Using docSTAR in Compliance with SEC Rule 17a-4

The Securities Exchange Act of 1934 promulgated general rules and regulations that govern the practices of certain exchange members, brokers, and dealers of securities. In particular, **Rule 17a-4** pertains to storage and accessibility of certain records. This rule has been updated to cover the use of micrographic equipment and electronic storage media.

Accordingly, docSTAR has developed this paper to assist clients in using docSTAR as an electronic storage medium in compliance with this rule. Note that docSTAR's staff has made their best efforts to interpret the rule, but the member, broker, or dealer is ultimately responsible with this and all other laws.

Of the various sections within rule 17a-4, only section f is specifically relevant to the use of electronic storage media. It contains three paragraphs. These define micrographic and electronic media, state requirements of electronic storage media, and describe required practices for a broker/dealer using electronic storage media. Each of these is detailed below.

Paragraph f-1, Definitions
This paragraph defines electronic storage media as any digital storage medium or system, which clearly encompasses docSTAR. It further states that the medium or system must meet all of the requirements of section f.

Paragraph f-2, Electronic Storage Media Requirements
The docSTAR solution, used according to the following procedures, meets all four of the requirements placed upon electronic storage media by paragraph f-2:

A. Non-Rewriteable Format
Records must be preserved exclusively in a non-rewriteable, non-erasable format. In order to meet this requirement, the member, broker, or dealer must record all documents on a suitable media, such as CD-R or DVD-R. DocSTAR recommends the following process for recording all records on a non-rewriteable medium:

1. The docSTAR system should be configured with DVD-RAM as its archival medium, optionally in conjunction with a RAID subsystem for two-tier storage. The DVD-RAM, although a rewriteable medium, is compatible with the day-to-day recording of documents. DVD-R and other non-rewritable media require special recording software.

2. Periodically or whenever the current DVD-RAM volume is filled, the current DVD-RAM disk should be duplicated onto a DVD-R disk, which is a non-rewriteable, non-erasable medium as required by this rule. Depending on scanning volume, DVD-R disks may be recorded daily, weekly, or semi-weekly, but it is recommended that they be recorded no less frequently than

once per month.

3. All paper documents should be maintained after scanning until they have been duplicated onto DVD-R-a period of no more than one month as recommended above. Thus, paper originals are available and may be regarded as "original" in the event a disaster destroys the DVD-RAM media before it has been duplicated on DVD-R. Thereafter, the DVD-R media may be regarded as original and may be maintained off site for safety.

4. Note that the AuthentiDate feature within docSTAR ensures that no images may be altered without detection between the times they are initial filed and the times they are duplicated on non-rewriteable media.

B. Automatic Verification
The DVD-RAM/DVD-R Multi Recorder drive provided by docSTAR in turnkey systems automatically verifies the quality and accuracy of every file written on the storage media, as required by this rule. This same drive or an equivalent device is recommended to clients using docSTAR software on non-docSTAR hardware.

C. Serialize and Time-Date Storage Media
The docSTAR software automatically maintains the volume labels for each unit of storage media and generates incremental (serial) volume labels for each new unit of media. Members, brokers, or dealers should accept the default, serialized volume labels and clearly label the exterior of each disk, as well as each duplicate disk. A standard operating procedure should be developed to ensure this. Furthermore, the AuthentiDate feature within docSTAR automatically records the date and time within each page stored on the electronic media.

D. Capacity to "Download"
The docSTAR software can automatically perform daily backups of the docSTAR database to the current DVD-RAM medium. Duplicating this medium to DVD-R as recommended creates a "download" of indexes and records compliant with this rule. Furthermore, docSTAR's Attaché module provides a convenient mechanism to download records (documents) and indexes to a suitable medium, including CD-R or DVD-R, as required under the rules.

Paragraph f-3, Required Procedures
A member, broker, or dealer who uses electronic storage media such as docSTAR must do all of the following:

1. Have the means to view images available at all times; maintaining docSTAR meets this requirement.
   Provide reproduction (print outs) on request; docSTAR can provide printouts of any document.
   Store duplicates separate from the original disks, and maintain them for the retention times required under this rule. (Compliant through docSTAR's recommended backup procedure.)
2. Organize and index accurately all information maintained; this is handled automatically by the docSTAR database.

- Indexes must be available for examination; maintaining docSTAR and having it available for examination meets this requirement.
- Each index must be duplicated and the duplicates must be stored separately from the original; performing regular backups and duplicating each disk as previously described will accomplish this.
- Original and duplicate indexes must be preserved for the time required for the records; docSTAR automatically maintains indexes unless/until documents are deleted.

3. Have in place an audit system for accountability regarding the "inputting" of records and any changes made. The docSTAR software automatically maintains an audit trail. The member, broker, or dealer should disallow anonymous (GUEST) access to docSTAR and require all operators to sign in with individual user names and passwords. Thus all document creation (scanning), filing, and access will be logged and available for audit. This should be included in a standard operating procedure.
4. Maintain, keep current, and promptly provide upon request all information necessary to access records and indexes. This requirement may be met by maintaining an operational docSTAR system, which embodies all information necessary to access records and indexes stored. It may also be met by using Attaché to create viewable duplicates of all records without the use of any proprietary software.
5. Have a third party file a statement of "undertakings" with the designated examining authority, thereby offering to provide information necessary to access information kept on the broker's or dealer's electronic storage media or to take reasonable steps to access that information upon the request of the SEC or its staff upon failure on the part of the broker or dealer. docSTAR offers an annual service plan to members, brokers, or dealers to allow them to meet this requirement. Under this service plan, docSTAR will file the necessary statement and will provide the services described upon request.

Conclusion - A member, broker, or dealer can comply with SEC Rule 17a-4by using docSTAR with appropriate media and with practices, and thereby enjoy improved efficiency and cost savings.