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SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 240 and 249b

[Release No. 34-106246; File No. S7-2026-30]

RIN 3235-AL55

Transfer Agent Rules

AGENCY: Securities and Exchange Commission.

ACTION: Proposed rule.

SUMMARY: The U.S. Securities and Exchange Commission ("SEC" or "Commission") is proposing to adopt new rules, amend existing rules, amend the existing form for registration with the Commission as a transfer agent (Form TA-1) and the existing form for reporting activities of transfer agents (Form TA-2), and rescind an existing rule governing registered transfer agents. The proposals are designed to modernize the rules governing registered transfer agents.

DATES: This release was published in the Federal Register on [INSERT DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Comments should be received on or before [INSERT DATE THAT IS 60 DAYS AFTER PUBLICATION IN THE *FEDERAL REGISTER*].

ADDRESSES: Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/comments/s7-2026-30/transfer-agent-rules); or

- Send an email to rule-comments@sec.gov. Please include File Number S7-2026-30 on the subject line.

Paper Comments:

- Send paper comments to Vanessa A. Countryman, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number S7-2026-30. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method of submission. The Commission will post all comments on the Commission's website (https://www.sec.gov/rules-regulations/public-comments/s7-2026-30). Do not include personally identifiable information in submissions; you should submit only information that you wish to make available publicly. The Commission may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

Studies, memoranda, or other substantive items may be added by the Commission or staff to the comment file during this rulemaking. A notification of the inclusion in the comment file of any such materials will be made available on the Commission's website. To ensure direct electronic receipt of such notifications, sign up through the "Stay Connected" option at www.sec.gov to receive notifications by email.

A summary of the proposal of not more than 100 words is posted on the Commission's website (https://www.sec.gov/rules-regulations/2026/09/s7-2026-30).

FOR FURTHER INFORMATION CONTACT: Elizabeth Fitzgerald, Assistant Director, Tina Barry and Kevin Schopp, Senior Special Counsels, Bryant Eng, Ron Carny, or Scott Farnin, Special Counsels, Office of Clearance and Settlement at (202) 551-6706, Division of Trading and Markets, U.S. Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549-7010.

SUPPLEMENTARY INFORMATION: The Commission is proposing to amend, rescind, or add the following rules and forms.[1]

Commission Reference		CFR Citation (17 CFR)	Proposal
Securities Exchange Act of 1934 ("Exchange Act" or "Act")[2]	Form TA-1	Referenced in 17 CFR 249b.100	Amend
	Form TA-2	Referenced in 17 CFR 249b.102	Amend
	Rule 17ac2-1	17 CFR 240.17Ac2-1	Amend
	Rule 17ac2-2	17 CFR 240.17Ac2-2	Amend
	Rule 17ad-1	17 CFR 240.17Ad-1	Amend
	Rule 17ad-2	17 CFR 240.17Ad-2	Amend
	Rule 17ad-3	17 CFR 240.17Ad-3	Amend
	Rule 17ad-4	17 CFR 240.17Ad-4	Rescind
	Rule 17ad-6	17 CFR 240.17Ad-6	Amend
	Rule 17ad-7	17 CFR 240.17ad-7	Amend
	Rule 17ad-9	17 CFR 240.17Ad-9	Amend
	Rule 17ad-10	17 CFR 240.17Ad-10	Amend
	Rule 17ad-11	17 CFR 240.17Ad-11	Amend
	Rule 17ad-12	17 CFR 240.17Ad-12	Amend
	Rule 17ad-13	17 CFR 240.17Ad-13	Amend
	Rule 17ad-17	17 CFR 240.17Ad-17	Amend
	Rule 17ad-30	17 CFR 240.17ad-30	Add
	Rule 17ad-31	17 CFR 240.17ad-31	Add

[1] We are also proposing to modify the CFR designations for each of the rules in this release (other than the CFR designation for Rule 17ad-7 which has already been amended) to ensure the regulatory text conforms with section 2.13 of the Document Drafting Handbook. *See* 1 CFR 21.11; Office of the Federal Register, Document Drafting Handbook (Aug. 2018 Edition, Revision 2.1, dated Oct. 2023), https://www.archives.gov/files/federal-register/write/handbook/ddh.pdf. Because each of these rules contain an uppercase letter in their CFR citations, if adopted, the proposed rules would modify the CFR section designations at adoption to replace each such uppercase letter with the corresponding lowercase letter. The new rules being proposed in this release are being proposed with the appropriate lowercase letter, for example, Rule 17ad-30 is being proposed as 17 CFR 240.17ad-30 rather than 17 CFR 240.17Ad-30.

[2] 15 U.S.C. 78a et seq.

Table of Contents

I. Introduction

Transfer agents are a key component of the national clearance and settlement system, performing critical functions related to the securities lifecycle that help protect investors and support the prompt and accurate processing of securities transactions. Their statutory functions as defined under Section 3(a)(25) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act") include countersigning securities upon issuance, monitoring for overissuance, registering the transfer of securities, exchanging or converting securities, and transferring record ownership of securities by bookkeeping entry.[3] Collectively, these functions help ensure that securities ownership records remain accurate and that investors and other securities markets participants can rely on the accuracy, integrity, and safety of the clearance and settlement process throughout the securities lifecycle.

The Commission first adopted the majority of the federal transfer agent rules in the late 1970s and early 1980s.[4] At that time, the majority of investors held their securities in certificated (*i.e.*, paper) form. The transfer agent industry was characterized by a mix of small firms and public company issuers acting as their own transfer agent, and transfer agents primarily provided manual processing of certificates and related recordkeeping functions that some industry observers viewed as purely ministerial.

Transfer agents have adapted to the complex, interconnected electronic securities markets of today in numerous ways, including by providing a broad suite of services.[5] For example, in addition to facilitating the issuance, cancellation, and transfer of both paper and electronic securities and maintaining the official record of ownership of an issuer's securities, most transfer

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3 Exchange Act Section 3(a)(25)(A)-(E), 15 U.S.C. 78c(a)(25)(A) through (E).

4 The Commission provided a detailed history of those rules, and the market developments that led to those rules, in a 2015 concept release. *See* Transfer Agent Regulations, Exchange Act Release No. 76743 (Dec. 22, 2015), 80 FR 81948 (Dec. 31, 2015) ("2015 Concept Release") for an overview of the history of the Commission's transfer agent rules.

5 *See* Exchange Act Section 17A(a)(1)(A), 15 U.S.C. 78q-1(a)(1)(A).

agents also place, track, and remove restrictive legends[6] and at least one-third of them are engaged by issuers to provide administrative, recordkeeping, and processing services related to the distribution of cash and stock dividends, bond principal and interest, mutual fund redemptions, and corporate action and other payments to securityholders, what is commonly referred to as paying agent activity. Transfer agents' paying agent activity in particular has grown significantly in the last few decades and continues to grow.[7]

Many transfer agents function as administrators and third-party information or technology service providers for mutual funds or direct purchase, dividend reinvestment, employee stock purchase, retirement, and other issuer-sponsored investment plans.[8] In these roles, transfer agents fulfill such tasks as calculating purchase or sale prices for investors in mutual funds, aggregating and providing order routing services to handle all aspects of enrollment and ongoing account servicing, enhancing securityholder communications, and performing paying agent services specific to funds and plans.

Modern transfer agents may offer other ancillary services as well, including annual meeting and proxy services such as electronic proxy delivery, notice and access consulting, internet and phone voting, and proxy tabulation; strategic shareholder consulting services to corporations and shareholder groups working to influence corporate strategy; communication services such as promotion campaigns, loyalty programs, and communication services with brokers and fund managers; global capital markets services such as access to international markets and cross border transactions; corporate trust services; corporate restructuring and class action administration services; and corporate action consulting. A transfer agent's failure to perform its statutory functions and related services promptly, accurately, and safely can

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6 For additional discussion of transfer agents' role with respect to restrictive legends, *see* 2015 Concept Release, *supra* note 4, Section VI.D.

7 *See infra* Section III.J.

8 *See, e.g.,* 2015 Concept Release, *supra* note 4, Section VII.E.1, discussing the practice of voluntary registration as transfer agents by certain third-party administrators ("TPA").

compromise the accuracy of an issuer's securityholder records, disrupt the channels of communication between issuers and securityholders, disenfranchise investors, and expose issuers, investors, securities intermediaries, and the securities markets as a whole to significant financial loss.[9]

As technology and the securities markets continue to evolve, transfer agents are increasingly operating at the frontier of rapidly developing technologies, including tokenized securities, artificial intelligence ("AI"), and other forms of digital infrastructure. For example, market participants are actively seeking to bring blockchain-native, or "onchain" transfer agents into the U.S. market, with some firms developing models for blockchain-based recordkeeping, tokenized fund administration, and cross-chain interoperability that would require transfer agents to maintain issuer and securityholder records on distributed ledgers and deploy and administer smart-contract-driven processes. At the same time, rapid technological change—ranging from tokenization initiatives, to cloud-based systems, to AI-enabled operational tools—has the potential to reshape core clearance, settlement, and transfer functions across the market ecosystem. Transfer agents interacting with tokenized securities, distributed ledger technologies, and smart contracts must increasingly manage risks relating to blockchain data integrity, security of tokenized securities, and distributed ledger operational models, while those adopting AI or automated technologies must ensure proper controls, accurate representations of system capabilities, and effective oversight of automated processes. These developments place transfer agents in an increasingly central role in safeguarding investor records, issuing and supporting tokenized securities, and ensuring resiliency against operational and cybersecurity risks within the rapidly evolving technological landscape comprising the U.S. securities markets.

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9 *See* Maintenance of Accurate Securityholder Files and Safeguarding of Funds and Securities by Registered Transfer Agents, Exchange Act Release No. 19142 (Oct. 15, 1982), 47 FR 47269 (Oct. 25, 1982) ("17ad-9 through 13 Proposing Release") (noting examples of substandard transfer agent performance presenting significant potential adverse consequences); *see also* Processing Requirements for Cancelled Security Certificates, Exchange Act Release No. 48931 (Dec. 16, 2003), 68 FR 74390, 74391 (Dec. 23, 2003) (noting examples of substandard transfer agent performance and significant adverse consequences).

Despite these developments, the Commission's transfer agent rules have not been substantively updated since the first rules were adopted in the late 1970s and early 1980s. As a result, these rules do not sufficiently address the risks presented by the wide range of processing, recordkeeping, safeguarding, paying agent, and other services that characterize modern transfer agents' businesses, much less the risks posed by transfer agents' central role in the evolving blockchain-based, AI-driven landscape. For example, despite the highly sophisticated electronic and automated systems utilized by modern transfer agents, including transfer agents that are essentially enterprise software providers, the current transfer agent rules are silent with respect to information security, cybersecurity, disaster recovery, operational risk, or other requirements related to their use of connected and automated electronic systems. And although transfer agents play a critical role in placing, tracking, and removing restrictive legends to facilitate distributions, there are no Commission rules specifying transfer agents' obligations in connection with removing restrictive legends on securities.

Collectively, based on these changes the Commission concludes that there is a disconnect between the transfer agent rules that have been in place for decades and both the manner in which transfer agents perform their critical functions and the technology they use to do so. At the same time, transfer agents now perform a more diverse array of functions and services, many of which may not be adequately addressed by the transfer agent rules. As the pace of technological innovation and advancement within the securities markets continues to accelerate, the gap between the Commission's transfer agent rules and the risks posed by transfer agents' activities and role within the national clearance and settlement system continues to widen.

In this release, the Commission is proposing a targeted set of amended and new rules to ensure that the Commission's transfer agent rules continue to protect investors, support the public interest, and facilitate the safe and efficient functioning of the national clearance and settlement system. The Commission is soliciting public comment on each of the proposals in this release. Public feedback and data would help the Commission ensure that any regulatory action will be in the public interest and will help protect investors, the markets, and the national clearance and settlement system.

A. Background Regarding Securities Ownership

Investment securities confer certain intangible rights and benefits upon the holder.[10] In the past, the most common way to transfer investment securities, such as shares of stock, was to transfer a paper certificate that represents the benefits of ownership ("certificated security").[11] Certificated securities are evidence that the owner is registered on the books of the issuer (or its transfer agent) as a securityholder.[12] Although the shares themselves represent an intangible right,[13] the certificate is a negotiable instrument under state law, which allows the registered owner of the certificated security to transfer the bundle of intangible rights to a third party.[14]

The transfer of certificated securities held by registered owners was a time-consuming manual process for transfer agents. In 1977 the concept of the "uncertificated security" was introduced in Article 8 of the Uniform Commercial Code ("UCC").[15] This innovation allowed issuers to issue uncertificated (i.e., certificateless) book-entry securities, the transfer of which is greatly simplified compared to the transfer of certificated securities because transfer can be effected by simply registering the transferee's name on the books of the issuer.[16]

Under the current centralized depository model in the United States, there are two types of securities owners: (a) registered securityholders and (b) beneficial owners. Registered

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10 Egon Guttman, Modern Securities Transfers § 1:5 (4th ed. 2010).

11 The Uniform Commercial Code ("UCC") defines a "certificated security" as "a security that is represented by a certificate." U.C.C. 8-102(a)(4). The UCC, which was first published in 1952, is a uniform act designed to standardize the law of sales and other commercial transactions in all 50 states. The UCC has the effect of law only when adopted by a state, and while it has been adopted by all 50 states, there are numerous state-by-state variations in the adopted texts.

12 Guttman § 1:5.

13 *Id.*

14 Guttman § 1:12.

15 *See* U.C.C. 8-102(a)(18) (defining new term uncertificated security as "a security that is not represented by a certificate"); *see also* Egon Guttman, *Toward the Uncertificated Security: A Congressional Leap for States to Follow*, 37 Wash. & Lee L. Rev. 717, 729-32 (1980).

16 Guttman § 6:4.

securityholders (who may also be referred to as "holders of record")[17] own and hold securities in "registered form."[18] The UCC provides that an "issuer…may treat the registered owner as the person exclusively entitled to vote, receive notifications, and otherwise exercise all the rights and powers of an owner."[19] Registered securityholders are listed directly on the records of the issuer or the issuer's transfer agent under their own names, and can hold their securities either in certificated form or in uncertificated (i.e., book-entry) form.[20]

The vast majority of securityholders in the U.S. are beneficial owners rather than registered owners.[21] Beneficial owners do not own the securities directly but generally have purchased them through an intermediary, such as a broker or a bank, and determined to hold them in street name through a book-entry account with that intermediary. Securities held in street name are legally owned by and registered in the name of the depository's nominee (most often DTC's nominee, Cede & Co.). The individual investor's broker (or other intermediary) who is a member or participant of the depository will be identified on the books of the depository

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17 *See* Exchange Act Rule 17ad-9(a)(3), 17 CFR 240.17Ad-9(a)(3) (referring to "securityholder's registration"); Exchange Act Rule17ad-9(a)(4), 17 CFR 240.17Ad-9(a)(4) (referring to "registered securityholder"); Exchange Act Rule 12g5-1, 17 CFR 240.12g5-1 ("securities shall be deemed to be 'held of record' by each person who is identified as the owner of such securities on records of security holders maintained by or on behalf of the issuer").

18 *See* U.C.C. 8-102(a)(13). ("'Registered form,' as applied to a certificated security, means a form in which: (i) the security certificate specifies a person entitled to the security; and (ii) a transfer of the security may be registered upon books maintained for that purpose by or on behalf of the issuer, or the security certificate so states.").

19 U.C.C. 8-207.

20 Historically, the Direct Registration System ("DRS") operated by the Depository Trust Company ("DTC") has been the predominant form of holding uncertificated securities in registered form, however, in recent years, other forms of registered ownership such as tokenization have become available. Regardless of the specific format that a registered securityholder's securities take, a registered securityholder's options for holding uncertificated securities, through DRS, tokenization, or otherwise, will be subject to the issuer's governing documents and the law of its jurisdiction of organization, as well as to other legal requirements that may apply to the issuer, such as rules of self-regulatory organizations ("SROs") such as DTC and national securities exchanges.

21 For more information regarding beneficial ownership, *see, e.g.*, Concept Release On The U.S. Proxy System, Exchange Act Release No. 62495 (July 14, 2010), 75 FR 42982 (July 22, 2010) ("Proxy Concept Release"); Investor Bulletin: Holding Your Securities, SEC, *available at* http://www.sec.gov/investor/pubs/holdsec.htm (last visited May 22, 2026).

as having a "security entitlement"[22] to, or an interest in, a pro rata share of the fungible bulk of that security held by the depository.[23] Correspondingly, the individual investor will be identified on the books of the depository participant (i.e., the investor's broker or other intermediary) as having a security entitlement to a pro rata share of the securities in which the participant has an interest. At each level, the intermediary will be obligated to provide the entitlement holder with payments and distributions with respect to the financial asset and to exercise rights as directed by the entitlement holder.[24] A securities intermediary satisfies such duties where the intermediary acts as required by any agreement between the intermediary and entitlement holder.[25] The entitlement holder will be permitted to look only to the intermediary for performance of the obligations.[26]

B. Transfer Agent Regulation

Prior to 1975, most transfer agents were banks or trusts.[27] There was no federal regulation of transfer agents and transfer agents were subject to state law, generally pursuant to

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22 *See* U.C.C. 8-102(a)(7) (defining "entitlement holder" as a person identified in the records of a securities intermediary as the person having a security entitlement against the securities intermediary); U.C.C 8-102(a)(17) (defining "security entitlement"); U.C.C. 8-102(a)(14) (defining "securities intermediary" as (i) a clearing corporation or (ii) a person, including a bank or broker, that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity); U.C.C. 8-503(b) (providing that an entitlement holder's property interest with respect to a particular financial asset under [U.C.C. 8-503(a)] is a pro rata property interest in all interests in that financial asset held by the securities intermediary).

