

NASD 3010 & 3110 Rules Matrix : Requirements

NASD Conduct Rule	NASD Sections	Concept	ZL Functionality
3010. Supervision			
<p>(d) Review of Transactions and Correspondence</p> <p>(1) Supervision of Registered Representatives</p>	<p>(d) Review of Transactions and Correspondence</p> <p>Each member shall establish procedures for the review and endorsement by a registered principal in writing, on an internal record, of all transactions and for the review by a registered principal of incoming and outgoing written and electronic correspondence of its registered representatives with the public relating to the investment banking or securities business of such member. Such procedures should be in writing and be designed to provide reasonable supervision of each registered representative. Evidence that these supervisory procedures have been implemented and carried out must be maintained and made available to the Association upon request.</p> <p>Rule 3010(d)(1), as amended, provides that procedures for review of correspondence with the public relating to a member's investment banking or securities business be designed to provide reasonable supervision for each registered representative, be described in an organization's written supervisory procedures, and be evidenced in an appropriate manner.</p>	<p>3010(d)(1) states that a firm must establish procedures in writing for how electronic correspondence (email, etc.) between their registered representatives and the public are recorded. A key part of these policies specifies supervisory roles and requires that a registered principal review incoming and outgoing email.</p>	<p>ZL Unified Archive - Compliance & Discovery Module ZL's Compliance Sampling and Search and Discovery functions enable a Supervisor to take a sample of all email messages, either incoming or outgoing for review. Specific emails can also be targeted for review based on sender, recipient, size, date sent, or mail content.</p>
<p>Guidelines For Supervision And Review As outlined in its notice to members 98-11, in adopting review procedures pursuant to Rule 3010, members must:</p>			
	<ol style="list-style-type: none"> Specify, in writing, the firm's policies and procedures for reviewing different types of correspondence Identify how supervisory reviews will be conducted and documented; 	<p>Firms which fall under NASD 3010 must determine their own policies and procedures for handling email and specify these in writing.</p> <p>Have a method for conducting supervisory reviews</p>	<p>ZL Unified Archive - Compliance & Discovery Module Once the organization's policies are in place, admins can apply these policies through ZL's Archival Policy and Rules engine. This enables appropriate retention policies, WORM storage, and message categorization. ZL's flexible Policy and Rules engine provides a simple conduit for users to apply corporate policy to email management and handling.</p> <p>ZL Unified Archive - Compliance & Discovery Module ZL's Compliance Sampling and Search and Discovery functions are applied so that supervisory reviews of the mail data and mail record can be conducted. Use of the Compliance module allows for tracking and audit trail of the entire, threaded review record.</p>



3. Identify what types of correspondence will be pre or post reviewed

Specify which correspondence will be reviewed before and after delivery

ZL Unified Archive - Compliance & Discovery Module

ZL's Unified Archive includes a gateway level deployment option, which enables an archival gateway to be deployed in addition to the standard journaling review, the ZL Archival Policy and Rules engine can be used to capture and isolate mails before they are delivered based on mail characteristics (e.g. specific user or group, sender or recipient). Other mails which are under post delivery review policy can be selected and culled out using Search and Discovery after delivery for review.

4. Identify the organizational position(s) responsible for conducting review of the different types of correspondence

Specify which individual resources are responsible within the organization to conduct the reviews on email.

ZL Unified Archive - Compliance & Discovery Module

ZL's Unified Archive supports hierarchical and privileged based search and indexing. Once an organization determines its review policy and those responsible for conducting reviews, these reviewers may review the organization's email, a group's email, etc. based upon their privileges and access levels. What results they receive depends upon their level within the hierarchy and their privileges. This prevents inappropriate search results being returned to the wrong individual.

5. Specify the minimum frequency of the reviews for each type of correspondence

Specify review frequency for each email type.

ZL Unified Archive - Compliance & Discovery Module

ZL's Unified Archive supports Near Real Time indexing of messages. Thus, once an organization determines its review policy, regardless of email type or delivery time, a supervisor can almost immediately perform a search to engage a review. Indexing times can also be set to maximize index timeliness.

6. Monitor the implementation of and compliance with the firm's procedures for reviewing public correspondence; and

Monitor compliance coverage against established policy for email handling.

ZL Unified Archive - Compliance & Discovery Module

ZL's Compliance Sampling and Search and Discovery functions are applied here as well so that supervisor reviews of the mail data and mail record can be conducted to monitor compliance and weight application of policies against actual performance.

