



# **SECURITIES AND FUTURES (KEEPING OF RECORDS) RULES**

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# Scope of Application

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The Rules shall apply to :

- Intermediaries, in relation to the businesses which constitute any regulated activities for which they are licensed or registered.
- Associated entities of intermediaries, in respect of client assets of the intermediaries that they receive or hold.

# Scope of Application

## *FAQ*

Some associated entities may not keep any records of their own, as their related intermediaries are responsible for record keeping.

Is this practice acceptable?

Answer: Yes.



# Definition of “Record”

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## Record means

- any record of information (however compiled or stored) and includes any books, contract or agreement, voucher, receipt, order forms, confirmations, written authorisations from clients etc.

## Except that

- it does not include any tape recording of any telephone conversation.

# Definition of “Record”

## FAQ

- Given that the term “record” does not include tape recording of telephone conversation, are intermediaries still required to keep telephone recordings of order instructions?

Answer: Yes. (For at least 3 months as required under section 3.9 of the Code of Conduct.)

- Are non-trade related documents (e.g. expenses invoices or bank statements) included under the definition of “record”?

Answer: Yes



# Record Keeping Requirements

## *General Requirements/Principals*

- An intermediary shall keep sufficient records to explain and reflect the financial position and operation of its regulated business, and to account for all client assets that it receives or holds. (Section 3)
- An associated entity of an intermediary shall keep sufficient records to properly account for client assets of the intermediary that it receives or holds. (Section 4)



# Record Keeping Requirements



## *Key New Policy Initiatives*

Expressly require an intermediary and an associated entity of an intermediary to keep records as are sufficient to –

- reconcile balances and positions at least monthly with statements provided by external parties, such as exchanges, clearing houses, other intermediaries and banks

# Record Keeping Requirements

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## *Key New Policy Initiatives (Cont'd)*

- demonstrate compliance with specified provisions in the Client Money Rules and Client Securities Rules
- demonstrate compliance with their systems of control for ensuring compliance with relevant provisions in the Client Money Rules and Client Securities Rules.



# Particular Record Keeping Requirements

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The Rules also prescribe particular record keeping requirements for selected types of activities

- Dealing in securities (Section 5)
- Leverage Foreign Exchange Trading (Section 6)
- Providing securities margin financing or other financial accommodation and effecting margined transactions (Section 7)
- Asset management (Section 8)

# Form in which Records are to be Kept

## *FAQ*

Can records be kept in electronic form?

Answer: Yes, so long as they are readily convertible into written form (Section 9).

Intermediaries / associated entities are also expected to have all necessary procedures to guard against damage and falsification of these records.



# Record Retention Period

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Except as otherwise provided in the SFO (including any subsidiary legislation made thereunder)

- not less than 7 years in general
- not less than 2 years for records showing particulars of orders.

# Record Retention Period

## *FAQ*

- What is the required retention period for blotters and dealing slips?

Answer: 2 years.

- What is the required retention period for contract notes and daily statements of account?

Answer: 2 years (Section 16 of the S&F (Contract Notes, Statements of Account and Receipts) Rules).



# Reporting of Non-compliance

- Notify the Commission in writing within 1 business day

## *FAQ*

Are intermediaries/associated entities required to report “minor” non-compliances with the Rules to the Commission?

Answer : Yes





The End