23 For securities held in "fungible bulk," there are no specifically identifiable shares directly owned by DTC participants. Rather, each participant owns a pro rata interest in the aggregate number of shares of a particular issuer held at DTC. In turn, each customer, such as an individual investor of a DTC participant, owns a pro rata interest in the shares in which the DTC participant has an interest. *See* Processing of Tender Offers Within the National Clearance and Settlement System, Exchange Act Release No. 19678, n.5 (Apr. 15, 1983), 48 FR 17603, 17605, n.5 (Apr. 25, 1983) (describing fungible bulk); Office of Investor Education and Advocacy, Investor Bulletin: DTC Chills and Freezes, SEC (May 2012), *available at* https://www.sec.gov/investor/alerts/dtcfreezes.pdf (discussing fungible bulk).

24 U.C.C. 8-505, 506.

25 U.C.C. 8-505(a)(1), 506(1). In the absence of an agreement covering payments and distributions, the securities intermediary must exercise due care in accordance with reasonable commercial standards. In the absence of an agreement with respect to the exercise of rights as directed by the entitlement holder, the securities intermediary either must place the entitlement holder in a position to exercise the rights directly or exercise due care in accordance with reasonable commercial standards to follow the direction of the entitlement holder. U.C.C. 8-505(a)(2), 506(2).

26 U.C.C. 8-503(c) (referring only to "securities intermediar[ies]" with respect to enforcement rights that may be exercised by an entitlement holder).

27 SEC, Study of Unsafe and Unsound Practices of Brokers and Dealers, H.R. Doc. No. 92-231, at 38. Transfer agents that are not banks may be referred to as non-bank transfer agents.

UCC provisions. Transfer agents were also subject to stock exchange requirements regarding securities processing.

Following the Paperwork Crisis, as discussed in more detail in the 2015 Concept Release, in 1975, Congress enacted the Securities Acts Amendments (the "1975 Amendments"),[28] which made sweeping changes to the federal securities laws, implemented many of the principal recommendations from the Securities Industry Study,[29] and established both the national market system[30] and the national clearance and settlement system as they exist today.[31] Specifically, Congress directed the Commission to, among other things: (i) "facilitate the establishment of a national system for the prompt and accurate clearance and settlement of transactions in securities;"[32] (ii) "end the physical movement of securities certificates in connection with the settlement among brokers and dealers of transactions in securities;"[33] and (iii) establish a system for reporting missing, lost, counterfeit, and stolen securities.[34]

The 1975 Amendments gave the Commission regulatory authority for the first time over transfer agents. Section 3(a)(25) of the Exchange Act defines a "transfer agent" as any person who engages on behalf of an issuer of securities or on behalf of itself as an issuer of securities in:

(A) countersigning such securities upon issuance;

(B) monitoring the issuance of such securities with a view to preventing unauthorized issuance (i.e., a registrar);

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28 Securities Acts Amendments of 1975, Pub. L. No. 94-29, 89 Stat. 97 (1975); *see also* S. Rep. No. 75, at 7 (1975).

29 Securities Industry Study, H.R. Rep. No. 92-1519, 64 (1972). The Senate Subcommittee on Securities conducted the Securities Industry Study to determine the causes of the Paperwork Crisis and recommend solutions. The Securities Industry Study ultimately led to Congress enacting the 1975 Amendments. *See* 2015 Concept Release, *supra* note 4, at 81954.

30 Section 11A of the Exchange Act directed the Commission to facilitate the establishment of a national market system to link together the multiple individual markets that trade securities and achieve the objectives of efficient, competitive, fair, and orderly markets, that are in the public interest and protect investors. *See* Exchange Act Section 11A(a)(2), 15 U.S.C. 78k-1(a)(2).

31 *See* Exchange Act Section 17A(a)(2), 15 U.S.C. 78q-1(a)(2).

32 Exchange Act Section 17A(a)(2)(A)(i), 15 U.S.C. 78q-1(a)(2)(A)(i).

33 Exchange Act Section 17A(e), 15 U.S.C. 78q-1(e).

34 Exchange Act Section 17(f)(1), 15 U.S.C. 78q(f)(1).

(C) registering the transfer of such securities;

(D) exchanging or converting such securities; or

(E) transferring record ownership of securities by bookkeeping entry without the physical issuance of securities certificates.[35]

Section 17A(c)(1) of the Exchange Act requires any person performing any of these functions with respect to any security registered pursuant to Section 12 of the Exchange Act or with respect to any security which would be required to be registered except for the exemption contained in subsection (g)(2)(B) or (g)(2)(G) of Section 12 ("Qualifying Security") to register with the Commission or other Appropriate Regulatory Agency ("ARA").[36] With respect to any transfer agent so registered, Section 17A(d)(1) of the Exchange Act authorizes the Commission to prescribe such rules and regulations as may be necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Exchange Act.[37]

Beginning in the late 1970s and early 1980s, the Commission adopted a series of transfer agent rules designed to regulate the basic recordkeeping and processing functions performed by transfer agents. The rules primarily related to routine transfers of certificated equity and debt securities and generally covered three areas: (i) registration and annual reporting requirements; (ii) timing and certain notice and reporting requirements related to securities transaction processing (referred to as "turnaround rules"); and (iii) recordkeeping and record retention rules and safeguarding requirements for securities and funds.

Although the Commission has made modest revisions to the initial transfer agent rules and has added several new rules since the adoption of those earlier rules, the core registration, processing, recordkeeping, and safeguarding rules remain substantially unchanged, and the

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35 Exchange Act Section 3(a)(25), 15 U.S.C. 78c(a)(25). Note that any insurance company or separate account which performs such functions solely with respect to variable annuity contracts or variable life policies which it issues or any registered clearing agency which performs such functions solely with respect to options contracts which it issues is excluded from the definition of "transfer agent" under the Exchange Act. *Id.*

36 Exchange Act Section 17A(c)(1), 15 U.S.C. 78q-1(c)(1).

37 Exchange Act Section 17A(d)(1), 15 U.S.C. 78q-1(d)(1).

exemptions for mutual funds, dividend reinvestment plans ("DRIPs"), and limited partnerships have not been revisited.

1. Registration and Annual Reporting Requirements (Rules 17ac2-1 and Form TA-1, Rule 17ac2-2 and Form TA-2)

Before a transfer agent may perform any of the statutory transfer agent functions defined in Section 3(a)(25) of the Exchange Act for a Qualifying Security, it must apply for registration by submitting Form TA-1 (Uniform Form for Registration as a Transfer Agent and for Amendment to Registration) to its ARA, and its registration as a transfer agent with its ARA must have become effective.[38] Form TA-1 requires a transfer agent seeking to register to disclose certain information, including the following: basic information about the registrant, transfer agent service company arrangements, control persons and owners, and any investment-related criminal prosecutions, regulatory actions, or civil actions to which its control persons or affiliates have been subject.[39] The registration automatically becomes effective 30 days after the Form TA-1 is filed, unless the ARA takes affirmative action to accelerate, deny, or postpone registration in accordance with the provisions of Section 17A(c) of the Exchange Act.[40] A registrant must amend its Form TA-1 within 60 days following the date on which information reported therein becomes inaccurate, incomplete, or misleading.[41]

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[38] Exchange Act Section 17A(c)(1), 15 U.S.C. 78q-1(c)(1); Exchange Act Rule 17ac2-1, 17 CFR 240.17Ac2-1; SEC Form TA-1, 17 CFR 249b.100. Once registration has become effective, a transfer agent may be subject to censure, suspension, limitation, or revocation of its registration if the transfer agent or any person associated with the transfer agent fails to obey Commission rules or violates certain of the securities laws. Exchange Act Section 17A(c)(3), 15 U.S.C. 78q-1(c)(3); Exchange Act Section 17A(c)(4)(C), 15 U.S.C. 78q-1(c)(4)(C).

[39] Basic identification information about the registrant includes information such as name, contact person, phone number, address, email address, identification numbers including the transfer agent's file number and Financial Industry Number Standard ("FINS") number, and whether the transfer agent solely provides services to its own securities or those of an affiliate. *See* Form TA-1, 17 CFR 249b.100.

[40] Exchange Act Rule 17ac2-1(a), 17 CFR 240.17Ac2-1(a); SEC Form TA-1, General Instruction G, 17 CFR 249b.100. Note that the 30-day time period in Exchange Act Rule 17ac2-1(a), 17 CFR 240.17Ac2-1(a), is shorter than the Exchange Act's 45-day time period for applications to be effective. Exchange Act Section 17A(c)(2), 15 U.S.C. 78q-1(c)(2).

[41] Exchange Act Rule 17ac2-1(c), 17 CFR 240.17Ac2-1(c); SEC Form TA-1, General Instruction H, 17 CFR 249b.100. For transfer agents for whom the Commission is their ARA, they must file Form TA-1 and amendments thereto electronically on the Commission's EDGAR system and each answer provided by the

All registered transfer agents, regardless of their ARA, must file an annual report with the Commission using Form TA-2 (Form for Reporting Activities of Transfer Agents Registered Pursuant to Section 17A of the Securities Exchange Act of 1934).[42] Form TA-2 covers a calendar year reporting period that ends on December 31[43] and must be filed by March 31 of the year following the end of the reporting period.[44]

Form TA-2 requires transfer agents to identify and report on the use of service companies, or other transfer agents, in connection with their transfer agent activities. It also requires transfer agents to provide annual data regarding the transfer agent's compliance with the turnaround rules. Additionally, the form requires transfer agents to provide the Commission with updated information about their business activities, including accounts administered, items received,[45] turnaround performance, total amounts of funds distributed, and lost securityholder accounts.[46] Rule 17ac2-2 provides exemptions from completing certain sections of Form TA-2 for small transfer agents and for transfer agents that outsource their work completely to service companies.[47]

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transfer agent is required to be formatted in an eXtensible Markup Language ("XML") data language. Exchange Act Rule 17ac2-1(d), 17 CFR 240.17Ac2-1(d); Electronic Filing of Transfer Agent Forms, Exchange Act Release No. 54864, 5 (Dec. 4, 2006), 71 FR 74698 (Dec. 12, 2006) ("Electronic Filing of Transfer Agent Forms Release").

42 Exchange Act Rule 17ac2-2(a), 17 CFR 240.17Ac2-2(a); SEC Form TA-2, 17 CFR 249b.102 (Form for Reporting Activities of Transfer Agents Registered Pursuant to Section 17A of the Securities Exchange Act of 1934).

43 Exchange Act Rule 17ac-2-2(b), 17 CFR 240.17Ac2-2(b).

44 Form TA-2 must be filed electronically on the Commission's EDGAR system, and each answer provided by the transfer agent is required to be formatted in an XML data language. Exchange Act Rule 17ac2-2(c), 17 CFR 240.17Ac2-2(c); Electronic Filing of Transfer Agent Forms Release, *supra* note 41, at 5.

45 *See generally,* Section III.A.1 for discussion of "item."

46 *See generally,* SEC Form TA-2, 17 CFR 249b.102.

47 Specifically, if a registered transfer agent received fewer than 1,000 items for transfer in the reporting period and did not maintain master securityholder files for more than 1,000 individual securityholder accounts as of December 31 of the reporting period, it is only required to complete Questions 1 through 5, 11, and the signature section of Form TA-2. Exchange Act Rule 17ac2-2(a)(1), 17 CFR 240.17Ac2-2(a)(1). A named transfer agent that engaged a service company to perform all of its transfer agent functions during the reporting period is only required to complete Questions 1 through 3 and the signature section of Form TA-2. Exchange Act Rule 17ac2-2(a)(2), 17 CFR 240.17Ac2-2(a)(2).

The Commission, other ARAs, their respective staff, and members of the public (including issuers and investors) use information on Forms TA-1 and TA-2. The Commission's Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") database provides a means through which information on these forms can be searched and retrieved. The Commission uses the information on Form TA-1 to review an entity's application for registration as a transfer agent and to maintain current information about transfer agents. The Commission uses information on Form TA-2, as well as information on Form TA-1 and amendments thereto, for several purposes, including: (i) to determine the nature of the business conducted by a transfer agent, (ii) to review transfer agent activities and to evaluate compliance with Commission rules, and (iii) to inform Commission transfer agent policymaking.[48] The Commission's Division of Examinations may use the information on Forms TA-1 and TA-2 to help identify risks and better understand a transfer agent's business during an examination. Commission staff may also use the information on Forms TA-1 and TA-2 to analyze industry trends and to provide basic census information concerning registered transfer agents. In addition, Form TA-1 and TA-2 data provide the Commission with information about securities processing issues that may need to be addressed by Commission rulemaking. Form TA-1 and TA-2 data is also used by the Commission to assist it in evaluating the costs and benefits of potential rulemaking.

2. Processing, Reporting, Recordkeeping, and Exemptions: Rules 17ad-1 through 17ad-7

On June 16, 1977, the Commission adopted Rules 17ad-1 through 17ad-7 as a set of performance standards for transfer agents.[49] These turnaround and processing rules were "designed to protect investors . . . and to contribute to the establishment of the national system for the prompt and accurate clearance and settlement of transactions in securities by," among

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48 *See* Adoption of Revised Transfer Agent Forms and Related Rules, Exchange Act Release No. 23084 (Mar. 27, 1986), 51 FR 12124 (Apr. 9, 1986) ("Revised Transfer Agent Forms and Related Rules"); Electronic Filing of Transfer Agent Forms Release, *supra* note 41, at 5.

49 Exchange Act Rules 17ad-1 through 17ad-7, 17 CFR 240.17Ad-1 through 17 CFR 240.17Ad-7.

other things, "assuring that the transfer agent community performs its functions in a prompt, accurate and more predictable manner." The rules primarily focused on establishing minimum performance and recordkeeping standards for routine transfers of certificated equity and debt securities and the prompt and accurate cancellation and issuance of certificated securities.[50] The rules were also designed to provide an early warning system to alert issuers and regulatory agencies when the performance standards are not being met, prohibit under-performing transfer agents from expanding their operations, require transfer agents to respond promptly to certain written inquiries regarding items presented for transfer, and require the maintenance and preservation of certain records necessary for regulatory authorities to examine and enforce transfer agent compliance with the turnaround rules.[51] The specific processing, reporting, and retention requirements were metrics-based and, at the time, considered to be those necessary to ensure that transfer agents adequately performed their functions and that the Commission and other ARAs would be able to examine transfer agents' compliance with the turnaround rules.[52] Further, the new transfer agent rules established by the Commission were designed not only to ensure that transfer agents meet prescribed performance standards for their core recordkeeping and transfer activities, but to ensure they would be regulated appropriately in the context of the national clearance and settlement system and that any problems meeting these performance standards would not negatively impact individual investors or the clearance and settlement system as a whole.[53]

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[50] *See* Regulation of Transfer Agents, Exchange Act Release No. 13636 (June 16, 1977), 42 FR 32404, 32404 (June 24, 1977) ("Rule 17ad-1 through 17ad-7 Adopting Release").

[51] *Id.* *See also* Exchange Act Rules 17ad-1 through 17ad-7, 17 CFR 240.17Ad-1 through 17 CFR 240.17Ad-7.

[52] Rule 17ad-1 through 17ad-7 Adopting Release, *supra* note 50, at 32410.

[53] Rule 17ad-1 through 17ad-7 Adopting Release, *supra* note 50, at 32407 (noting the importance of avoiding impediments to "the Commission's efforts to provide necessary or appropriate regulations for transfer agents in the broader context of the establishment of a national system for the prompt and accurate clearance and settlement of securities transactions.").

3. Recordkeeping and Safeguarding Rules: Rules 17Ad-8 through 17ad-13 and 17ad-17

On June 10, 1983, the Commission adopted Rules 17ad-9 through 17ad-13 to supplement the turnaround rules, based on its experience.[54] These new rules established various requirements and exemptions designed to ensure that transfer agents maintain appropriate internal controls, meet adequate levels of service and performance, and avoid adverse operational and financial problems that could harm investors, issuers, or other securities industry participants. Most notably, the new rules established additional minimum standards for recordkeeping and codified minimum requirements for the safeguarding of funds and securities.[55] The Commission believed that these additional minimum standards were critical to addressing seriously deficient transfer agent performance.[56]

Rule 17ad-17 was first adopted in 1997[57] and later amended at the beginning of 2013[58] and was designed to ensure that the transfer agents, brokers, dealers, and other financial intermediaries make adequate efforts to find lost securityholders.[59] The rule defines "lost securityholder" as a securityholder for whom an item of correspondence sent to his or her last known address was "returned as undeliverable" and requires transfer agents, brokers, and dealers to conduct two database searches in their efforts to locate a lost securityholder.

C. Evolution of Transfer Agent Activities

This section discusses some of the core recordkeeping, transfer, and other activities that transfer agents engage in, the manner in which the existing transfer agent rules apply to those

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54 Exchange Act Rules 17ad-9 through 17ad-13, 17 CFR 240.17Ad-9 through 17 CFR 240.17Ad-13.

55 *See* 17ad-9 through 13 Proposing Release, *supra* note 9.

56 *Id.* The Commission was particularly concerned with reducing the potential for transfer agent failure, which inevitably imposes substantial potential liabilities and costs on issuers, securities firms, and securityholders, as well as improving generally transfer agent performance, thereby reducing the broker-dealers' costs associated with fails to settle and extended transfer delays.

57 Lost Securityholders, Exchange Act Release No. 39176 (Oct. 1, 1997), 62 FR 52229 (Oct. 7, 1997) ("Rule 17ad-17 Adopting Release").

58 Lost Securityholders and Unresponsive Payees, Exchange Act Release No. 68668 (Jan. 16, 2013), 78 FR 4768 (Jan. 23, 2013).

59 Exchange Act Rule 17ad-17, 17 CFR 204.17Ad-17.

activities, and how those activities have evolved since the first transfer agent rules were adopted. Since then, the increased use and decreased cost of technology, the expansion of corporate actions to bring securities into the public market, the continued dematerialization of securities, and other changes have resulted in significant evolution and changes to the types of services transfer agents provide and the manner in which they provide them.

