

December 19, 2007

Dr. Erik R. Sirri
Director
Division of Trading & Markets
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Modernization of Exchange Act Rule 17a-4(b)(4) and Rule 17a-4(f)

Dear Dr. Sirri:

This letter is the requested follow-up to meetings with representatives of the Securities Industry and Financial Markets Association¹ (“SIFMA”) Electronic Records Modernization Task Force (“Task Force”) this Fall regarding electronic records retention pursuant to Rule 17a-4(b)(4) and 17a-4(f) of the Securities Exchange Act of 1934 (“Exchange Act”). We would like to pass along some information from a survey regarding costs of maintaining electronic records conducted among approximately 15 members of the Task Force of various sizes. We propose to meet with you and your team in January to finalize a proposal for revisions to Rule 17a-4 that will work from both your and the industry’s perspectives. As summarized below, firms would be able to take advantage of the rule changes we have discussed with significant potential costs savings and reduced burden.

Through the survey, we found that firms are spending a considerable amount of money to comply with the SEC regulations governing electronic records and communications. Of the approximately 60% of firms that use third party vendors to host WORM archives for email, the average cost was over \$5.5 million dollars per firm annually. Firms spent an additional \$2 million each annually for third party vendors to store other electronic records required to be maintained.

Over 60% of firms maintain internal WORM archives for email and the average costs of this storage was over \$2.1 million per year. Average costs for internal archives

¹ The Securities Industry and Financial Markets Association brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA’s mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public’s trust and confidence in the markets and the industry. SIFMA works to represent its members’ interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong.

for other electronic records required to be maintained were over \$1.3 million per firm, per year for the nearly 77% of firms that maintain such records internally.

The survey also asked firms to estimate their annual cost savings if they were able to use storage media other than the WORM format. The average estimated cost savings in using storage media other than the WORM format were reported to be an additional approximately \$3 million per firm per year. It is important to note, however, that one firm reported that it would save approximately \$14.5 million per year.

Further, to demonstrate additional potential cost-savings from the proposed revisions to Rule 17a-4(b)(4) under discussion, the firms were asked to estimate their potential cost-savings if a rule amendment resulted in 25% less required email retention (a potentially conservative estimate). The firms reported that if WORM was still required, there would be an average annual cost-savings of nearly \$1 million per firm. If WORM were not required, a 25% reduction in emails retained would result in an average annual cost savings of over \$2.7 million per firm. These estimates do not, however, include any potential cost-savings of retrieving and reviewing documents in response to regulatory and legal subpoenas and requests. Our firms anecdotally have said that being able to use non-WORM systems to search for requested records and having to search millions less electronic records over time, would result in considerable additional savings.

We appreciate your continued attention to this matter. Please let me know of possible days and times in January which would work for your team to continue our discussion on these issues. If you have any questions regarding this letter, please contact me at (202) 962-7385 or mmacgregor@sifma.org.

Best regards,

Melissa MacGregor
Vice President & Assistant General Counsel

cc: Robert Colby, Deputy Director, Division of Trading and Markets, SEC
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