7. Periodically re-evaluate the effectiveness of the firm's procedures for reviewing public correspondence and consider any necessary revisions.

Periodically review policy effectiveness.

ZL Unified Archive - Compliance & Discovery Module

Similar to previous requirement - ZL's Compliance Sampling and Search and Discovery functions are applied here as well so that supervisory reviews of the mail data and mail record can be conducted at periodic intervals to monitor compliance and weight application of policies against actual performance and effectiveness.



(2) Review of Correspondence

Each member shall develop written procedures that are appropriate to its business, size, structure, and customers for the review of incoming and outgoing written and electronic correspondence with the public relating to its investment banking or securities business. Where such procedures for the review of correspondence do not require pre-use review of all correspondence, they must include provision for the education and training of associated persons as to the firm's procedures governing correspondence; documentation of such education and training; and surveillance and follow-up to ensure that such procedures are implemented and adhered to.

New Rule 3010(d)(2) requires each member to develop written policies and procedures for review of correspondence with the public relating to its investment banking or business, tailored to its structure and the nature and size of its business and customers. The rule requires that any member that does not conduct either an electronic or manual pre-use review will be required to:

3010(d)(2) states that members shall create policies appropriate to their firms for reviewing all email correspondence related to investment banking and securities sent to the public. Education and training of all personnel is required as well as monitoring and surveillance to ensure the appropriate implementation and application of policies.

ZL Unified Archive - Compliance & Discovery Module

Once the organizations policies are in place, admins can apply these policies through ZL's Archival Policy and Rules engine. Once policy is determined, the administrator can use ZL's Sampling functionality to verify and test the proper implementation of policies for all incoming or outgoing mail.

Rule 3010(d)(2) amended (2) Review of Correspondence

1. Develop appropriate supervisory procedures;
2. Monitor and test to ensure these policies and procedures are being implemented and complied with;
3. Provide education and training to all appropriate employees concerning the member's current policies and procedures governing correspondence, and update this training as policies and procedures are changed; and
4. Maintain records documenting how and when employees are educated and trained

- Create supervisory policies
- Monitor and test policies to ensure compliance.
- Provide education and training on policies. Update as necessary.
- Record employee training records.

ZL Unified Archive - Compliance & Discovery Module

ZL's Compliance Sampling and Search and Discovery functions are used so that supervisory policies can be applied where reviews of the mail data and mail record can be conducted. Use of the Compliance module allows for tracking and audit trail of the entire threaded review record.

ZL Unified Archive - Compliance & Discovery Module

ZL's Compliance Sampling and Search and Discovery functions are applied here so that supervisory reviews of the mail data and mail record can be conducted to monitor compliance. The review actions are also recored and can themselves be monitored.

ZL Unified Archive - Compliance & Discovery Module

Once the organizations policies are in place, admins can apply these policies through ZL's Archival Policy and Rules engine. ZL's flexible Policy and Rules engine ensures that updated policies can be easily modified in the ZL system. ZL's web interface provides easy-to-use tools for implementing procedures, minimizing the training required.

ZL Unified Archive - Compliance & Discovery Module

ZL does not record employee training records, but it does maintain an audit trail of changes made by administrators to the system.



(3) Retention of Correspondence

Each member shall retain correspondence of registered representatives relating to its investment banking or securities business in accordance with Rule 3110. The names of the persons who prepared outgoing correspondence and who reviewed the correspondence shall be ascertainable from the retained records and the retained records shall be readily available to the Association, upon request

Retain correspondence of registered representatives along with records identifying information about the preparers and reviewers

ZL Unified Archive - Compliance & Discovery Module

ZL's Journaling function retains records of senders, names, and User IDs in the message headers and maintains it with metadata relating to the message and any file attachments. Upon review, ZL also maintains audit trails and a threaded record of the reviewed email with responses from any participating reviewers. These can be called upon and viewed at any time through the secure ZL interface.

NASD 3010 Notice to Members 98-11 (15 Feb 1998)

Supervisory policy and procedures must also:
1. Provide that all customer complaints, whether received via e-mail or in written form from the customer, are reported to the NASD in compliance with Rule 3070(c); **1.**

1 - Among other things, NASD Rule 3070(c) requires members to report to the NASD statistical information regarding customer complaints relating to matters specified by the NASD.