1. Recordkeeping

Transfer agents have direct responsibility for maintaining on behalf of the issuer the currency and integrity of the official list of the registered owners of an issuer's stocks and bonds, how those stocks and bonds are held, and how many shares or bonds each investor owns. This list is defined by Rule 17ad-9(b) as the master securityholder file.[60] Without the master securityholder file, registered owners of an issuer's securities cannot be assured that they are recognized as such by the issuer and that they will receive corporate distributions, communications, and the other rights of security ownership to which they are entitled.[61]

Transfer agents also maintain and keep current the control book which is defined by Rule 17ad-9(d) as the record of the total number of shares of equity securities or the principal dollar amount of debt securities authorized and issued by the issuer for each issue the transfer agent services.[62] One of the main purposes of the control book is to allow the transfer agent to monitor the number of securities outstanding to prevent overissuance because the total number of shares reflected in the aggregate on the master securityholder file should match the number of shares authorized in the control book.[63]

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60 *See* Exchange Act Rule 17ad-9(b), 17 CFR 240.17Ad-9(b).

61 *See generally, e.g.*, Del. Code Ann. tit. 8 §§ 170, 173 (authorizing a corporation to pay cash and stock dividends under certain circumstances); Exchange Act Rule 14c-3, 17 CFR 240.14c-3 (requirement to furnish an annual report to securityholders); Del. Code Ann. tit. 8 §212 (providing for voting rights of stockholders and permitting them to vote by proxy); Del. Code Ann. tit. 8 §222 (requirement to send stockholder notice in advance of stockholder meeting).

62 Exchange Act Rule 17ad-9(d), 17 CFR 240.17Ad-9(d).

63 When monitoring for overissuance, a transfer agent may be referred to as a "registrar." *See* Exchange Act Section 3(a)(25), 15 U.S.C. 78c(a)(25).

Finally, pursuant to Rule 17ad-6, transfer agents maintain the transfer journal.[64] The transfer journal can be a useful tool for transfer agents and issuers. For example, when reviewed in conjunction with the master securityholder file, the transfer journal may provide historical information regarding the issuance and transfer of a specific security or the holdings of a specific securityholder. The transfer agent rules do not define transfer journal nor codify requirements with respect to the transfer journal.

2. Securities Transfers, Exchanges, and Conversions

Transfer agents are integrally involved in effecting transfers of ownership of securities, as well as exchanging and converting securities.[65] For uncertificated securities, transfer agents effect book-entry transfers by registering the change in ownership on the master securityholder file, which does not involve the physical issuance and cancelling of securities certificates. The term "registering" means an official form of recording by a person charged with that function, which is accomplished under Exchange Act Rules 17ad-9(h) and 17ad-10(a) by updating the master securityholder file, as discussed above.[66] For the transfer of certificated securities, several rules apply, including Rule 17ad-19 regarding certificate cancellation and Rule 17ad-12 regarding the safeguarding of cancelled certificates.[67]

3. Securities Issuance

Transfer agents are also involved in the issuance of securities, which may be one of the final stages before completing a certificate transfer or could involve a primary offering of

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64 Exchange Act Rule 17ad-6, 17 CFR 240.17Ad-6.

65 The terms "exchange" and "conversion" are used in Exchange Act Section 3(a)(25) and in the Commission's transfer agent rules but are not defined in the Commission's transfer agent rules. The term "exchange" is commonly used to refer to the trading of specific securities for another asset, usually without an accompanying change in ownership. The term "conversion" is commonly used to refer to the changing into or substitution of one security for another security or asset under specific conditions, also without an accompanying change in ownership.

66 Book-entry transfer may be accomplished through DTC's DRS using DTC's Profile Modification System. Once the transfer has been effected, the investor receives from the transfer agent a statement of ownership that acknowledges his or her new DRS position. *See supra* note 20.

67 *See* 2015 Concept Release, *supra* note 4, at 81972-73 for a more fulsome description of the transfers of certificated securities.

securities such as an initial public offering. Upon issuing a new security to a transferee, the transfer agent must credit the securities account of the transferee receiving the new security. Under Rule 17ad-1(d), posting the new ownership information to the master securityholder file changes the ownership information of the securities account and "completes registration of change in ownership of all or a portion of those securities."

4. Corporate Actions and Related Services

A corporate action is an event in the life of a security, typically instigated by the issuer, which affects a position in that security.[68] Examples of common corporate actions include changes that affect capital structure, such as a merger or acquisition, and distributions to securityholders, such as a dividend distribution or principal or interest payment on a debt security. Corporate actions may also include bankruptcy or liquidation proceedings, conversions, warrants, exchange offers, subscription rights, tender offers, and other events.[69] Generally, corporate actions can be divided into two broad categories: mandatory and voluntary (sometimes referred to as "elective"). Mandatory corporate actions usually affect all securityholders equally and the securityholder does not have different options from which to choose; voluntary corporate actions usually allow securityholders to choose among one or more different elections they can make.

Transfer agents may perform a variety of roles and provide a variety of services, depending on the type and nature of the corporate action. For example, a transfer agent may take on the role of exchange agent in a mandatory corporate action, such as a stock-for-stock merger or a cash-for-stock merger. In such circumstances, under Rule 17ad-10, the transfer agent performing exchange agent services generally must update the master securityholder file with certificate details within five business days. But because the transfer associated with some of the most common corporate actions qualify as non-routine items under Rule 17ad-1, including

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68 Simmons and Dalgleish, Corporate Actions: A Guide to Securities Event Management 3-5 (2006).

69 *See id.* (categorizing major types of corporate actions).

transfers "in connection with a reorganization, tender offer, exchange, redemption, or liquidation,"[70] the general three business day deadline for turnaround of routine items under Rule 17ad-2 may not apply. However, if a transfer agent makes a determination that a transfer does fall within Rule 17ad-1(i)(5) and therefore is non-routine, Rule 17ad-6(a)(11) requires the transfer agent to maintain records documenting the basis for this determination.[71] Other aspects of the processing of the corporate action may cause the corporate action to be classified as non-routine as well.[72]

Voluntary corporate actions, which permit securityholders to choose among different options, may result in the need for additional tasks and systems for transfer agents to process them. For example, in addition to the ordinary recordkeeping tasks, the transfer agent may be responsible for monitoring whether elections have been made by deadlines and for tracking such elections.

In addition to the examples discussed above, transfer agent roles in connection with corporate actions may also include serving as: (i) tender agent, when the transfer agent collects shares surrendered from securityholders and makes payments for the shares at a predetermined price; (ii) exchange agent, when the transfer agent collects shares surrendered from securityholders and issues, registers, and/or distributes shares of the bidding company's securities as compensation for tendered securities of the subject company; (iii) subscription agent, when the transfer agent invites existing equity securityholders of an issuer to subscribe to a new issuance of additional debt or equity of the issuer; (iv) conversion agent, for example when the transfer agent converts debt securities into equity securities; and (v) escrow agent,

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70 Exchange Act Rule 17ad-1(i)(5), 17 CFR 240.17Ad-1(i)(5).

71 A large portion of specific records that transfer agents are required to maintain under Rule 17ad-6 and to retain for different periods of time under Rule 17ad-7 relate to: (i) the classification of an item as routine or non-routine; (ii) tracking the compliance of the transfer agent with the performance standards for turnaround of routine items under Rule 17ad-2(a); and (iii) the performance standards for processing of all items pursuant to Rule 17ad-2(b).

72 Exchange Act Rule 17ad-1(i), 17 CFR 240.17Ad-1(i).

when the transfer agent holds an asset on behalf of one party for delivery to another party upon specified conditions or events. Finally, transfer agents providing corporate action services may be subject to Rules 17ad-12 and 17ad-13, regarding safeguarding requirements for funds and securities and an annual audit of internal control of safeguarding procedures.

5. Annual Meeting, Proxy-Related Services, and Securityholder Services and Communications

One of the key rights of securityholders is the right to vote their shares on important matters that affect the companies they own. Pursuant to state corporate law, registered securityholders may either attend a meeting to vote shares in person or authorize an agent to act as their "proxy" at the meeting to vote their shares pursuant to their voting instructions.[73] Because most securityholders do not physically attend public company securityholder meetings, the corporate proxy is the principal means by which they exercise their voting rights.

The process in the United States for distributing proxy materials and soliciting, tabulating, and verifying votes by securityholders is complex, especially with respect to beneficial securityholders.[74] Most corporate issuers and securities intermediaries such as banks and brokers rely on a proxy service firm to perform these functions, which may include distributing and forwarding the proxy materials and collecting and tabulating voting instructions. Alternatively, some issuers choose to engage their transfer agents for certain parts of the proxy distribution process, such as printing and distributing proxy materials either directly to registered securityholders or to intermediaries, which will then distribute them to beneficial owners either through the mail or electronically. Providing these services may be a natural extension of a

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[73] *See* Del. Code Ann. tit. 8, §212 (b), (c). A full discussion of the proxy system is beyond the scope of this release. For more information on the proxy system, *see* Proxy Concept Release, *supra* note 21.

[74] Beneficial owners holding securities in street name are not technically entitled to vote shares or grant proxy authority. Rather, the voting rights reside with Cede & Co. as the record owner of all street name shares. However, because Cede & Co.'s role is only that of nominee for DTC as custodian and it has no beneficial interest in the shares, mechanisms have been developed in order to pass the legal rights it holds as the record owner to the beneficial owners, enabling them to vote. For a more comprehensive discussion of these and other issues relating to the U.S. proxy and indirect holding systems, *see* Proxy Concept Release, *supra* note 21.

transfer agent's core functions because most transfer agents will already possess and maintain the master securityholder file listing the issuer's registered securityholders, will have the infrastructure in place to communicate with registered securityholders, and will be in a position to reconcile the identity of registered voters and the number of votes against the official records of the issuer.[75] Typical transfer agent proxy services might include mailing or electronically transmitting notices of meetings,[76] proxy statements, and proxy cards[77] to securityholders.

All transfer agents also provide some level of securityholder communications services. The level of services may depend on the type or size of the issuer, but at a minimum, most transfer agents facilitate the mailing of quarterly and annual statements with details of holdings, transaction confirmations, and letters or communications confirming other transactions, such as address-change confirmations. Many transfer agents also provide tax reporting services, including sending tax forms such as W-9, W-8BEN, 1099-DIV, and 1099-B.

Most transfer agents also receive and respond to inquiries and requests by securityholders and non-securityholders.[78] Requests may involve a transfer (for example, a gift of fund shares from one family member to another) or a change in the securityholder's account, such as an address change or different election regarding dividend reinvestment. For transfer agents to open-end mutual funds, transfers may involve a purchase (i.e., a "subscription") or sale (i.e., a "redemption") of the fund's shares. Transfer agents may receive inquiries as well, which may not require processing a transaction or account change, but may involve merely answering

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75 *See* Proxy Concept Release, *supra* note 21.

76 *See, e.g.*, Del. Code Ann. tit. 8, § 222 (2001). *See also* Del. Code Ann. tit. 8, § 232 (2001).

77 In cases where the issuer is relying upon the notice and access model of proxy statement distribution, the proxy card must be mailed even if the proxy statement is not mailed by the issuer. *See* Final Rule: Internet Availability of Proxy Materials, Exchange Act Release No. 55146, 10 (Jan. 22, 2007), 72 FR 4148 (Jan. 29, 2007).

78 Several Commission rules address securityholder inquiries. *See* Exchange Act Rule 17ad-5, 17 CFR 240.17Ad-5 (written inquiries and requests); Exchange Act Rules 17ad-6, 7, 17 CFR 240.17Ad-6, 7 (recordkeeping and retention requirements regarding inquiries and requests).

questions about the securityholder's account or regarding the issuer generally.[79] Requests and inquiries are transmitted to transfer agents through various methods, including by telephone, mail, facsimile, email, internet, mobile communication device, and in-person. The predominance of telephone and other forms of electronic communication as favored methods for securityholders to communicate with issuers and their transfer agents, including the use of standardized protocols over the internet, means that managing sizable call centers and other customer service departments, with many representatives fielding calls and other message-traffic, has become a critical aspect of the transfer agent-issuer relationship.

One aspect of these securityholder services is lost certificate replacement. If a securityholder loses a certificate, the old certificate must be cancelled and new shares issued, either in certificated or book-entry form. Transfer agents facilitate this process by processing the request and replacing the lost or missing certificate. Generally, the securityholder will be required to fill out a declaration, affidavit, or other form with identifying information and a description of the circumstances giving rise to the loss and pay a fee to the transfer agent for processing the request. Most transfer agents will also require a surety bond to indemnify the issuer and transfer agent against any potential losses in connection with the missing or replacement certificate in the event it is later presented for transfer or conversion. The transfer agent will then report the lost or missing certificate to the Lost and Stolen Securities Program operator pursuant to Rule 17f-1.

D. Overview of the Proposal

Based on the Commission's experience regulating and supervising registered transfer agents, the Commission is proposing to update the transfer agent rules to address the way in which modern transfer agents carry out their transfer agent activities and the risks posed by those activities to investors, the national clearance and settlement system, and the U.S. securities

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79 Inquiries about the securityholder's account may relate, for example, to matters such as dividend reinvestment or other account options.

markets as a whole. Accordingly, as summarized below in Table 1, the Commission is proposing to update Forms TA-1 and TA-2, amend several existing rules, rescind one rule, and add two new rules.

Table 1: Overview of Proposed Changes

Overview of Proposed Changes	
Amendments to Forms	Form TA-1 Form TA-2
Amendments to Existing Rules	17ac2-1 – Registration 17ac2-2 – Annual Reporting 17ad-1 and 17ad-9 – Definitions 17ad-2 – Turnaround 17ad-3 – Limitations on Expansion 17ad-6 – Recordkeeping 17ad-7 – Record Retention 17ad-10 – Prompt Posting 17ad-11 – Reports (title only) 17ad-12 – Safeguarding 17ad-17 – Lost Securityholders
Rescission of Existing Rule	17ad-4 – Applicability of Rules 17ad-2, 17ad-3, and 17ad-6(a)(1) through (7) and (11)
New Rules	Rule 17ad-30 – Compliance Program Rule 17ad-31 – Restrictive Legends

II. Proposed Amendments to Registration and Annual Reporting Requirements

Exchange Act Section 17A(c)(2) provides that a transfer agent may be registered by filing an application in such form and containing such information and documents concerning the transfer agent and any persons associated with the transfer agent as the ARA may prescribe as necessary or appropriate in furtherance of the purposes of the Exchange Act.[80] As explained above, those purposes include, among other things, protecting investors, facilitating the prompt and accurate clearance and settlement of securities transactions, and the safeguarding of funds

80 Exchange Act Section 17A(c)(2), 15 U.S.C. 78q-1(c)(2).

and securities.[81] Exchange Act Section 17A(d)(1) empowers the Commission with authority to prescribe for registered transfer agents engaging in any activity as transfer agents such rules and regulations as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Exchange Act.[82] As discussed above, pursuant to that authority, transfer agents are required to file a Form TA-1 to register as a transfer agent, a Form TA-2 each year to provide annual disclosures, and a Form TA-W when they withdraw from registration.[83]

The Commission uses the information on Forms TA-1 and TA-2 to fulfill its statutory duties, including its duty to protect investors, facilitate the establishment of the national market system and the national clearance and settlement system, and advance the public interest. For example, Form TA-1 and Form TA-2 are necessary for the Commission to gather sufficient information to understand the nature and scope of the business conducted by the transfer agent, the specific activities engaged in by the transfer agent, and identify and collect the disciplinary history of the persons who may exercise direct or indirect control over the transfer agent. This information is necessary for the Commission to identify transfer agents, review and assess an entity's registration application, determine whether there are statutory grounds to deny, suspend, or revoke the entity's registration, and identify and assess the risks the transfer agent and its activities may pose to the securities markets, the national clearance and settlement system, investors, and the public interest. Once a transfer agent is registered, Commission staff use the information on Form TA-2 to maintain current information about individual registered transfer agents, review and identify trends in transfer agent activities both with respect to individual transfer agents and across the industry as a whole, evaluate individual transfer agents' compliance with Commission rules, identify compliance issues and trends that may require

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81 *See* Exchange Act Section 17A(a)(1)(A), 15 U.S.C. 78q-1(a)(1)(A).

82 Exchange Act Section 17A(d)(1), 15 U.S.C. 78q-1(d)(1).

83 For a detailed and comprehensive overview of the existing registration, reporting, and disclosure requirements applicable to registered transfer agents, *see* 2015 Concept Release, *supra* note 4.

policy interventions, compliance examinations, or enforcement actions, and develop and evaluate appropriate regulatory standards for transfer agents, including evaluating the costs and benefits of potential rulemaking. As noted above, the Commission's Division of Examinations may use the information on Forms TA-1 and TA-2 to help identify risks and better understand a transfer agent's business during an examination. Similarly, the Commission's Division of Economic and Risk Analysis ("DERA") uses the information on Forms TA-1 and TA-2 to analyze the potential economic effects of Commission rulemaking and other Commission actions, and to develop reports, analytics, and other information to support the Commission's policy initiatives, examination function, and enforcement actions.[84]

The Commission has observed over time that, as the nature and scope of transfer agents' activities within the securities markets and the national clearance and settlement system have changed and expanded, the limited information disclosed on Forms TA-1 and TA-2 is no longer sufficient in supporting the Commission to meet its statutory duties under the Exchange Act. For example, the risk profile of a transfer agent that is part of a multi-national conglomerate and provides dozens of loosely-related services across multiple markets all under a single registered transfer agent will differ from a small corporation or limited liability company that primarily provides transfer and recordkeeping services for small- and mid-cap equity issuers. Yet because Forms TA-1 and TA-2 were created at a time when nearly all non-bank transfer agents had a straightforward corporate organization and primarily engaged in traditional transfer and related activities, the limited information on the forms does not permit the Commission to distinguish between them without issuing a regulatory document request, conducting a formal examination, or otherwise seeking additional information not already disclosed on the forms. Similarly, the risks to investors, the markets, and the national clearance and settlement system posed by the specific activities engaged in by a person or entity that registers as a transfer agent because, for

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84 *See* Transfer Agent Data Sets, https://www.sec.gov/data-research/sec-markets-data/transfer-agent-data-sets.

example, it engages in wallet whitelisting (i.e., determining whether a wallet address meets the credentialing requirements required for certain activities, such as holding tokenized securities or other crypto assets) and incorporates distributed ledger technology as a component of its master securityholder file will differ from the risks posed by the activities engaged in by a mutual fund transfer agent that processes purchases and redemptions, calculates net asset value, and whose transaction processing in general may be more complex or involve additional responsibilities as compared to a transfer agent for an operating company.[85] Yet, again, the information on the forms does not permit the Commission to identify and understand the full scope of those activities, much less the risks they pose because the forms were developed and adopted at a time when certain technologies did not exist and transfer agent activities were carried out in a significantly more limited way than they are today.

