

**STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES**

Final Adopted Rules
Relating to Broker-Dealer Books and Record-keeping Requirements

Section 1. DFI-Sec 4.03(1) through (4) are repealed and recreated to read:

DFI-Sec 4.03(1) Every licensed broker-dealer shall prepare and keep current at its principal office the books and records as described in rules 17a-3 and 17a-4 under the securities exchange act of 1934.

(2) Every licensed broker-dealer shall preserve the records required under sub. (1) according to the schedule provided in rule 17a-4 under the securities exchange act of 1934 in compliance with the requirements of the U.S. securities and exchange commission concerning preservation and microfilming of records or other means of retention of records.

(3) Every branch office of a licensed broker-dealer, as defined under s. DFI-Sec 1.02(7)(a), shall prepare and keep current the branch office books and records as described in rule 17a-3(f) under the securities exchange act of 1934.

(4) Every licensed broker-dealer shall preserve the branch office records required under sub. (3) according to the schedule provided in rule 17a-4(k) under the securities exchange act of 1934 in compliance with the requirements of the U.S. securities and exchange commission concerning preservation and microfilming of records or other means of retention of records.

ANALYSIS: Under this Section, the entirety of the existing Wisconsin general books and

records requirement for licensed broker-dealers as set forth in rules DFI-Sec 4.03(1) to (4) (that particularizes the types of required books and records, and prescribes records retention periods), is repealed and recreated to incorporate by reference the new, superseding, federal rules adopted by the SEC contained in sections 17a-3 and 4 under the Securities Exchange Act. New sub. (1) requires a firm to retain the books and records cross-referenced in federal SEC rules 17a-3 and 4, and new sub. (2) incorporates by reference the records preservation and retention requirements in federal SEC rule 17a-4. New subsections (3) and (4) replace the current Wisconsin rules in DFI-Sec 4.03(3) and (4) [that prescribe branch office records and retention requirements], with language which provides that the books and records required to be prepared and maintained at broker-dealer offices triggering the definition of "branch office" under current rule DFI-Sec 1.02(7)(a), are the same records prescribed under the new federal provisions in new federal Rule 17a-3, and must be held for the retention periods specified in new federal Rule 17a-4.

Section 2. DFI-Sec 4.03(6) is repealed

ANALYSIS: This Section repeals current Wisconsin rule DFI-Sec 4.03(6) [which permitted broker-dealers to utilize alternative records to satisfy the principal office and branch office records required in existing rules DFI-Sec 4.03 (1) and (3)], because under NSMIA, states no longer have the authority to permit alternative forms of broker-dealer records different from the records prescribed by federal law.

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Section 3. DFI-Sec 4.03(7) is renumbered DFI-Sec 4.03(6)

ANALYSIS: This Section is a renumbering of current rule DFI-Sec 4.03(7) to reflect the repeal

of DFI-Sec 4.03(6) in Section 2.

Section 4. DFI-Sec 4.05(5) is amended to read:

DFI-Sec 4.05(5) Each broker-dealer shall provide each customer with a conformed copy of all contracts and agreements between the broker-dealer and the customer not later than ~~20~~ 30 days after the customer's account is first established on the books and records of the broker-dealer.

Each broker-dealer shall provide each customer with a conformed copy of the customer

information form prescribed [http://folio.legis.state.wi.us/cgi-](http://folio.legis.state.wi.us/cgi-bin/om_isapi.dll?clientID=82490&infobase=code.nfo&jump=DFI-Sec%204.03%281%29%28k%29&softpage=Document - JUMPDEST DFI-Sec 4.03(1)(k)unders)

[bin/om_isapi.dll?clientID=82490&infobase=code.nfo&jump=DFI-](http://folio.legis.state.wi.us/cgi-bin/om_isapi.dll?clientID=82490&infobase=code.nfo&jump=DFI-Sec%204.03%281%29%28k%29&softpage=Document - JUMPDEST DFI-Sec 4.03(1)(k)unders)

[Sec%204.03%281%29%28k%29&softpage=Document - JUMPDEST DFI-Sec 4.03\(1\)\(k\)unders](http://folio.legis.state.wi.us/cgi-bin/om_isapi.dll?clientID=82490&infobase=code.nfo&jump=DFI-Sec%204.03%281%29%28k%29&softpage=Document - JUMPDEST DFI-Sec 4.03(1)(k)unders)

~~s. DFI Sec 4.03(1)(k) or an alternative document that contains at a minimum the customer's~~

~~name, address, net worth, annual income, investment objectives and any other information~~

~~affecting the agent's ability to make suitable recommendations, not later than 20 days after the~~

~~customers account is first established on the books and records of the broker dealer pursuant to~~

~~the requirements of rule 17a-3(a)(17) under the securities exchange act of 1934. Each contract or~~

~~agreement and new account form for a customer whose account involves both an introducing~~

~~broker and a clearing broker who provides services to the customer, shall contain or be~~

~~accompanied by a disclosure of the identity and address of each broker-dealer. A copy of any~~

~~material amendment to a customer's contract, agreement or customer information form shall be~~

~~provided to the customer within 20 days from the date of the material amendment. In this~~

~~subsection, a material amendment is presumed to exist, without limitation, in the event the~~

~~broker dealer receives from the customer and records on the customer information form, changes~~

~~to the customer's annual income, net worth,~~

~~investment objectives or other changes to information affecting the agent's ability to make suitable recommendations for the customer as required under~~
http://folio.legis.state.wi.us/cgi-bin/om_isapi.dll?clientID=82490&infobase=code.nfo&jump=DFI-Sec%204.06%281%29%28c%29&softpage=Document - JUMPDEST DFI-Sec 4.06(1)(c) ~~der~~
~~DFI-Sec 4.06(1)(c).~~

ANALYSIS: Under this Section, the existing Wisconsin Rule of Conduct provision in DFI-Sec 4.05(5) [requiring broker-dealers to provide customers with prescribed new account information and subsequent amendments to such information] is amended to both substitute a cross-reference to the new federal provision on that subject in SEC rule 17a-3(a)(17) under the Securities Exchange Act of 1934, and to repeal language in the Wisconsin rule inconsistent with federal provisions.

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The rules and amendments contained in this Order shall take effect pursuant to s. 227.22(2)(b), Stats., on the first day following expiration (on December 1, 2003) of identical emergency rules issued by the Division on May 2, 2003 (and as extended on September 17, 2003 by action of the Joint Committee for Review of Administrative Rules) on this subject.

DATED at Madison Wisconsin, this _____ day of _____, 2003.

[SEAL]

PATRICIA D. STRUCK
Administrator
Division of Securities