2. Describe any firm standards for the content of different types of correspondence; and

3. Prohibit registered representatives' and other employees' use of electronic correspondence to the public unless such communications are subject to supervisory and review procedures developed by the firm. For example, NASD Regulation would expect members to prohibit correspondence with customers from employees' home computers or through third-party systems unless the firm is capable of monitoring such communications.

All customer complaints must be reported to the NASD in compliance with NASD Rule 3070(c).

Specify standards for the content of different types of email.

Prohibit employees' from using public email networks for communicating to the public unless controls are in place that apply supervisory and review procedures.

ZL Unified Archive - Compliance & Discovery Module

Any emails that are delivered to the member can be called upon and forwarded to any email address or printed for delivery to the NASD in accordance with NASD 3070(c), which specifically discusses customer complaints and appropriate responses by the accused member.

ZL UA - Email Content Management Module

ZL supports the option of categorizing emails for archival based on email content. As such, members with policies that differ based on content can categorize such email easily and apply appropriate policies accordingly

ZL Unified Archive - Compliance & Discovery Module

ZL OEMs web filtering technologies that can be deployed on its platform that filter and block specific sites based on category. Among those sites are those that provide web-based email, which may or may not be governed via any archival solution.

3110. Books and Records

(a) Requirements

Describe any firm standards for the content of different types of correspondence; and

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 thereunder 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 17a4.

Correspondence shall be preserved and recorded in accordance with SEC Rule 17a-3 with formats and retention periods complying with SEC Rule 17a-4.

ZL Unified Archive - Compliance & Discovery Module

ZL WORM HSM functionality enables it to store any email data requiring WORM type media. This allows ZL to support virtually any WORM jukebox or library hardware for compliant storage.



(h) Order Audit Trail System Record keeping Requirements

(1) Each member that is a Reporting Member, as that term is defined in Rule 6951(n), shall record and maintain, with respect to each order, as that term is defined in Rule 6951(j), for such security that is received or executed at its trading department:

(A) an identification of each registered person who receives the order directly from a customer;

(B) an identification of each registered person who executes the order; and

(C) when an order is originated by the member and transmitted manually to another department, an identification of the department that originated the order.

(2) Each Reporting Member shall maintain and preserve records of the information required to be recorded under paragraph (h)(1) of this Rule for the period of time and accessibility specified in SEC Rule 17a-4(b).

(3) The records required to be maintained and preserved under paragraph (h)(1) of this Rule may be immediately produced or reproduced on "micrographic media" as defined in SEC Rule 17a-4(f)(1)(i) or by means of "electronic storage media" as defined in SEC Rule 17a-4(f)(1)(ii) that meet the conditions set forth in SEC Rule 17a-4(f) and be maintained and preserved for the required time in that form.

Each reporting member by 6951(n), must record and maintain the record under the following guidelines:

Record and keep the identification of each registered person that receives an order from a customer.

Record and keep the identification of each registered person who executes the order.

Record and keep the identification of the department through which an order is transmitted that originated the order.

Preservation of the above information must be in compliance with SEC Rule 17a-4(b).

Records preserved for (h)(1) must be reproduced in such a way that meet SEC Rule 17a-4(1)(ii) for email preservation.

ZL Unified Archive - Compliance & Discovery Module
ZL supports archival of traffic through traditional email servers as well as other SMTP generating applications that may or may not be primary mail systems. As such, order-generating software and any correspondence or orders delivered from such software can also be archived.

ZL Unified Archive - Compliance & Discovery Module
As in its Email Archival function, ZL supports retention of recipient identification and maintains this data within the archive.

ZL Unified Archive - Compliance & Discovery Module
As in its Email Archival function, ZL stores all information contained within the mail system. ZL can be customized to archive various fields of information from a customized application within the archive.

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ZL Unified Archive - Compliance & Discovery Module
ZL's Retention Policy function allows individual mails to follow different policies for retention depending upon their categorization. ZL automatically supports application level storage virtualization of this email data so that messages are automatically moved to less expensive media types when the requirement for ready viewing is no longer necessary once time is past.

ZL Unified Archive - Compliance & Discovery Module
ZL's Search and Discovery function enables mails to be easily recoverable for viewing in a ready fashion and ZL WORM HSM functionality enables it to store any email data onto WORM type media. This allows ZL to support virtually any WORM jukebox or library hardware for compliant storage.

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