To ensure that Forms TA-1 and TA-2 continue to support the Commission's ability to fulfill its statutory duties, especially in consideration of the expanded scope of transfer agents' activities as discussed throughout this release, the Commission is proposing amendments to Forms TA-1 and TA-2. We discuss the specific proposed amendments to each form and related Commission rule in turn below.

A. Proposed Amendments to Rule 17ac2-1

As noted above, under existing Rule 17ac2-1, a transfer agent's registration automatically becomes effective 30 days after the Form TA-1 is filed, unless the ARA takes affirmative action to accelerate, deny, or postpone registration in accordance with the provisions of Section 17A(c) of the Exchange Act.[86] However, Section 17A(c)(2) of the Exchange Act specifies that a transfer

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85 *See* 2015 Concept Release, *supra* note 4, at Section VII.C.2. For a detailed discussion of transfer agents to mutual funds, *see* 2015 Concept Release, *supra* note 4, at Section VII.C.

86 Exchange Act Rule 17ac2-1(a), 17 CFR 240.17Ac2-1(a); SEC Form TA-1, General Instruction G, 17 CFR 249b.100.

agent's registration shall become effective *45* days after receipt of the Form TA-1 application, or within such shorter period of time as the ARA may determine.[87]

The Commission has observed over time that 30 days is often insufficient to determine whether to accelerate, deny, or postpone a registration application, which often requires additional research into the entity and its control persons, outreach to the applicant for additional information or clarification of the application, and consultation and coordination among Commission staff in multiple divisions and offices related to legal, regulatory, and other issues. Accordingly, the Commission is proposing to amend paragraphs (a) and (b) of Rule 17ac2-1 to specify that an application for registration would become effective 45 days after filing of the application for registration, or any amendment to a pending application for registration, rather than 30 days which the existing rule specifies. This would provide the Commission with additional time to determine whether to act on a registration application, as required by the Exchange Act, and would enhance consistency between the rule and statutory provision.[88]

B. Proposed Amendments to Rule 17ac2-2

The Commission is proposing to amend Rule 17ac2-2 to require that, if a transfer agent discovers that any of the information reported on Form TA-2 was materially inaccurate, misleading, or incomplete at the time of filing, the transfer agent shall correct the information by filing an amendment to Form TA-2 pursuant to the instructions on the form to correct such information within 60 days following the date on which the transfer agent discovered that such information was materially inaccurate, misleading, or incomplete. The existing rule provides that a transfer agent *may* file an amendment to Form TA-2 to correct information that has become inaccurate, incomplete or misleading; it does not *require* filing of the amendment, nor does it specify a time period in which such corrections should be made.[89] The proposed

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87 Exchange Act Section 17A(c)(2), 15 U.S.C. 78q-1(c)(2).

88 Exchange Act Section 17A(c)(3), 15 U.S.C. 78q-1(c)(3).

89 *See* Exchange Act Rule 17ac2-2(a), 17 CFR 240.17Ac2-2(a).

amendment differs from the existing requirement to amend Form TA-1 if information *becomes* materially inaccurate, misleading, or incomplete. Unlike Form TA-1, Form TA-2 is used to report transfer agent activities from the prior year reporting period and is required to be filed annually and therefore the information disclosed on Form TA-2 would not become inaccurate, incomplete, or misleading before the next year's Form TA-2 is required to be filed. Instead, a transfer agent may discover that the information on its Form TA-2 was inaccurate, incomplete, or misleading at the time of filing and therefore the transfer agent may need or want to amend its filing with corrected information. Commission staff have received questions from transfer agents regarding whether they should file a Form TA-2 amendment after discovering that certain information on their form was inaccurate at the time of filing. This proposed amendment would address these issues by specifying that, if the information on its Form TA-2 was materially inaccurate, incomplete, or misleading at the time of filing, under the proposed rule, the transfer agent would be required to amend its Form TA-2 to correct such information, within 60 days of discovering such deficiency. The amendment would align the time frame of 60 days for filing required amendments in Rule 17ac2-2 with Rule 17ac2-1, which requires transfer agents to file required amendments to Form TA-1 within 60 days.[90]

C. Proposed Amendments to Form TA-1

The Commission is proposing to amend the instructions for Form TA-1 to improve the quality of information provided in connection with several existing questions, add new questions that would provide additional information that ensures the form continues to support its intended purpose, and remove two questions that are duplicative of information required to be reported and updated annually on Form TA-2. Table 2 below provides an overview of the proposed amendments to Form TA-1.

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90 Exchange Act Rule 17ac2-1(c), 17 CFR 240.17Ac2-1(c).

Table 2. Comparison of Existing Form TA-1 Requirements with the Proposed Amendments

Existing Form TA-1 Requirement	Proposed TA-1 Requirement
1(a). Filer CIK 1(b). CCC	Form Instructions would be updated to provide full terms for abbreviations CIK and CCC.
1(f)(i-iii). Contact Name, Phone Number, Email Address	Form and Form Instructions would be updated to require that the individual listed as the contact be authorized to receive all compliance communications for the registrant and have responsibility for disseminating them as appropriate within the registrant's organization.
3(a). Full Name of Registrant	Form Instructions would be updated to state that complete and accurate legal name is required.
6. Service companies (transfer agents) engaged by Registrant	Existing Question 6 would be removed; similar information disclosed on Form TA-2.
7. Registrant engagements to act as a service company	Existing Question 7 would be removed; similar information disclosed on Form TA-2.
8. Form of business organization	Checkboxes would be added for "Limited Liability Company" and "Trust."
8(a). Section for Reporting Additional Persons (Disclosure of owners, control persons)	Form and Form Instructions would be updated to specify the individuals that must be disclosed in response to Question 8.
11(a-d). Signature Block	Form would be updated to include language regarding the Commission's authority to examine all records of registered transfer agents.
12. Attachments	Attachment would be required of organizational diagram depicting relationship between the transfer agent and its control affiliates.
None	New Question 3(f) would require disclosure of registrant's website address.
None	New Question 6(a) would require disclosure of registrant's other SEC registrations, if any. New Question 6(b) would require disclosure of registrant's other federal, state, or foreign registrations, if any.
None	New Question 7 would require disclosure of any control affiliate of the registrant, and any federal, state or foreign registration of such affiliate and the registration number.
	Technical Amendments: In Question 2, the checkbox for Office of Thrift Supervision would be removed. In Question 10, references to 8(b) and 8(c) in definition of control affiliate would be removed. In Signature Block, references to SEC supplement and Schedules B-D would be removed. In Instructions "Who Must File," threshold for Section 12(g)(1) would be removed.

The proposed changes to Form TA-1 are discussed more fully below.

1. Proposed Changes to Form TA-1 Instructions

The Commission is proposing to amend the instructions for use of Form TA-1 for the questions discussed below to promote clarity regarding the required information and to improve the quality, consistency, and comparability of the information provided in response.

Form TA-1 Questions 1(a) and 1(b) (filer CIK and CCC, respectively) would not change, but the form instructions would be updated to state that "CIK" is an abbreviation for "Central Index Key," which is the unique number the Commission assigns to each filer to distinguish it from other filers, including those with similar names. Similarly, the form instructions would be updated to note that "CCC" is an abbreviation for "CIK Confirmation Code," which is a unique code that each filer needs to make filings, and to retrieve and edit the filer's data on EDGAR. Commission staff routinely receive questions from prospective registrants regarding the meaning and importance of these terms. Providing these clarifications would provide that information uniformly to all potential registrants and help improve the clarity and transparency of the form.

Form TA-1 Question 1(f) (contact name, phone number, and email address) would not change, but the form instructions would be updated to require that the contact listed in response to Question 1(f) must be an individual authorized to receive all compliance communications for the registrant with responsibility to disseminate them as appropriate within the registrant's organization. In Commission staff's experience, the contact information provided in response to Question 1(f) is not always an individual with knowledge of the registration application or the authority to speak to Commission staff regarding the application. This can hinder the Commission staff reviewing the application from conveying important information to the potential registrant and obtaining information or responses necessary to continue processing the application, and otherwise frustrate, delay, or prevent the application review process. This proposed change is in the public interest and would help ensure that transfer agents complete the form consistently and accurately, and that Commission staff are able to follow up effectively with the registrant regarding any questions on the content of the filing or other supervisory matters, both while the registration application is pending and on a going forward basis for as long as the transfer agent remains registered. However, because this information contains personally identifiable information, it is not made publicly available on EDGAR and is only available to the Commission and its staff.

Form TA-1 Question 3 (full name of registrant) would not change, but the form instructions would be updated to specify that registrants must provide the complete and accurate legal name of the entity that is registering as a transfer agent. Because the field for Question 3 is auto-populated based on the applicant's Form ID, applicants should ensure that they use the complete and accurate legal name of the entity that is registering when completing the Form ID.[91] This information is necessary for the Commission's review of the application to ensure that, if the application is approved, the correct legal entity is registered, and to ensure that investors and other members of the public are able to identify the correct legal entity acting as a transfer agent. In Commission staff's experience, however, prospective registrants do not always provide this information consistently or completely, so updating the instructions would help remind filers of this responsibility.

Form TA-1 Questions 8-10 require disclosure of background information for the owners and other control persons of independent, non-issuer transfer agents, "with a particular emphasis on whether offenses have been committed by these persons, and therefore, whether the transfer agent's association with a particular individual would have an impact on the transfer agent's ability to perform its functions properly."[92] When the proposed changes were adopted in 1986, the final amended Form TA-1 included a "Supplement to Form TA-1" that required disclosure of owner and control person information for different entity types on difference schedules (i.e.,

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91 For more information on Form ID, *see* Rule 10 of Regulation S-T, 17 CFR 232.10; Edgar Filer Manual Vol. I Section 3.

92 Revised Transfer Agent Forms and Related Rules, Exchange Act Release No. 21950 (Apr. 17, 1985), 50 FR 15912 (Apr. 23, 1985), 15913. When this information was first proposed to be added to Form TA-1 in 1985, it paralleled similar questions then being added to a revised version of Form BD and the Uniform Application for Broker-Dealer Registration and related Form U-4 utilized by what was then known as the National Association of Securities Dealers (now FINRA). *Id.*

corporations, partnerships, etc.), and the form instructions provided a definition of "control" (*e.g.*, C-suite executives, general partners, etc.) for each entity type and specified that a 25 percent or higher ownership stake qualified as control.[93] When electronic filing was mandated in 2006, the schedules were replaced by drop down menu items and the detailed instructions defining control persons and level of ownership were truncated and moved to the EDGAR Filer Manual.[94]

In the Commission's experience since 2006, however, without detailed instructions specifying who must be disclosed in response to Question 8, filers do not apply a consistent definition or approach to responding to the question, which hinders the Commission in obtaining and evaluating this important information. Accordingly, while Form TA-1 Question 8(a) (section for reporting additional persons) would not change, the form instructions would be updated to reintroduce the instructions from prior iterations of the form that define control persons for corporations and partnerships and add comparable instructions for trusts and limited liability companies to account for other common types of business entities that modern transfer agents choose to take. Specifically, the instructions would specify that registrants must provide the full names of the following owners, executive officers, or other control persons in response to Question 8(a):

- Each Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Legal Officer, Chief Compliance Officer, director, and any other persons with similar status or functions.
- If the registrant is organized as a corporation, each person that is a direct or indirect beneficial owner of 5% or more of any class of the registrant's equity securities.

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93 *See* Revised Transfer Agent Forms and Related Rules, *supra* note 48.

94 *See* Electronic Filing of Transfer Agent Forms Release, *supra* note 41, at 5; EDGAR Filer Manual, Volume II (June 2025) at 8-185.

- If the registrant is organized as a partnership, all general partners and each limited and special partner that have contributed 5% or more of the registrant's capital.
- In the case of a trust, (i) a person that directly owns 5% or more of a class of the registrant's voting securities, or that has the right to receive upon dissolution, or has contributed, 5% or more of the registrant's capital, (ii) the trust, and (iii) each trustee.
- If the transfer agent is organized as a limited liability company ("LLC"), (i) each member that has the right to receive upon dissolution, or has contributed, 5% or more of the registrant's capital, and (ii) if managed by elected managers, all elected managers.

In addition, the form instructions would be updated to provide definitions for "person" and "control" to assist registrants in responding to Question 8(a). For purposes of Form TA-1, the term "person" would be defined as an individual, partnership, corporation, trust, or other organization, consistent with the definition of person used in other Commission registration forms.[95] The term "control" would be defined as the power to direct, or cause the direction of, the management or policies of a person, whether through ownership, by contract, or otherwise, consistent with the definition of control in the prior iteration of Form TA-1.[96] In addition, any person that is a director, partner, or officer exercising executive responsibility (or having similar status or functions) or that directly or indirectly has the right to vote 25% or more of the voting securities or is entitled to 25% or more of the profits would be presumed to be a control person, as indicated in the prior iteration of Form TA-1.[97] This information would help to inform the Commission's understanding of the ownership structure of the transfer agent and in identifying

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95 The proposed definition of "person" is consistent with the definition of "person" used for broker-dealers required to register on Form BD, investment advisers required to register on Form ADV, municipal advisors required to register on Form MA, and funding portals required to register on Form Funding Portal. *See* 17 CFR 249.501, 17 CFR 279.1, 17 CFR 249.1300, and 17 CFR 249.2000.

96 *See* Revised Transfer Agent Forms and Related Rules, *supra* note 48.

97 *See id*.

who ultimately controls the transfer agent and its policies and procedures. The information requested would also inform the Commission about any future changes in control of the transfer agent, given the requirement to amend Form TA-1 whenever any reported information becomes inaccurate, misleading, or incomplete. This information is critical, both to the Commission's assessment of the registration application, and to its ongoing supervision of the registered transfer agent for the duration of the transfer agent's registration, because it will allow the Commission to better understand, for example, potential conflicts, concentration in the industry, and the potential disciplinary history of control persons.

Form TA-1 Question 11 (signature block) would not change, but the form would be updated with a statement regarding the Commission's authority to examine all records of registered transfer agents pursuant to Section 17(b) of the Exchange Act.[98] In the Commission's experience, certain transfer agents are unaware of their obligation to permit examination of the transfer agent's records pursuant to Section 17(b) of the Exchange Act, and therefore refuse to produce records requested in connection with an examination or attempt to limit the records they produce in response to records requests from Commission staff. A transfer agent's refusal to permit examination of records clearly within the scope of Section 17(b) of the Exchange Act frustrates and delays examinations and hinders the Commission's ability to carry out its regulatory and oversight responsibilities. Including language on the Form TA-1 reminding transfer agents of their statutory obligation to permit examination of their records should help ensure that transfer agents are aware of their statutory obligations and could help reduce instances of non-compliance. Accordingly, the proposed statement preceding a registrant's signature would be as follows: "Pursuant to Section 17(b) of the Securities Exchange Act of 1934, all records of registered transfer agents are subject to examination by SEC staff. If a

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[98] Section 17(b) of the Exchange Act provides that "All records of persons described in subsection (a) of this section [*i.e.*, transfer agents] are subject at any time, or from time to time, to such reasonable, periodic, special, or other examinations by representatives of the Commission and the [appropriate ARA] as the Commission [or the appropriate ARA] deems necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of this chapter."

registered transfer agent does not comply with Section 17(b), the Commission may seek all available relief against that transfer agent in district court and/or an administrative proceeding. Such relief includes, but is not limited to, an injunction, denial, suspension, and/or revocation of registration, and civil penalties. The registrant submitting this Form, and the person signing the Form, acknowledge that they understand and will comply with the requirement to make records available for examination. If, at any point, the firm believes it is unable to comply with its obligations to provide its records to SEC staff for examination, the firm should consider whether it needs to withdraw from registration." With this language on the form, each time an officer of the transfer agent signs Form TA-1 (either the initial filing or an amendment), they would be acknowledging that they understand, and will comply with, the obligation of the registered transfer agent to provide records to the Commission upon request.

2. Proposed Changes to Form TA-1 Reporting Requirements

The Commission is proposing to amend Form TA-1 to remove two existing questions regarding service company arrangements and to add questions requiring registrants to report additional information, as described more fully below.

Form TA-1 would be amended to remove existing Questions 6 and 7 regarding registrant service company arrangements as this information is duplicative of information that is required to be disclosed and updated annually in response to Question 2 on Form TA-2. The corresponding instructions related to existing Questions 6 and 7 would also be removed. As a result, a transfer agent's service company arrangements would not be disclosed on Form TA-1 (but would be disclosed and updated annually on Form TA-2). Given the requirement in Rule 17ac2-1(c) for transfer agents to file an amendment within 60 days if any information on Form TA-1 becomes inaccurate, misleading, or incomplete,[99] the Commission also would no longer be informed within 60 days of each change in a transfer agent's service company arrangements.

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99 Exchange Act Rule 17ac2-1(c), 17 CFR 240.17Ac2-1(c).

However, because Form TA-2 requires registered transfer agents to report all service company arrangements from each prior calendar year reporting period,[100] the Commission will receive an annual summary of these arrangements on Form TA-2 by the filing deadline each year. Therefore, this proposed change would not materially impact the Commission's oversight of transfer agent operations with respect to service company arrangements.

