm and Electronic Images as Documentary Evidence" (CAN/CGSB-72.11-93) may be purchased for \$65 plus shipping & G.S.T., by calling the Canadian General Standards Board at (613) 941-8703 or by faxing (613) 941-8705 (Discounts are available for purchasers of multiple copies).*

**SCHEDULE C**

**REVENUE CANADA INFORMATION CIRCULARS 78-10R2 AND 78-10R2 (SR)**

## SCHEDULE D

### RECORDS RETENTION REQUIREMENTS FOR MONEY LAUNDERING PREVENTION

The *Proceeds of Crime (money laundering) Act* and its regulations require the following records to be maintained by Members:

(i) Signature of Authorized Individuals

Members are required to obtain the signature of all individuals authorized to give instructions in respect of an account on a signature card, account agreement or new account application form. (A limit of **three** weeks is a general guideline for the registered representative to obtain the client's signature. This is a reasonable length of time to mail the applicable form to the client, have it signed, and returned to the Member.)

(ii) Account number of client at bank, trust company, credit union or caisse populaire

To develop an audit trail for client funds, the chequing or savings account number of a deposit taking institution used by the authorized individuals is to be recorded.

(iii) Client documentation and monthly statements

Dealers are required to maintain client files including new account application forms, trade confirmations, account agreements, client correspondence, and copies of all monthly statements sent to clients. These requirements as set out by the government regulations are currently industry regulations regarding the maintenance of client records. All Members complying with the minimum record requirements pursuant to IDA Regulation 200.1 will be in compliance with the government regulations.

(iv) Large cash transaction records

Records of all cash transactions greater than \$10,000 are to be kept for each account. The money laundering regulations also specify that multiple transactions on the same day on behalf of the same person should be treated as a single transaction for the purpose of determining if the transaction should be recorded as a large cash transaction. These transactions are to be recorded on the prescribed "Declaration of Funds" for each client (Refer to IDA Compliance Interpretation Bulletin C-55 dated March 4, 1993).

Members will meet the record retention requirements by maintaining, on file, computer coded or microfiche records of client documents, monthly statements, and large cash transaction records. Member firms must be able to readily provide hard copies of such records upon request.

Industry regulations currently require records as prescribed by this guide to be retained for seven years. This requirement is in excess of the *Proceeds of Crime (money laundering) Regulations (Canada)* which require records to be retained for five years, thus all dealers who comply with these requirements will also be in compliance with the government regulation.



## **SCHEDULE E**

### **RECORDS RETENTION REQUIREMENTS FOR EXAMINATION PURPOSES**

Retention in the following guideline relates to supplementary information used in the preparation of Joint Regulatory Financial Reports filed by Members firms with their respective audit jurisdiction SRO retained in a ready available location. After these time limits expire, such information may be placed in long-term off-premises storage subject to industry and statutory record retention guidelines.

Monthly Financial Reports - the three most recent filings should be retained.

Joint Regulatory Financial Questionnaire and report - the most recent interim filing should be retained.

Quarterly Operations Questionnaire - the most recent filing should be retained.

In addition to the filing, supporting documentation in sufficient detail to enable the SRO examiners to verify the accuracy of the reports and questionnaires must be retained. Included in this category are items such as the trial balance (general ledger, clients, brokers and inventory subledgers), status slips, clearing reports, client exception and delinquency reports, inventory and client margin reports, interest and dividend reports, security count reconciliation sheets, segregation control reports, security position record and working papers required to substantiate the daily or weekly capital calculations and monitor of early warning. (IDA Compliance Interpretation Bulletin C-38 dated May 125, 1992)

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