

(iii) The holding company must file, prior to the commencement of the initial review, the procedures agreed to by the holding company and the registered public accounting firm with the Commission's principal office in Washington, DC. Prior to the commencement of each subsequent review, the holding company must notify the Commission of any changes in the procedures;

(6) The reports that the holding company must file pursuant to paragraph (b) of this Appendix G shall be considered filed when two copies are received at the Commission's principal office in Washington, DC, and one copy is received at the regional or district office of the Commission for the region or district in which the broker or dealer has its principal place of business. The copies sent to the Commission's principal office shall be addressed to the Division of Market Regulation, Risk Assessment Group; and

(7) The statements filed by the holding company with the Commission pursuant to paragraph (b) of this Appendix G will be accorded confidential treatment.

Conditions Regarding Records To Be Made

(c) As a condition of the exemption, the holding company of a broker or dealer that computes certain of its capital charges in accordance with § 240.15c3-1e must make and keep current the following records:

(1) A record of the results of stress tests the holding company has conducted of the holding company's funding and liquidity in response to the following events at least once each quarter and a record of the contingency plan to respond to these events:

(i) A credit rating downgrade of the holding company;

(ii) An inability of the holding company to access capital markets for short-term funding;

(iii) An inability of the holding company to access liquid assets in regulated entities across international borders when the events described in paragraphs (c)(1)(i) or (ii) of this Appendix G occur; and

(iv) An inability of the holding company to access credit or assets held at a particular institution when the events described in paragraphs (c)(1)(i) or (ii) of this Appendix G occur;

(2) A record of the basis for the determination of credit risk weights for each counterparty; and

(3) A record of the basis for the determination of internal credit ratings for each counterparty.

Conditions Regarding Preservation of Records

(d)(1) As a condition of the exemption, the holding company of a broker or dealer that computes certain of its capital charges in accordance with § 240.15c3-1e must preserve the following information, documents, and reports for a period of not less than three years in an easily accessible place using any media acceptable under § 240.17a-4(f):

(i) The documents created in accordance with paragraph (c)(1) of this Appendix G;

(ii) Any application or documents filed with the Commission pursuant to § 240.15c3-1e and this Appendix G and any written responses received from the Commission;

(iii) All reports and notices filed with the Commission pursuant to § 240.15c3-1e and this Appendix G; and

(iv) All written policies and procedures concerning the group-wide internal risk management control system established pursuant to § 240.15c3-1e(a)(1)(viii)(B); and

(2) The holding company may maintain the records referred to in paragraph (d)(1) of this Appendix G either at the holding company, at an affiliate, or at a records storage facility, provided that the records are located within the boundaries of the United States. If the records are maintained by an entity other than the holding company, the holding company shall obtain and file with the Commission a written undertaking by the entity maintaining the records, in a form acceptable to the Commission, signed by a duly authorized person at the entity maintaining the records, to the effect that the records will be treated as if the holding company were maintaining the records pursuant to this section and that the entity maintaining the records will permit examination of such records at any time or from time to time during business hours by representatives or designees of the Commission and will promptly furnish the Commission or its designee a true, correct, complete and current hard copy of any or all or any part of such records. The election to operate pursuant to the provisions of this paragraph shall not relieve the holding company that is required to maintain and preserve such records from any of its reporting or recordkeeping responsibilities under this section.

Conditions Regarding Notification

(e) As a condition of the exemption, the holding company of a broker or dealer that computes certain of its

capital charges in accordance with § 240.15c3-1e shall notify the Commission of certain events as follows:

(1) The holding company shall send notice promptly (but within 24 hours) after the occurrence of the following events:

(i) The occurrence of any backtesting exception under § 240.15c3-1e(e)(1)(iii) or (iv) that would require that the holding company use a higher multiplication factor in the calculation of its allowances for market or credit risk;

(ii) A computation shows that allowable capital (as defined in § 240.15c3-1g(a)(1)) is less than 110% of the sum of the allowances for market, credit, and operational risk (as defined in § 240.15c3-1g(a)(2)-(a)(4));

(iii) An affiliate declares bankruptcy or otherwise goes into default;

(iv) The holding company becomes aware that an NRSRO has determined to materially reduce its assessment of the creditworthiness of an affiliate or the credit rating(s) assigned to one or more outstanding short or long-term obligations of an affiliate; or

(v) The holding company becomes aware that any financial regulatory agency or self-regulatory organization has taken enforcement or regulatory action against an affiliate;

(2) The holding company shall file a report if there is a material change, along with a description of the reason for the change, in:

(i) Its corporate structure;

(ii) The material affiliate status of any member of the affiliate group; or

(iii) The major business functions of any material affiliate; and

(3) Every notice or report given or transmitted by paragraph (e) of this Appendix G will be given or transmitted to the principal office of the Commission in Washington, DC, and to the regional or district office of the Commission for the region or district in which the broker or dealer has its principal place of business. For the purposes of this Appendix G, "notice" shall be given or transmitted by telegraphic notice or facsimile transmission. The report described by paragraph (e)(2) of this Appendix G may be transmitted by overnight delivery. Notices and reports filed pursuant to this paragraph will be accorded confidential treatment.

(f) The holding company of a broker or dealer that computes certain of its capital charges in accordance with § 240.15c3-1e must comply with the requirements listed in § 240.15c3-1e(a)(1)(viii)(B) through (K) and