Form TA-1 would be amended to add new Question 3(f), which would require disclosure of the registrant's website address. A website address would assist the Commission in evaluating applications for registration and in overseeing registered transfer agents.

Form TA-1 would also be amended to add new Question 6(a) regarding the applicant's other registrations with the Commission, new Question 6(b) regarding the applicant's other federal, state, or foreign registrations, and new Question 7 regarding the applicant's control affiliates. Existing Questions 8 and 9 require disclosure of the applicant's control persons, and Question 10 requires the applicant to disclose whether it or any of its control persons or control affiliates has been subject to investment-related criminal prosecutions, regulatory actions, or civil actions. The definition of control affiliate is broad and includes, among other things, an individual or firm that is under common control with the applicant.[101] As a result, the disciplinary history for transfer agents that are part of a larger corporate family of registered entities can include information related to multiple entities that are registered with the Commission or other regulators in different capacities. For example, if a transfer agent's parent company also controls a bank, a broker-dealer, and an investment adviser, the transfer agent's Form TA-1 needs to include the disciplinary history for the affiliated bank, broker-dealer, and investment adviser in response to Question 10. However, in the Commission's experience, transfer agent applicants do not always provide full and complete information regarding control

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100 *See* Question 2 on Form TA-2 (Form for Reporting Activities of Transfer Agents Registered Pursuant to Section 17A of the Securities Exchange Act of 1934), 17 CFR 249b.102.

101 SEC Form TA-1, Question 10, 17 CFR 249b.100.

person and control affiliate disciplinary history when completing the Form TA-1. This then requires the Commission staff reviewing the application to either manually search for other registrations—a laborious undertaking[102]—or risk processing the application with incomplete or inaccurate information. This could be addressed by including information on the Form TA-1 regarding the registrant's additional registrations and registration numbers, which would allow the Commission staff reviewing an application to cross-reference the applicant's other registrations without either relying on the registrant to accurately and timely update or complete its other registrations, or conduct a laborious and time-consuming manual search. This in turn would facilitate the Commission's ability to evaluate and act on transfer agent registration applications within the limited time permitted under the Exchange Act.[103]

Accordingly, the Commission is proposing to amend Form TA-1 to add new Question 6(a), which would require applicants to disclose any other SEC registrations they hold, along with the corresponding SEC registration number. Similarly, new Question 6(b) would require registrants to disclose any other federal, state, or foreign registrations of the registrant, along with the associated registration number, if any. This information is similar to registration information requested of other Commission registrants,[104] should be readily available to the registrant and easily listed on the Form TA-1 and would allow the Commission to cross-reference those entities applying for registration as transfer agents with those that are already registered in another capacity with the Commission or another regulator without conducting a laborious and potentially inaccurate manual search for such registrations. This, in turn, would help ensure that the Commission has accurate and complete information to develop a

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102 For example, there could be a slight variation in the entity's or an individual's name across different registration applications that could hinder a manual search or call the results into question.

103 A Form TA-1 registration automatically becomes effective 30 days after filing unless the Commission takes affirmative action to accelerate, deny, or postpone the registration in accordance with the provisions of Section 17A(c) of the Act. Exchange Act Rule 17Ac2-1(a), 17 CFR 240.17Ac2-1(a). As noted, we are proposing to amend Rule 17Ac2-1(a) to specify that registration would become effective 45 days after filing. *See supra* Section II.A.

104 *See, e.g.,* Form MA and Form Funding Portal, 17 CFR 249.1300 and 17 CFR 249.2000.

comprehensive assessment of the applicant's control person and control affiliate disciplinary history across the full range of its regulated activities, which is necessary for the Commission to understand and assess the risks to investors, the securities markets, and the national clearance and settlement system posed by those persons, affiliates, and activities, which is consistent with promoting investor protection. It also would facilitate more efficient and effective examinations of transfer agents that are also registered in other capacities and develop a more comprehensive understanding of both individual transfer agents and the transfer agent industry as a whole.

Likewise, requiring the applicant to affirmatively identify its control affiliates in new Question 7 (as opposed to simply asking for the disciplinary history of its control affiliates) would allow the Commission to cross-check and validate applicant's disciplinary disclosures provided in response to Question 10 without relying exclusively on the applicant to provide a complete and accurate list of its control affiliates' disciplinary history, which would have the same benefits as new Questions 6(a) and 6(b) discussed above, including facilitating the Commission's ability to evaluate and act on transfer agent registration applications within the limited time permitted under the Exchange Act. Accordingly, the Commission is proposing to add new Question 7 to Form TA-1, which would supplement the existing requirement to disclose the disciplinary history for the applicant's control affiliates by requiring applicants to disclose in new Schedule A the name of any control affiliate, and any federal, state, or foreign registration of such control affiliate and the associated registration number.

In addition, Form TA-1 Question 12 would be amended to require a registrant to file an attachment to Form TA-1 containing a diagram depicting the relationship between the transfer agent and the control affiliates in its organizational structure. Transfer agents should be able to prepare an organizational chart suited to their operational structure, and limiting the chart to control affiliates would ensure the chart includes only the most relevant individuals or firms that would aid the Commission in understanding the nature of a transfer agent's regulated business operations and overall organizational control structure. This would enhance the Commission's ability to evaluate applications for registration as transfer agents, facilitate more efficient and effective examinations of transfer agents, and develop a more comprehensive understanding of both individual transfer agents and the transfer agent industry as a whole. In the Commission's experience, an accurate organization chart is often necessary to understand the structure of an organization and its affiliates, especially large organizations with many affiliates. This information will help to ensure that the Commission has accurate and complete information regarding a transfer agent's control structure, which would help the Commission understand and assess the risks to investors, the securities markets, and the national clearance and settlement system posed by the transfer agent and its control persons and affiliates, consistent with investor protection.

Form TA-1 Question 8 (form of organization) would be amended to provide checkboxes for two additional organization types: trusts and limited liability companies. Currently Question 8 provides the following checkboxes: Corporation, Partnership, Sole Proprietorship, Other, and Not Applicable. The Commission has observed that many transfer agents are organized as trusts or limited liability companies and adding these additional checkboxes to Form TA-1 would aid registrants in responding to Question 8.

3. Technical Amendments to Form TA-1

The Commission is also proposing to make several technical amendments to Form TA-1 to remove information that is no longer necessary or accurate. Specifically, the option to select the Office of Thrift Supervision in Question 2 as an appropriate regulatory agency would be removed, as this agency has been abolished.[105] The definition of control affiliate in Question 10 would be amended to remove references to Questions 8(b) and 8(c), as those questions do not exist on Form TA-1. Similarly, the reference to the SEC supplement and Schedules B-D preceding the Form TA-1's signature block would be removed, as those items are no longer part

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105 Dodd-Frank Wall Street Reform and Consumer Protection Act., Pub. L. No. 111-203, § 313, 124 Stat. 1376, 1523 (2010).

of Form TA-1. Finally, the Form TA-1 instructions would be amended to remove outdated asset and holder thresholds under Section 12(g)(1) of the Exchange Act for exempt equity securities.

4. Request for Comment

The Commission requests comments on all aspects of the proposed amendments to Form TA-1. In particular, the Commission requests comments on the following:

1. Should the proposed 45 day effectiveness period apply uniformly to all transfer agent applications for registration regardless of size, complexity, or type of activities engaged in?
2. Should the Commission require less information to be disclosed on Form TA-1? Are there any specific questions or categories of information on the existing form that registrants believe are no longer necessary or useful to the Commission?
3. Should the Commission require transfer agents to designate more than one contact person on Form TA-1 to ensure continuity of compliance communications in the event the primary contact is unavailable?
4. Should the Commission require transfer agents to update their contact information more frequently than currently required, given the importance of maintaining current and accurate contact information for compliance communications? If so, what update frequency should be appropriate?
5. Does the service company information required to be disclosed on Form TA-2 provide the Commission with sufficient information regarding service company arrangements? Is there any additional information the Commission should require transfer agents to disclose on Form TA-1 or Form TA-2 regarding service company arrangements?
6. While registrants must disclose on Form TA-1 whether they or any of their control affiliates have been subject to criminal prosecution for investment

related crimes, should this requirement be expanded to cover other types of criminal activity, such as theft or fraud outside of an investment context?

7. Should the Commission require all registrants to provide an attachment to their Form TA-1 with a diagram depicting the control affiliates in their organizational structure, or should the Commission provide an exemption from this requirement for small or less organizationally complex transfer agents? If so, what types of transfer agents should be exempt from the requirement to provide an organizational diagram?
8. More generally, does the proposed requirement to provide an attachment to the Form TA-1 with a diagram depicting their organizational structure impose a burden on any particular types of transfer agents?
9. Are the proposed checkboxes for “Limited Liability Company” and “Trust” as additional organization types in Question 8 sufficient to capture the full range of organizational structures used by transfer agents? Are there other organizational structures that should be added to the list of checkboxes?
10. Do the proposed definitions for “control” and “person” adequately cover the appropriate individuals and entities that should be disclosed on Form TA-1, or are the proposed definitions either too expansive or, conversely, too limited? Should the Commission consider alternative definitions or thresholds for determining who qualifies as a control person for purposes of Form TA-1?
11. Is any information that would be required by the proposed changes to Form TA-1 difficult for a transfer agent to provide? If so, why? Are there alternative approaches to collecting the same information that would be less burdensome for transfer agents, such as providing this information upon request, while still providing the Commission with the information it needs?
12. Should any information that would be required by the proposed changes to

Form TA-1 (other than the personal name and contact information in Question 1(f)) not be publicly disclosed?

D. Proposed Amendments to Form TA-2

The Commission is proposing to update the form instructions for several questions on Form TA-2 to further explain the required information. Additionally, the Commission is proposing to introduce new requirements to provide additional information that the Commission considers important for determining the nature of the business conducted by transfer agents, monitoring their activities, evaluating compliance with Commission rules, informing Commission transfer agent policymaking, and supporting the Commission's statutory duty to facilitate the establishment of a national clearance and settlement system for the prompt and accurate clearance and settlement of transactions in securities.[106] The Commission is also proposing to eliminate questions that would no longer be necessary if the proposed changes to Form TA-2 are adopted. Table 3 provides an overview of the proposed amendments to Form TA-2.

Table 3. Comparison of Existing Form TA-2 Requirements with the Proposed Amendments

Existing Form TA-2 Requirements	Proposed Form TA-2 Requirements
1(a). Filer CIK 1(b). Filer CCC	Form Instructions would be updated to provide full terms for abbreviations CIK and CCC.
1(f)(i-iii). Contact Name, Contact Phone Number, Contact Email Address	Form and Form Instructions would be updated to require that the individual listed as the contact employee be authorized to receive all compliance communications for the registrant and have responsibility for disseminating them as appropriate within the registrant's organization.
4(b). Number of individual securityholder accounts for which the TA maintained master securityholder files	Form Instructions would be updated with information regarding how to count the number of individual securityholder accounts.
5(a). Total number of individual securityholder accounts, including accounts in the DRS, dividend reinvestment plans, and/or direct purchase plans as of December 31 5(b). Number of individual securityholder dividend reinvestment plan, and/or direct purchase plan accounts as of December 31	Existing Question 5 would be removed. New Question 4(c) would require registrant to provide the total number of individual securityholder accounts by security type in a new table.

106 *See* 15 U.S.C. 78q-1(a)(2)

Existing Form TA-2 Requirements	Proposed Form TA-2 Requirements
5(c). Number of individual securityholder DRS accounts as of December 31 5(d). Approximate percentage of individual securityholder accounts from subsection (a) in the following categories as of December 31: 5(d)(i-vi)	
6. Number of securities issues for which Registrant acted in the following capacities, as of December 31: 6(a). Receives items for transfer and maintains master securityholder files 6(b). Receives items for transfer but does not maintain the master securityholder files 6(c). Does not receive items for transfer but maintains master securityholder files	Existing Question 6 would be removed. New Question 6(a) would require registrant to provide similar data in a new table.
7(a). Number of issues for which dividend reinvestment plan, and/or direct purchase plan services were provided, as of December 31 7(b). Number of issues for which DRS services were provided, as of December 31	Existing Question 7(a) and 7(b) would be incorporated into new Question 6(a).
7(c). Dividend disbursement and interest paying agent activities conducted during the reporting period: • Number of issues (Question 7(c)(i)) • Amount (in dollars) (Question 7(c)(ii))	Registrant would be required to report the number of issues for which paying agent services were provided as of December 31 in new Question 6(a). New Question 7 would require registrant to report all fund movements to/from securityholders as well as in-kind distributions to securityholders (not just dividend and interest disbursements).
9(a)(i-ii). Turnaround Compliance • Number of months during the reporting period Registrant was not in compliance with the turnaround time for routine items (Question 9(a)(i)) • Number of written notices Registrant filed during the reporting period to report its noncompliance with the turnaround time for routine items (Question 9(a)(ii))	Question 9 would be revised to conform to Proposed Rule 17ad-2. Registrant would be required to report the total number of routine items it received during the reporting period and the number of routine items it failed to turn around or process within the shorter of one business day or the time period specified by Rule 15c6-1(a) of the Exchange Act for each month of the reporting period.
13(a-e). Related Documents / Attachments	Attachment would be required for a list of all issues serviced by registrant.
None	New Questions 4(d) and (e) would require registrant to report on usage of physical certificates and distributed ledger technology during the reporting period.
None	New Question 5(a) would require registrant to report the number of employees engaged in transfer agent functions or activities incidental thereto during the reporting period.
None	New Question 5(b) would require registrant to report certain service providers used during the reporting period.
None	New Question 6(b) would require registrant to report the number of issues, by tokenization model, serviced by the registrant as of December 31.

The proposed changes to Form TA-2 are discussed more fully below.

1. Proposed Changes to Form TA-2 Instructions

The Commission is proposing to amend the instructions for use of Form TA-2 for the questions discussed below to provide specificity regarding the required information and to improve the quality, consistency, and comparability of the information provided in response.

Form TA-2 Questions 1(a) and 1(b) (filer CIK and CCC, respectively) would not change, but the form instructions would be updated to state that "CIK" is an abbreviation for "Central Index Key." Similarly, the form instructions would be updated to note that "CCC" is an abbreviation for "CIK Confirmation Code." As with Form TA-1 described above, Commission staff routinely receive questions from registrants regarding the meaning and importance of these terms. Providing these clarifications would provide that information uniformly to all registrants. It would also help improve the clarity and transparency of the form, thereby decreasing the amount of time it takes for registrants to complete the form.

Form TA-2 Question 1(f) (contact name, phone number, and email address) would not change, but the form instructions would be updated to require that the contact listed in response to Question 1(f) must be an individual authorized to receive all compliance communications for the registrant with responsibility to disseminate them as appropriate within the registrant's organization. As with Form TA-1, in Commission staff's experience, the contact information provided in response to Question 1(f) is not always an individual with knowledge of the annual report or the authority to speak to Commission staff regarding the annual report. This can hinder the Commission staff reviewing the annual report from conveying important information to the registrant or obtaining information in response to questions regarding the annual report. This proposed change would help ensure that transfer agents complete the form consistently and accurately, and that Commission staff are able to follow up effectively with the registrant regarding any questions on the content of the annual report or other supervisory matters that arise while the transfer agent remains registered. Moreover, not having up-to-date contact information for an appropriately authorized individual could impede the Commission in carrying out its regulatory and oversight responsibilities with respect to transfer agents. However, because this information contains personally identifiable information, it is not made publicly available on EDGAR and is only available to the Commission and its staff.

Form TA-2 Question 4(b) (number of individual securityholder accounts for which the transfer agent maintained master securityholder files) would not change, but the form instructions would be updated to provide instructions regarding how to calculate the number of individual securityholder accounts. Based on the Commission's supervisory experience, the Commission understands that there is variability in the way registered transfer agents calculate the number of individual securityholder accounts reported in response to Question 4(b), which hinders the Commission's ability to gather and analyze accurate and comparable information. This proposed change to the form instructions would help ensure consistently accurate reporting of the number of individual securityholder accounts, based upon the same calculation methodology, which should, in turn, support investor protection and market integrity by ensuring that the Commission has an accurate understanding of the market. Therefore, the Commission proposes to provide instructions for transfer agents regarding the calculation methodology that considers both the number of securities issues as well as the number of securityholders for the issue. For purposes of Question 4(b), the number of individual securityholder accounts for each securities issue should be determined separately and then added together to arrive at the number reported in response to Question 4(b). For example, if the transfer agent maintains the master securityholder file for two securities, one with five individual securityholders and the other with the same five securityholders, the transfer agent should report 10 in response to Question 4(b). Any identical securityholders for the two securities should be counted separately for each issue for purposes of responding to Question 4(b).

2. Proposed Changes to Form TA-2 Reporting Requirements

The Commission is proposing to amend Form TA-2 in several ways that would provide the Commission with information regarding a transfer agent's staffing, securityholders, service providers, recordkeeping, and handling of funds. These proposed changes, as described below, would further support the Commission's statutory mandate to protect investors, promote the prompt and accurate clearance and settlement of securities transactions, and promote the safeguarding of funds and securities by enhancing oversight of a transfer agent's operational capacity, operational risks, recordkeeping practices, and outsourcing risks.[107]

a. Number of Individual Securityholder Accounts

Accurate and relevant data regarding the specific types and volume of securities accounts serviced by a transfer agent is critical to the Commission's assessment and oversight of a transfer agent's operational capacity, recordkeeping practices, operational risks, and safeguarding practices. Existing Form TA-2 Questions 5(a) – (d) require disclosure of the total number of individual securityholder accounts, individual securityholder DRS accounts, individual securityholder dividend reinvestment plan and/or direct purchase plan accounts, and approximate percentages of individual securityholder accounts in various security type categories, as of December 31. To ensure that the data provided on Form TA-2 is relevant to the types and volume of securities accounts serviced by modern transfer agents and therefore continues to support the Commission's statutory duties related to the oversight of registered transfer agents, Questions 5(a)-(d) would be removed along with the corresponding form instructions and replaced with proposed new Question 4(c). As depicted in Figure 1 below, proposed new Question 4(c) would require registrants to report the total number of individual securityholder accounts, by security type, as of December 31. Proposed Question 4(c) is similar to existing Question 5(d), but proposed Question 4(c) would require the total number of individual securityholder accounts by security type, as opposed to the approximate percentage of individual securityholder accounts by security type, which should be more readily available and would avoid the need for registrants to perform a percentage calculation. In addition, proposed

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107 Exchange Act Section 17A(a)(2)(A), 15 U.S.C. 78q-1(a)(2)(A).

Question 4(c) would provide more granular security types than existing Question 5(d) by including categories for corporate equity securities at two different market capitalization levels, exchange traded funds, and closed end investment company securities, as transfer agent activities, operational risks, recordkeeping practices, and safeguarding activities may vary depending on the type of security being serviced.

The security types provided in the table would include corporate equity securities with market capitalization less than or equal to \$300 million, corporate equity securities with market capitalization greater than \$300 million, corporate debt securities, non-exchange traded open-end investment company securities, exchange-traded funds, closed end investment company securities, limited partnership securities, municipal debt securities, and other securities. The number of individual securityholder accounts in DRS, dividend reinvestment plans, or direct purchase plans required by Questions 5(b) and (c) are proposed to be deleted and would no longer be required. As subsets of the total number of individual securityholder accounts, those subcategories are not necessary given the requirement in Form TA-2 to report the number of issues for which DRS, dividend reinvestment plan, or direct purchase plan services were provided in existing Question 7.

Figure 1: Proposed Question 4(c) Regarding Individual Securityholder Accounts

4(c). Provide the total number of individual securityholder accounts, by security type, as of December 31:

Security Type	Total Number of Individual Securityholder Accounts (as of December 31)
Corporate Equity Securities (market cap <= \$300 million)	
Corporate Equity Securities (market cap > \$300 million)	
Corporate Debt Securities	
Non-Exchange Traded Open End Investment Company Securities	
Exchange-Traded Funds	
Closed End Investment Company Securities	
Limited Partnership Securities	
Municipal Debt Securities	
Other Securities	
Total	

b. Number of Issues by Activity Type

Existing Form TA-2 Question 6 (number of securities issues for which Registrant received items and/or maintained the master securityholder files, broken down by various security types) would be removed and replaced with proposed new Question 6(a) which would request similar information but would also incorporate the transfer agent activity types from Question 7 and include more granular security types than existing Question 6. Proposed Question 6(a) would add security type categories for corporate equity securities at two different market capitalization levels, exchange-traded funds, and closed end investment company securities, as transfer agent activities, operational risks, recordkeeping practices, and safeguarding activities may vary depending on the type of security being serviced. Specifically, as depicted in Figure 2 below, registrants would be required to report the following data as of December 31 in a new table categorized by security type: the number of securities issues for which the transfer agent (i) received items for transfer, (ii) maintained the master securityholder file(s), (iii) provided DRS services, (iv) provided direct purchase plan services, (v) provided dividend reinvestment plan services, and (vi) provided paying agent services. The security types provided in the table include corporate equity securities with market capitalization less than or equal to $300 million, corporate equity securities with market capitalization greater than $300 million, corporate debt securities, non-exchange traded open-end investment company securities, exchange-traded funds, closed end investment company securities, limited partnership securities, municipal debt securities, and other securities. These proposed revisions to Question 6 would incorporate the content of Question 7(a) regarding the number of issues for which dividend reinvestment plan and/or direct purchase plan services were provided as of December 31, Question 7(b) regarding the number of issues for which DRS services were provided as of December 31, and Question 7(c)(i) regarding the number of issues for which dividend disbursement and interest paying agent activities were conducted during the reporting period and thus, those questions would be removed. Dividend disbursement and interest paying agent activities would be included with other paying agent services in a single column in proposed Question 6(a).

Figure 2: Table for Proposed Question 6(a)

Security Type	Number of issues for which Registrant provided the following services (as of December 31)					
	Received Items for Transfer	Maintained Master Securityholder File(s)	Provided Direct Registration System (DRS) Services	Provided Direct Purchase Plan (DPP) Services	Provided Dividend Reinvestment Services	Provided Paying Agent Services
Corporate Equity Securities (market cap <= $300 million)						
Corporate Equity Securities (market cap > $300 million)						
Corporate Debt Securities						
Non-Exchange Traded Open End Investment Company Securities						
Exchange-Traded Funds						
Closed End Investment Company Securities						
Limited Partnership Securities						
Municipal Debt Securities						
Other Securities						
Total						

c. Handling of Securityholder Funds and Securities

Form TA-2 Question 7(c)(ii) (amount in dollars of dividend disbursement and interest paying agent activities conducted during the reporting period) would be replaced by proposed new Question 7 which is designed to capture all money movement through a transfer agent to or from securityholders, not just dividend disbursements and interest payments as required by existing Question 7(c)(ii), as well as any in-kind distribution activity. Specifically, registrants would be required to report the amount (in dollars) of dividend disbursements, interest or coupon payments, principal payments, disbursements in connection with corporate actions, open-end investment company purchases and redemptions, stock purchases, and any other monetary inflows or disbursements, as well as the amount (in units) of any in-kind distributions to securityholders during the reporting period. These proposed changes would contradict the form's existing instructions for answering Question 7(c),[108] so those instructions would be

108 The existing instructions for Form TA-2 Question 7.c. direct registrants to exclude coupon payments and transfers of record ownership as a result of corporate actions.

removed. Requiring transfer agents to report more detailed information regarding the nature and extent of their handling of securityholder funds would provide the Commission with data relevant to assess safeguarding risks across the transfer agent population as a whole and at individual transfer agents. This information would further support the Commission's statutory mandate to protect investors, promote the prompt and accurate clearance and settlement of securities transactions, and promote the safeguarding of funds and securities.

d. Turnaround Performance

Form TA-2 Question 9 (turnaround compliance) would be removed in its entirety due to the proposed changes to Rule 17ad-2 discussed in Section III.D. Existing Form TA-2 Question 9(a)(i) requires a registrant to report the number of months during the reporting period it was not in compliance with the turnaround time for routine items according to Rule 17ad-2, while existing Question 9(a)(ii) requires a registrant to report the number of written notices filed during the reporting period with the SEC and with its ARA regarding noncompliance with the turnaround time for routine items according to Rule 17ad-2.[109] Instead, proposed new Question 9(a) would require registrants to report the total number of routine items received during the reporting period, and proposed new Question 9(b) would require registrants to report the number of routine items that were not turned around or processed within the shorter of one business day or the time period specified by Rule 15c6-1(a) of the Exchange Act for each month of the reporting period. These proposed new questions would align the reporting requirements on Form TA-2 with the proposed changes to Rule 17ad-2 regarding turnaround and processing performance.

3. Proposed Additions to Form TA-2 Reporting Requirements

New Questions would be added to Form TA-2 to require registrants to report the following information, as accurate data in these areas is important for the Commission's

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109 17 CFR 249b.102.

assessment and oversight of a transfer agent's operational capacity, recordkeeping practices, operational risks, and safeguarding practices:

- The number of issues serviced by the registrant for which physical certificates were in use during the reporting period in new Question 4(d);
- The number of issues for which the registrant maintained the master securityholder file using distributed ledger technology during the reporting period in new Question 4(e);
- The number of employees engaged in transfer agent functions or activities incidental thereto during the reporting period in new Question 5(a);
- The types of service providers used by the registrant during the reporting period using a check-the-box format along with the name of the service provider(s) that directly supports the performance of transfer agent functions using a fill-in-the-blank format in new Question 5(b);
- The number of issues, by tokenization model, serviced by the registrant as of December 31 in new Question 6(b); and
- A list of issues serviced by the registrant as of December 31 of the reporting period.

a. Certificates and Distributed Ledger Technology

The Commission is proposing to add new Question 4(d) to the Form TA-2 to require registered transfer agents to report the number of issues for which physical certificates were in use during the reporting period and new Question 4(e) to require registered transfer agents to report the number of issues for which distributed ledger technology was used to maintain the master securityholder file during the reporting period. The risks associated with safeguarding physical securities certificates are vastly different than the risks associated with safeguarding book-entry securities or tokenized securities, and accurate data in this area is important for the

Commission's assessment and oversight of a transfer agent's recordkeeping practices, operational risks, and safeguarding practices.

b. Staffing Information

The Commission is proposing to add a new question to the Form TA-2 to require registered transfer agents to report the number of employees engaged in transfer agent functions (as defined in section 3(a)(25) of the Exchange Act) or activities incidental thereto during the reporting period. The individuals engaging in transfer agent functions or activities incidental thereto are subject to Exchange Act Rule 17f-2 regarding fingerprinting of securities industry personnel, cannot claim the exemption to the fingerprinting requirement in Rule 17f-2(a)(1)(ii), and are often responsible for interfacing with securityholders, handling sensitive securityholder information, completing transfers of securities, and processing various types of payments from issuers to securityholders. Accurate transfer agent staffing data will help to ensure that the information provided on Form TA-2 is relevant to the operational capacity and operational risks of modern transfer agents, would be comparable across the transfer agent population and therefore would continue to support the Commission's statutory duties related to the oversight of transfer agents. This information would further support the Commission's statutory mandate to protect investors, promote the prompt and accurate clearance and settlement of securities transactions, and promote the safeguarding of funds and securities.

c. Service Providers

Based upon its supervisory experience, the Commission has observed that transfer agents have used service providers to help ensure the prompt and accurate clearance and settlement of securities transactions. The range of corporate structures and functions performed by a registered transfer agent means that service providers can perform a wide variety of functions. Requiring a transfer agent to provide information about certain service providers on Form TA-2, as described further below, would allow the Commission to better understand the potential operational risks faced by transfer agents in performing their transfer agent functions. For example, based upon its supervisory experience, the Commission understands that transfer agents may use third parties to provide recordkeeping functions. In such cases, failure of the service provider to perform its obligations due to, for example, an outage or a systems error, would pose significant operational risks and have critical effects on the transfer agent's ability to perform its transfer agent functions and as such could hinder the prompt and accurate clearance and settlement of securities transactions which the Commission is authorized to facilitate.

Therefore, the Commission is proposing to require registered transfer agents to identify, by name and type, on Form TA-2 certain service providers that directly support the performance of transfer agent functions, however this information would not be made publicly available on EDGAR. Identification by name would allow the Commission to assess potential operational risk across the national system of clearance and settlement; for example, if a particular recordkeeping service provider suffers an outage or is otherwise unable to provide services, knowing how many transfer agents rely on that provider would help the Commission assess the impact on the national system for the settlement of securities transactions, and the market generally. Identification by type would provide the Commission with better comparability across the transfer agents that help make up the national system of clearance and settlement, which should help inform its oversight and responsibility for the prompt and accurate clearance and settlement of securities transactions.

As depicted in Figure 3 below, proposed Question 5(b) would include checkboxes for the following types of service providers that directly support the registrant in carrying out transfer agent activities: (1) banks, (2) escrow agents, (3) recordkeeping system providers, (4) lost securityholder search providers, (5) printing and mailing services, (6) call center providers, (7) tokenization agents, and (8) distributed ledger technology platforms. Following each entry is a space for registrants to fill-in-the-blank with the name of the service provider(s).

Figure 3: Proposed Question 5(b) Regarding Service Providers

Registrant used the following Service Providers during the Reporting Period.

Check all that apply and provide name of service provider(s) that directly supports the performance of transfer agent functions:

- ☐ Bank(s): __________________
- ☐ Escrow Agent(s): ______________
- ☐ Recordkeeping System Provider(s):_______________________
- ☐ Lost Securityholder Search Provider(s):______________________
- ☐ Printing and Mailing Service Provider(s):____________________
- ☐ Call Center Provider(s):______________________
- ☐ Tokenization Agent(s):___________________________
- ☐ Distributed Ledger Technology Platform(s):________________________

d. Tokenized Securities

As discussed above, some transfer agents play a role in developing, issuing, and administering tokenized securities, which may present different operational requirements and risks, recordkeeping systems, and safeguarding controls than traditional certificated and uncertificated securities. To ensure that the data provided on Form TA-2 is relevant to the types and volume of securities serviced by modern transfer agents, and therefore continues to support the Commission's statutory duties related to oversight of transfer agents to protect investors, promote the prompt and accurate clearance and settlement of securities transactions, and promote the safeguarding of funds and securities, as depicted in Figure 4 below, proposed new question 6(b) would require registrants to report the number of issues, by tokenization model and security type, serviced by the registrant as of December 31. The tokenization models provided in the table would include issuer-sponsored and third-party sponsored, as the risks to investors differ depending on the tokenization model.[110] The security types provided in the table would include

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[110] *See* Statement on Tokenized Securities, Division of Corporation Finance, Division of Investment Management, Division of Trading and Markets (Jan. 28, 2026), *available at* https://www.sec.gov/newsroom/speeches-statements/corp-fin-statement-tokenized-securities-012826-statement-tokenized-securities (stating that, with respect to third-party sponsored tokenized securities, the models that third parties are using to tokenize securities vary, and the rights, obligations, and benefits associated with the crypto asset may or may not be materially different from those of the underlying security, the crypto asset may or may not represent an ownership interest in or contractual obligation of the

corporate equity securities with market capitalization less than or equal to $300 million, corporate equity securities with market capitalization greater than $300 million, corporate debt securities, non-exchange traded open-end investment company securities, exchange-traded funds, closed end investment company securities, limited partnership securities, municipal debt securities, and other securities.

Figure 4: Proposed Question 6(b) Regarding Tokenized Securities

Security Type	Number of Issues Serviced by the Registrant by Tokenized Security Model (as of December 31)	
	Issuer-Sponsored Tokenized Securities	Third-Party-Sponsored Tokenized Securities
Corporate Equity Securities (market cap <= $300 million)		
Corporate Equity Securities (market cap > $300 million)		
Corporate Debt Securities		
Non-Exchange Traded Open End Investment Company Securities		
Exchange-Traded Funds		
Closed End Investment Company Securities		
Limited Partnership Securities		
Municipal Debt Securities		
Other Securities		
Total		

e. List of Issues Serviced

To ensure that the data provided on Form TA-2 is relevant to the types and volume of securities serviced by modern transfer agents, and therefore continues to support the Commission's statutory duties related to the oversight of transfer agents, Form TA-2 Question 13 (related documents/attachments) would be amended to require registrants to provide an attachment to their Form TA-2 with a list of issues serviced as of December 31 of the reporting period. The list should include, for each issue serviced, both the name of the issue and its

issuer of the underlying security, and holders of the crypto asset may be exposed to risks with respect to the third party, such as bankruptcy, to which a holder of the underlying security would not necessarily be exposed). That statement and any other staff statement referenced in this release is not a rule, regulation, guidance, or statement of the Commission, and the Commission has neither approved nor disapproved its content. Staff statements have no legal force or effect: they do not alter or amend applicable law, and they create no new or additional obligations for any person.

identification number from the master securityholder file. Under the existing rules, the Commission does not know which transfer agent services a particular security. Having this information on the Form TA-2 would address this gap and enable the Commission to more efficiently address investor questions or concerns related to their interactions with transfer agents to further support the Commission's statutory mandate to protect investors, promote the prompt and accurate clearance and settlement of securities transactions, and promote the safeguarding of funds and securities.

4. Request for Comment

The Commission requests comments on all aspects of the proposed amendments to Form TA-2. In particular, the Commission requests comments on the following:

13. Should the Commission amend Rule 17ac2-2 to require registered transfer agents to file an amendment to Form TA-2 if they discover that any of the information reported on Form TA-2 was materially inaccurate, misleading, or incomplete at the time of filing? Should the Commission provide a definition or examples of what would be "materially inaccurate, misleading, or incomplete" in this context? How soon after a transfer agent discovers that information reported on Form TA-2 was materially inaccurate, misleading, or incomplete at the time of filing should a transfer agent be required to file an amendment? Is within 60 days a sufficient amount of time, or should the Commission consider a shorter or longer period of time?

14. Should the Commission require registered transfer agents to report all fund movements to or from securityholders on Form TA-2 in proposed new Question 7, rather than just dividend disbursements and interest payments as required by the existing form? Would this broader reporting requirement provide more useful information to the Commission in understanding a transfer agent's operational risks related to the safeguarding of securityholder

funds?

15. Should the Commission require registered transfer agents to report staffing information on Form TA-2, including the number of employees engaged in transfer agent functions or activities incidental thereto during the reporting period in new Question 5(a)? Would this requirement fit the purpose of the Form? Or, would other data be more appropriate to require on the Form such as volume of transactions processed and error rates during the reporting period?
16. What additional information should the Commission require to be reported on Form TA-2 regarding a transfer agent's recordkeeping practices?
17. Are the specific security types and categories in proposed Questions 4(c), 6(a), and 6(b) appropriate and sufficient to capture the full range of securities for which transfer agents maintain securityholder accounts? Should any security types or categories be added, removed, or modified?
18. Is the proposed methodology for calculating the number of individual securityholder accounts in response to Question 4(b) clear and operationally feasible for transfer agents? Are there alternative methodologies that would be more accurate or easier for transfer agents to implement?
19. Are there additional types of service providers routinely used by transfer agents that should be included in the list of service providers in Question 5(b)? Alternatively, should any service providers included in the proposed list in Question 5(b) not be included? To what extent is the information that would be reported in response to Question 5(b) duplicative of information that would be provided in response to other questions, such as Question 4(e)?
20. Should the Commission require transfer agents to provide more detailed information about their service provider arrangements, such as the specific

services provided or the oversight and monitoring procedures used to manage associated risks? Alternatively, should the Commission require disclosure of service provider arrangement information at all, or less detailed information about their service provider arrangements?

21. Should the Commission require transfer agents to report on the number of issues, by tokenization model and security type, serviced by the registrant as of December 31 in new Question 6(b)? Are the specific tokenization models proposed appropriate, clear, operationally feasible, and sufficient to capture the full range of tokenization models used in connection with transfer agent activities? Should any tokenization models be added, removed, or modified? Should the Form TA-2 instead seek identification only of tokenized securities more generally, as opposed to breaking the information out by tokenization model? Would tokenized equity-linked notes be difficult for transfer agents to categorize as issuer-sponsored or third-party sponsored in the proposed table? If so, should the requirements of Question 6(b) be modified or clarified? Should the Commission provide a sunset date for proposed Question 6(b) and if so, what should be the trigger for such sunset date?
22. Is any information that would be required by the proposed changes to Form TA-2 difficult for a transfer agent to provide? If so, why? Are there alternative approaches to collecting the same information, such as providing this information upon request, that would be less burdensome for transfer agents while still providing the Commission with the information it needs to fulfill its regulatory and oversight responsibilities?
23. Should any information not be publicly disclosed that would be required by the proposed changes to Form TA-2?
24. Is there any additional information that the Commission should require to be

disclosed on Form TA-2, or conversely, should the Commission require less information to be disclosed?

III. Proposed Amendments to Definitions, Processing, Recordkeeping, and Safeguarding Rules

The Commission is proposing amendments to the definitions in Rules 17Ad-1 and 17Ad-9 to modernize the foundational terminology that governs the processing, turnaround, recordkeeping, safeguarding, and compliance obligations of registered transfer agents.

When the Commission originally adopted these definitions, the securities markets operated chiefly through the transfer of securities represented by physical certificates, and the transfer of certificated securities was a complicated, time-intensive, manual process completed over the course of multiple days and involving numerous in-person deliveries to and from multiple parties. Definitions such as *item*, *receipt*, *certificate detail*, *deposit shipment control list*, and *control book* were grounded in this physical environment and designed to reflect and address the technological and operational needs and limitations of manual processing, paper certificates, in-person deliveries, and mail-based communication.[111] Today, however, the technological and operational environment in which transfer agents operate has changed. The Commission understands that nearly all transactions are electronic; most securities are held in immobilized or uncertificated form; and transfer agents receive, validate, and process instructions through automated systems, electronic platforms, and digital communication channels. In addition, new and rapidly developing technologies, such as tokenized securities and distributed ledger technology, continue to modify the environment in which transfer agents operate, even as they present both new benefits and challenges.

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111 *See, e.g.,* Depository Shipment Control List Transfer Instructions; Definition of Item, Exchange Act Release No. 23677 (Oct. 2, 1986), 51 FR 36547 (Oct. 14, 1986); *see also* Maintenance of Accurate Securityholder Files and Safeguarding of Funds and Securities by Registered Transfer Agents, Exchange Act Release No. 19860 (June 10, 1983), 48 FR 28231 (June 21, 1983) ("17ad-9 through 13 Adopting Release"); Prompt Transfer of Securities; Transfer Agent Turnaround Performance Time Frame, Exchange Act Release No. 21375 (Oct. 5 1984), 49 FR 40573 (Oct. 17, 1984).

The prompt and accurate clearance and settlement of securities transactions is a matter of public interest, and clearly defined terms that accurately reflect the current operational and technological environment in which registered transfer agents operate are necessary to give practical effect to the Commission's oversight of registered transfer agents and the national clearance and settlement system.[112] As the securities markets and transfer agent operations continue to evolve, definitions that are both grounded in statutory authority and responsive to technological and operational change would help the Commission to carry out its statutory responsibilities under Section 17A of the Act, including its responsibility to protect investors, to safeguard securities and funds, and to facilitate the prompt and accurate clearance and settlement of securities transactions in a manner that keeps pace with the markets the Commission is charged with overseeing.[113] As discussed below, each of the proposed changes discussed in this section seeks to ensure that the defined terms used in the Commission's transfer agent rules accurately reflect the current operational and technical environment in which transfer agents operate, including the transition from a manual, paper-based environment to an automated, electronic environment and beyond.

A. Amendments to Rule 17ad-1

Rule 17ad-1 defines relevant terms used throughout the rules. A fundamental term used in the rules is "item," which is the basic unit for which the turnaround and other processing requirements apply.[114] Other key definitions in Rule 17ad-1 are "transfer" and "turnaround."[115]

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112 *See* Exchange Act Section 3(a)(25), 15 U.S.C. 78(c)(a)(25).

113 *See* Section 17A(a)(2)(A) of the Exchange Act, 15 U.S.C. 78q-1(a)(2)(A).

114 *See* Rule 17Ad-1 through 17Ad-7 Adopting Release, *supra* note 50.

115 "Transfer" of a certificated security (where an outside registrar is not involved) is the completion of all acts necessary to cancel the certificate, issue a new one, and make it available to the presentor, and "turnaround" for an item (where an outside registrar is not involved) is completed when transfer is accomplished. Exchange Act Rule 17ad-1(d), (e), 17 CFR 240.17Ad-1(d), (e). The term "outside registrar" with respect to a transfer item means a transfer agent which performs only the registrar function for the certificate or certificates presented for transfer and includes the persons performing similar functions with respect to debt issues. Exchange Act Rule 17ad-1(b), 17 CFR 240.17Ad-1(b).

The Commission is proposing amendments to the definitions of the terms "item," "receipt," and "routine."

1. Item

Existing Rule 17ad-1(a)(1) defines the term *item* as: (i) A certificate or certificates of the same issue of securities covered by one ticket (or, if there is no ticket, presented by one presentor) presented for transfer, or an instruction to a transfer agent which holds securities registered in the name of the presentor to transfer or to make available all or a portion of those securities; (ii) Each line on a "deposit shipment control list" or a "withdrawal shipment control list" submitted by a registered clearing agency; or (iii) In the case of an outside registrar, each certificate to be countersigned.[116] The Commission proposes to amend the definition of "item" to include two additional subsections within the definition: "(iv) A transfer instruction submitted to the transfer agent through a deposit or withdrawal at custodian or functionally similar service operated by a central securities depository; and (v) Any other transfer instruction submitted to the transfer agent, or to an electronic system controlled, operated, or enabled by the transfer agent, to be accomplished without the physical issuance of certificates."[117]

As noted, *item* is the basic unit for which the turnaround and other processing requirements apply,[118] and is an essential term used throughout the transfer agent rules, including in other definitions discussed in this release. The Commission is proposing to amend the definition of *item* to clearly and unambiguously include instructions relating to uncertificated securities and capture new technologies and means of transmitting information to ensure that the technology, platforms, and communication channels utilized by modern transfer agents are both contemplated and permitted under the rules.

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116 Exchange Act Rule 17ad-1(a)(1), 17 CFR 240.17Ad-1(a)(1).

117 *See* proposed Rule 17ad-1(a)(1).

118 *See* Rule 17ad-1 through 17ad-7 Adopting Release, *supra* note 50.

These amendments would include transfer instructions submitted through DTC's Deposit/Withdrawal at Custodian ("DWAC") service and other electronic systems, which the Commission understands are now the predominant means by which securities are transferred. The proposed amendments are also designed to capture new and novel methods by which transfer agents may receive instructions from presentors pursuant to the UCC.[119] Finally, the phrase "an electronic system controlled, operated, or enabled by the transfer agent" will ensure that instructions transmitted by or through both existing technologies, such as blockchains and other distributed ledger-based platforms and new, as yet unforeseen technologies, are captured by the definition as proposed to be amended. These amendments would help ensure that Rule 17ad-2's turnaround and processing requirements apply uniformly to certificated and uncertificated securities, regardless of the specific technology used to issue, transfer, or custody the securities, and that new and potential future communication channels through which transfer instructions are or could be initiated, are contemplated under the rule.

2. Receipt

Existing Rule 17ad-1(g) provides that "[t]he receipt of an item or a written inquiry or request occurs when the item or written inquiry or request arrives at the premises at which the transfer agent performs transfer agent functions, as defined in Section 3(a)(25) of the Act."[120] While the term "arrive" applies to both physical and electronic items, it reflects a focus on physical items received by transfer agents—the transfer bundles from a bygone era discussed above—and is out of step with the electronic instructions that constitute most items received by modern transfer agents. Similarly, existing Rule 17ad-2(a) specifies that "items received at or before noon on a business day shall be deemed to have been received at noon on that day, and items received after noon on a business day or received on a day not a business day shall be

119 *See* UCC §§ 8-107 and 8-401.

120 17 CFR 240.17Ad-1(g).

deemed to have been received at noon on the next business day."[121] Thus, for many years transfer agents have set up their processing and recordkeeping systems to bifurcate each business day for purposes of determining when items have been received and starting the clock for turnaround. While this provision also applies with equal force to physical and electronic items, it too reflects a focus on physical items received by transfer agents—the transfer bundles that, once received at a mailbox or window, needed to be picked up, processed, and physically delivered to an appropriate workspace on the transfer agent's premises where the various confirmations, examinations, and checks could be conducted. Accordingly, this provision is out of step with the electronic instructions that constitute most items received by modern transfer agents, which are transmitted at the speed of light and can be accessed from virtually any computer or workstation authorized by the transfer agent.

The Commission proposes to amend the definition of "receipt" to provide that receipt occurs on the business day when the item or written inquiry or request arrives at any premises at which the transfer agent performs transfer agent functions or, in the case of an item or written inquiry or request submitted in electronic form, the business day when the item or written inquiry or request is received by the transfer agent.[122] The proposed amendment would also provide that if an item or written inquiry or request arrives or is received on a non-business day, receipt is deemed to occur on the next business day.[123] The existing definition does not explicitly address electronic transmissions or electronic deliveries, which are now a common means by which transfer agents receive items and other communications. The proposed amendment would specify that receipt of electronic transmissions occurs when the item or communication is received by the transfer agent, as evidenced by, for example, a time stamp or other electronic record. The proposed amendment would also acknowledge that arrival or receipt can occur at

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121 Exchange Act Rule 17ad-2(a), 17 CFR 240.17Ad-2(a). Rule 17ad-2(b) includes an identical provision for items received by transfer agents acting as an outside registrar.

122 *See* proposed Rule 17ad-1(g).

123 *Id.*

any premises at which the transfer agent performs transfer agent functions, not just the principal location, thereby reflecting the reality that many modern transfer agents operate from multiple locations. These changes would help ensure that the definition of receipt is clear and applicable to the full range of methods by which transfer agents receive items and communications in today's electronic environment.

3. Routine

Existing Rule 17ad-1(i) defines a "routine" item by listing eight categories of items that are not routine, including paragraph 17ad-1(i)(2), which specifies that "a certificate as to which the transfer agent has received notice of a stop order, adverse claim, or any other restriction on transfer" would be considered a non-routine item.[124] The Commission is proposing to replace the reference to "certificate" in paragraph (i)(2) with "security" to ensure that the definition applies equally to both certificated and uncertificated securities.[125]

B. Amendments to Rule 17ad-9

Rule 17ad-9[126] defines 12 principal terms with respect to transfer agents as used especially in Rules 17ad-10 through 17ad-13: "certificate detail," "master securityholder file," "subsidiary file," "control book," "credit," "debit," "record difference," "record keeping transfer agent," "co-transfer agent," "named transfer agent," "service company," and "file."[127] The Commission is proposing amendments to all of the definitions in Rule 17ad-9 other than "subsidiary file," "co-transfer agent," "named transfer agent," "service company," and "file." The Commission is also proposing to add three new defined terms: "authorized securities," "transfer journal," and "presentor."

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124 17 CFR 240.17Ad-1(i).

125 *See* proposed Rule 17ad-1(i).

126 17 CFR 240.17Ad-9.

127 *See* 17ad-9 through 13 Proposing Release, *supra* note 9.

1. Certificate Detail

Existing Rule 17ad-10 requires recordkeeping transfer agents to promptly and accurately post credits and debits containing minimum and appropriate certificate detail to the master securityholder file whenever a security is transferred, purchased, redeemed, or issued.[128] The certificate detail that must be posted to the master securityholder file is defined in existing Rule 17ad-9(a) and consists of eight specific "items" of information: (1) The certificate number; (2) The number of shares for equity securities or the principal dollar amount for debt securities; (3) The securityholder's registration; (4) The address of the registered securityholder; (5) The issue date of the security; (6) The cancellation date of the security; (7) In the case of redeemable securities of investment companies, an appropriate description of each debit and credit (i.e., designation indicating purchase, redemption, or transfer); and (8) Any other identifying information about securities and securityholders the transfer agent reasonably deems essential to its recordkeeping system for the efficient and effective research of record differences.[129] The Commission is proposing to replace the term "certificate detail" with a neutral term that can apply to any form of security, whether certificated or uncertificated, and to amend items one, three, four, and eight, in the definition of certificate detail, as described more fully below.

The Commission proposes to amend the definition of "certificate detail" to reflect the securities industry's transition from a manual, paper-based environment to an automated, electronic environment and to ensure that the Commission's transfer agent rules appropriately reflect and facilitate transfer agents' use of new and emerging technologies in their recordkeeping and operations. First, given that most securities today are uncertificated, the Commission proposes to replace the term "certificate detail," which signifies the use of a paper certificate, with the term "position detail," which is a neutral term that can apply to any form of

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128 17 CFR 240.17Ad-10(a)(1).

129 17 CFR 240.17Ad-9(a).

security, whether certificated or uncertificated.[130] To ensure consistency throughout the rules, the Commission proposes to make conforming changes in other rules that use the term certificate detail as well, specifically throughout Rule 17ad-10,[131] as discussed in more detail below, and by amending the title of Rule 17ad-11.[132]

Second, the Commission is proposing to expand item one beyond solely a certificate number for certificated securities. A certificate number is a unique numerical identifier pre-printed on physical stock or bond certificates used to identify the security and track ownership. However, the Commission understands that both certificated and uncertificated securities may also have unique alpha-numeric identifiers, while only certificated securities specifically have "certificate numbers." Under the existing definition of certificate detail, transfer agents are not required to maintain in the master securityholder file a unique identifier for securities. Given the importance of being able to uniquely identify and track securities, it is necessary and appropriate for the protection of investors to require transfer agents to maintain a unique identifier for securities when such a unique identifier is available. Accordingly, under the proposed changes, item one would consist of the certificate number for certificated securities, and for all securities, including certificated securities, the applicable unique identifier for the security, which could be a Committee on Uniform Securities Identification Procedures number (CUSIP) or Financial Instrument Global Identifier number (FIGI). With respect to the applicable unique identifier, the Commission understands that both the CUSIP and the FIGI are standardized identification numbers widely used for both certificated and uncertificated securities across different asset classes, that CUSIP is widely used with respect to U.S. exchange-traded securities, including some tokenized securities, and FIGI can be and is used with respect to both traditional and tokenized securities. However, the amended rule would not mandate the use of these specific

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130 *See* proposed Rule 17ad-9(a).

131 *See* proposed Rule 17ad-10.

132 *See* proposed Rule 17ad-11 (amending the term "certificate detail" in the title to instead refer to "position detail").

identifiers. The Commission is aware that other unique identifiers are used, often in connection with a specific jurisdiction or specific system,[133] and others may be developed in the future. The Commission is also aware that it is possible that in some instances an uncertificated security may *not* have a unique identifier. Accordingly, through this change, the position detail maintained by transfer agents would include unique identifiers for both certificated and, if applicable, uncertificated securities, including tokenized securities.

Third, the Commission is proposing to amend item three, "registration." A securityholder's registration, historically referred to the registered owner's name, as well as any relevant formatting or titling information, such as whether the security is held individually, jointly, in trust, by a corporate entity, etc.[134] To ensure that transfer agents understand the term and apply it consistently, the Commission is proposing to replace the term "registration" with a description of the specific information that constitutes "registration," as noted above. Specifically, item three would include the securityholder's full name and any other relevant identifying, titling, or formatting information (e.g., a digital wallet address in the case of any tokenized security; whether the security is held individually, jointly, or in trust; whether it is held by a natural person, a corporation, etc.) necessary to accurately identify the specific securityholder to the exclusion of other securityholders. Ensuring that transfer agents maintain accurate and up-to-date registration information for registered securityholders is vital to determine who is legally recognized as the securityholder, who is entitled to receive distributions, proxies, issuer communications, and corporate rights provided to the legal owner of the securities, who has legal authority to authorize transfers, and how ownership is recorded and validated. All recordkeeping transfer agents are also required to comply with the lost

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133 For example, the Stock Exchange Daily Official List (SEDOL) is used primarily in the United Kingdom and Ireland, while the Reuters Instrument Code (RIC) is used specifically within London Stock Exchange Group (LSEG) systems.

134 *See* 17ad-9 through 13 Proposing Release, *supra* note 9, at 47270.

securityholder notice and search requirements set forth in Rule 17ad-17,[135] which requires transfer agents to identify and maintain certain contact information for individual securityholders. Ensuring that transfer agents' position detail information includes sufficient information to identify individual securityholders to the exclusion of other securityholders would also help recordkeeping transfer agents meet their lost securityholder search obligations under Rule 17ad-17.

For these same reasons, the Commission is proposing to expand item four to include additional contact information beyond the securityholder's physical mailing address. Specifically, under the proposal, item four would include contact information for the registered securityholder sufficient to enable the transfer agent to effectively deliver securityholder communications, dividends and other payments, legal notices, and other communications, including at a minimum a physical mailing address. In addition to a mailing address, such contact information could include, for example, a home phone number, a mobile phone number, an email address, a blockchain wallet address, or another form of communication, although the Commission recognizes that the specific contact information for a given securityholder could vary depending on the securityholder. For example, a buy-and-hold investor who prefers written communications or phone calls might only have a mailing address and home phone number, while an investor that prefers online access and communication methods might prefer to receive email communications or be contacted through such investor's mobile phone number. Comprehensive and current securityholder contact information is essential to ensure prompt and accurate clearance and settlement. Limiting the securityholder contact information maintained by transfer agents to a physical mailing address is no longer adequate to support the efficient functioning of a modern clearance and settlement system that relies on electronic communications to process securities transactions. The ability to rapidly and reliably

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135 *See* 17 CFR 240.17Ad-17.

communicate with registered securityholders through multiple channels enables transfer agents to fulfill their critical role within the national clearance and settlement system, reduce settlement failures, resolve processing discrepancies in real time, and comply with the full range of applicable laws and regulations governing their participation in that system, all of which directly serve protecting investors and the broader public interest. At the same time, it is still important for transfer agents to ensure that the contact information they maintain for registered securityholders includes a physical mailing address because physical mail may serve as the primary means of communication for some securityholders and a secondary means of communication for other securityholders, and ensuring that a physical mailing address is part of the master securityholder file may help recordkeeping transfer agents comply with Rule 17ad-17, which requires recordkeeping transfer agents to exercise reasonable care to ascertain the correct addresses for lost securityholders.[136] Even in situations where a transfer agent is sending correspondence to a securityholder electronically, when that correspondence is returned as undeliverable, having a physical mailing address may help the transfer agent to obtain a correct electronic address for the securityholder.

Finally, item eight would be expanded to include any other identifying information about securities and securityholders the transfer agent reasonably deems necessary to its recordkeeping, operations, or for the efficient and effective research of record differences.[137] This would be an expansion of existing item eight, which only requires identifying information the transfer agent reasonably deems essential to its recordkeeping system for the efficient and effective research of record differences. As with the amendments to items three and four, these amendments would help ensure that transfer agents have sufficient information to comply with their obligations under the transfer agent rules, including the proposed amendments to Rules 17ad-6 and 17ad-7 discussed herein, and the new operational risk requirements that would be imposed in connection

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136 17 CFR 240.17Ad-17(a)(1), Exchange Act Rule 17ad-17(a)(1).

137 *See* proposed Rule 17ad-9(a).

with the proposed amendments to Rule 17ad-12 discussed below. Requiring that transfer agents maintain this information also would help ensure that the information is kept and retained in accordance with the recordkeeping requirements that apply to transfer agents. Further, as noted, modern transfer agents' activities go beyond the type of ministerial recordkeeping and administrative tasks that characterized their work when these definitions were first adopted. In addition to identifying information about securities and securityholders the transfer agent reasonably deems necessary to researching record differences, modern transfer agents might maintain other information the transfer agent reasonably deems necessary to its operations. For example, a transfer agent may maintain information about registered securityholders that enable the transfer agent to provide securityholders access to an online portal that allows them to view their holdings, initiate transactions, or download corporate communications in lieu of receiving them in paper copy through the mail and information needed to make payments to securityholders. Provision of these services may involve collecting and storing specialized information, such as passwords and other login information, necessary to ensure the proper functioning of the transfer agent's website, online portal, or other technology platforms. As another example, a transfer agent providing paying agent services may need to maintain information about registered securityholders that enable them to make payments. It is vital that transfer agents that choose to provide services in these ways maintain the identifying information necessary to make them work effectively, accurately, and securely. The proposed amendments to item eight would help ensure that a transfer agent's position detail comprises information sufficient to meet the full scope of its regulatory obligations under the transfer agent rules and effectively support its provision of transfer agent services.

2. Master Securityholder File

Existing Rule 17ad-9(b) defines "master securityholder file" as "the official list of individual securityholder accounts."[138] The rule further provides that "[w]ith respect to uncertificated securities of companies registered under the Investment Company Act of 1940 ("1940 Act"), the master securityholder file may consist of multiple, but linked, automated files."[139]

The Commission proposes to amend the existing definition of "master securityholder file" to require that it be maintained in electronic form and to remove reference to investment company securities, such that any master securityholder file (not just those related to uncertificated investment company securities) may consist of multiple linked files or systems. The amended definition would further specify that the specific technology, systems, or files that compose the master securityholder file are within the transfer agent's discretion, provided the transfer agent maintains at all times exclusive control over the master securityholder file.[140]

The master securityholder file is the authoritative record of who owns an issuer's securities. It is the list of individual securityholder accounts recognized by the issuer as the official list of record owners of the issuer's securities and is intended to be synonymous with the record referred to in state corporate law as the "stockholder ledger" or "stockholder register."[141] Ensuring that it is consistently accurate and reliable is one of the core roles of a transfer agent and fundamental to the prompt and accurate clearance and settlement of securities transactions.

In adopting the definition of master securityholder file in 1983, the Commission found that open-end investment companies commonly maintained master securityholder files as multiple, but linked, automated files whereas most other transfer agents did not.[142] Specifically,

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138 17 CFR 240.17Ad-9(b).

139 *Id.*

140 *See* proposed Rule 17ad-9(b).

141 *See* 17ad-9 through 13 Adopting Release, *supra* note 111, at 28234.

142 *See id*.

the Commission noted that common industry practice among mutual fund transfer agents at the time was to maintain a group of three or more computer files, commonly linked by the securityholder's account number and that, taken together, these files contained the required certificate detail as well as other useful account information.[143] At the same time, the Commission noted that this was not the practice with respect to "other securities issues;" rather, industry practice at that time was to post certificate detail to a single master securityholder file.[144] The Commission stated that "maintaining a single record containing all critical certificate and account detail simplifies performance of transfer agent functions, contributes to efficient transfer agent operations, and promotes the accuracy of securityholder records."[145] This supported the Commission's decision to adopt a carve-out for uncertificated securities of investment companies registered under the 1940 Act, but not for other securities issues.[146]

Contemporary securities industry standards and practices, chief among them information technology standards and the efficiency, reliability, and recoverability of electronic recordkeeping systems, no longer warrant such a delineation. While maintaining the master securityholder file as a single record may have promoted efficiency and accuracy in 1983, when manual, paper-based processes were the standard, that is not the case today.

Through its oversight of the transfer agent industry, the Commission understands that most if not all transfer agents now maintain their master securityholder files electronically and that electronic recordkeeping is essential to the efficient operation of both modern transfer agents and the national clearance and settlement system. Compared to paper-based recordkeeping, electronic records provide better accessibility because multiple people can access the same record at the same time or from different locations; better searchability using automated keyword

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143 *Id.*

144 *Id.*

145 *Id.*

146 *Id.*

searches and other methods not possible with paper-based records; better security and control through encryption, password protection, access restrictions, logical controls, and automated audit trails that are not possible with paper-based records; and more efficient workflows and enhanced reliability and backup through automation, digital duplication and distribution, and other digital tools not possible with paper-based records.[147] To ensure that transfer agent records can benefit from these aspects of electronic recordkeeping compared to paper-based records given the importance of the master securityholder file to protecting investors, promoting the prompt and accurate clearance and settlement of securities transactions, and promoting the safeguarding of funds and securities, the proposed amended definition of master securityholder file would explicitly specify that it be maintained in electronic form.

Further, because the existing definition only permits the master securityholder file to consist of "multiple, but linked, automated files" with respect to uncertificated securities of companies registered under the 1940 Act,[148] the proposed amendments also would remove the distinction between investment company securities and other securities to permit transfer agents to maintain their master securityholder files in multiple, linked files or systems with respect to *all* securities, not just investment company securities. This proposed expansion would make the definition both technology and format neutral while continuing to facilitate the maintenance of an accurate master securityholder file which, in turn, supports the prompt and accurate clearance and settlement of securities transactions and the safeguarding of funds and securities. The provision that transfer agents have discretion regarding the specific technology and systems used, provided the transfer agent maintains at all times exclusive control over the master securityholder file, would provide flexibility while ensuring that the transfer agent maintains exclusive control over, and responsibility for, such a crucial record.

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147 *See* Recordkeeping Requirement for Transfer Agents, Exchange Act Release No. 44227 (Apr. 27, 2001), 66 FR 21648, 21656-57 (May 1, 2021) (discussing the benefits associated with transfer agents adopting electronic recordkeeping).

148 *See* Exchange Act Rule 17ad-9(b), 17 CFR 240.17Ad-9(b).

The amended definition is designed to be flexible and capable of accommodating future technological developments, provided the standards as set forth in proposed Rule 17ad-7(f) for electronic recordkeeping systems are met. The Commission recognizes that developments in information technology manifest unpredictably and, thus, the proposed definition would not mandate or otherwise endorse a specific electronic format in which the master securityholder file would be required to be maintained. For example, the amended definition would permit a transfer agent to utilize a blockchain or other distributed ledger technology as its master securityholder file, or a component thereof, but it would not mandate it. Rather, the rule's guiding principle is to ensure that master securityholder files are securely maintained and updated as promptly as possible, regardless of the technology or platform utilized.

3. Control Book

The term "control book" is defined in existing Rule 17ad-9(d) as "the record or other document that shows the total number of shares (in the case of equity securities) or the principal dollar amount (in the case of debt securities) authorized and issued by the issuer."[149] The term is used in various other of the transfer agent rules. For example, pursuant to existing Rule 17ad-10(e), recordkeeping transfer agents must, among other things, maintain and keep current an accurate control book for each issue of securities (and may not make changes to the control book except upon written authorization from a duly authorized agent of the issuer). Similarly, the definition of "issuer capitalization" in existing Rule 17ad-11(a)(1) is defined as the market value of the issuer's authorized and outstanding equity securities as "determined by reference to the control book and current market prices."[150]

The terms "authorized," "issued," and "outstanding" securities are also used throughout the transfer agent rules, but not always consistently. For example, as noted above, the existing definition of control book refers only to "authorized and issued" securities but does not explicitly

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[149] 17 CFR 240.17Ad-9(d).

[150] Rule 17ad-11(a)(1), 17 CFR 240.17Ad-11(a)(1).

reference "outstanding" securities. In contrast, existing Rule 17ad-6(b) requires transfer agents meeting certain conditions to, among other things, retain documentation showing the total number of shares authorized and "the total issued and outstanding pursuant to issuer authorization," but does not use the term "control book."[151]

In the Commission's experience, the lack of consistent terminology can lead to confusion and inconsistent application of the rules, which in turn may negatively impact a transfer agent's ability to monitor for overissuance and meet its recordkeeping obligations. Accordingly, to ensure that defined terms are used in a consistent manner throughout the transfer agent rules, and therefore are more likely to be applied accurately and consistently by registered transfer agents, the Commission is proposing a series of amendments designed to define certain key terms and use them consistently throughout the rules.

To that end, the Commission proposes to amend the definition of "control book" to specify that, in addition to authorized and issued securities, it also must show outstanding securities. Specifically, the proposed definition would provide that "control book" means "the record or other document that shows the total number of shares (in the case of equity securities) or the principal dollar amount (in the case of debt securities) of an issuer's authorized, issued, and outstanding securities."[152]

As discussed in more detail below, the term "authorized securities" will be defined in a new addition to Rule 17ad-9. It would represent the maximum number of securities that may be issued pursuant to the issuer's governing documents. The term "issued securities" refers to the total number of securities (or principal dollar amount in the case of debt securities) that have been granted to stockholders or employees, or that are held in the issuer's treasury (because they have not been sold or granted yet, or because the issuer repurchased them, often referred to as

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151 Rule 17ad-6(b), 17 CFR 240.17Ad-(6)(b).

152 *See* proposed Rule 17ad-9(d). As used here, the term record captures any type of record used or contemplated for use by transfer agents (e.g., physical records, digital records, and records existing on a distributed ledger or blockchain).

treasury shares). Outstanding securities are the portion of issued securities that have actually been distributed to investors or employees (i.e., issued securities, less any outstanding treasury shares). As discussed below in connection with the proposed amendments to Rule 17ad-10, knowing and tracking the total number of outstanding securities supports a transfer agent's ability to monitor for overissuances.[153] Yet the existing definition of control book does not reference outstanding securities. The proposed amendment would specify that the control book must include all three categories—authorized, issued, and outstanding—as all three are relevant to transfer agents' efforts to monitor against overissuance and maintain accurate records that are necessary to protect investors, promote the prompt and accurate clearance and settlement of securities transactions, and promote the safeguarding of funds and securities.

4. Credit and Debit

Existing Rule 17ad-9(e) defines "credit" as "an addition of appropriate certificate detail to the master securityholder file," and existing Rule 17ad-9(f) defines "debit" as "a cancellation of appropriate certificate detail from the master securityholder file."[154] Consistent with the proposed amendments to Rule 17ad-9(a) above, the Commission also proposes to replace references to "certificate detail" in both definitions with "position detail" to ensure that the definitions apply equally to certificated and uncertificated securities and conform the definitions to the proposed amendments to Rule 17ad-9(a), as discussed above.[155]

5. Record Difference

Existing Rule 17ad-9(g) states that a "record difference" occurs when either: "(1) The total number of shares or total principal dollar amount of securities in the master securityholder file does not equal the number of shares or principal dollar amount in the control book; or

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153 The proposed amendments to Rule 17ad-10 would include a new definition of "overissuance," which would mean an out-of-balance condition wherein the securities issued and outstanding exceed the securities authorized and outstanding, as reflected in the transfer agent's control book.

154 17 CFR 240.17Ad-9(e) and (f).

155 *See* proposed Rules 17ad-9(e) and (f).

(2) The security transferred or redeemed contains certificate detail different from the certificate detail currently on the master securityholder file, which difference cannot be immediately resolved."[156] The Commission is proposing to add a third category of record difference as paragraph (g)(3): position detail in the master securityholder file that is inconsistent with the history of transactions in the transfer journal.[157] Additionally, consistent with the proposed amendments to Rule 17ad-9(a) above, the Commission also proposes to replace references to "certificate detail" in paragraph 17ad-9(g)(2) with "position detail" to ensure that the definition applies equally to certificated and uncertificated securities and conform the definition to the proposed amendments to Rule 17ad-9(a), as discussed above.

Discrepancies or inaccuracies in the master securityholder file can lead to errors in vote counts for corporate actions, missed or incorrect dividend, interest, or other payments to securityholders, errors in other corporate action entitlements, unauthorized or overissuance of securities, improper escheatment, or financial, regulatory, or reputational harm for investors, issuers, and transfer agents. Given the importance of maintaining accurate securityholder records, the term "record difference" should encompass any type of inaccuracy in the securityholder files, regardless of the cause or source of the inaccuracy. The intention in defining the term "record difference" was to "include *any* type of record difference or inaccuracy in the securityholder files, whether occurring, among other things, as the result of a physical overissuance of shares or clerical or other posting errors."[158] Based on the Commission's experience supervising and monitoring the transfer agent industry, the two situations captured by the existing definition of record difference are insufficient to capture other means by which an inaccuracy could be introduced to the master securityholder file. The proposed amendment to the definition of "record difference" would require transfer agents to track and resolve *any*

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156 17 CFR 240.17Ad-9(g).

157 *See* proposed Rule 17ad-9(g).

158 *See* 17ad-9 through 13 Proposing Release, *supra* note 9, at 47271.

discrepancy or inaccuracy in the master securityholder file as compared to the control book, transfer journal, or the physical security itself, which can lead to recordkeeping errors that, as discussed above, harm investors and compromise the integrity and efficient functioning of the national clearance and settlement system. A discrepancy between the transfer journal and the master securityholder file could mean that transfers of securities are not recorded in the master securityholder file, potentially leading to some investors not being recorded as registered owners of securities or not being credited with the correct amount of securities.

The addition of this third category of record difference also seeks to resolve inconsistencies between the master securityholder file and the transfer journal, which would help ensure that transfer agents identify and resolve discrepancies in their records that could otherwise lead to inaccurate securityholder records. This addition would reflect the importance of the transfer journal, which is proposed to be defined for the first time in Rule 17ad-9(n) as discussed below, as a key record for tracking changes in position detail.

6. Recordkeeping Transfer Agent

Existing Rule 17ad-9(h) defines "recordkeeping transfer agent" as "the registered transfer agent that maintains and updates the master securityholder file."[159] As the Commission stated in the 2015 Concept Release, "[a]ll other transfer agents associated with a given issue of securities are defined as 'co-transfer agents,' which are registered transfer agents that transfer securities but do not maintain and update the master securityholder file."[160]

In the Commission's view, a single registered transfer agent should be responsible for maintaining and updating the master securityholder file for a given issue. A given issue of securities would mean, for purposes of this proposed rule, all of the securities which an issuer has issued and which are intended to be fungible, such as all shares of stock of a given class. As

159 Exchange Act Rule 17ad-9(h), 17 CFR 240.17Ad-9(h) (emphasis added).

160 2015 Concept Release, *supra* note 4, at Section IV.A.3 (discussing definition of "recordkeeping transfer agent").

discussed in more detail below, any other requirement would create an unreasonably high risk of errors in master securityholder files, thereby negatively impacting investors and the national clearance and settlement system. Accordingly, the Commission is proposing to amend the definition of "recordkeeping transfer agent" to mean "the registered transfer agent that maintains and updates the master securityholder file for an issue of securities," and specify that "[t]here can be only one recordkeeping transfer agent for a given issue of securities."[161]

This requirement is necessary to ensure that the identity of the one registered transfer agent responsible for both maintaining and updating the master securityholder file is clear and unambiguous to issuers, regulators, and other transfer agents. In the Commission's experience supervising transfer agents, when multiple entities are responsible for the constituent actions necessary for maintaining and updating the master securityholder file, errors increase, effective communication and clear lines of responsibility decrease, and efficiency, accuracy, and security suffer. Further, transfer agents splitting the recordkeeping function into multiple parts and spreading them among multiple entities can increase the likelihood of recordkeeping errors, compliance failures, and investor harm. Avoiding such deleterious outcomes with respect to such a vital record as the master securityholder file is necessary to ensure the safe and efficient functioning of the national clearance and settlement system, protect investors, and advance the public interest. By specifying that there can be only one recordkeeping transfer agent for a given issue of securities, the proposed amendment will help avoid ambiguity in situations where multiple transfer agents are involved in servicing an issue and ensure that issuers, investors, regulators, and transfer agents themselves have a clear and unambiguous understanding that a single transfer agent must be responsible for maintaining and updating the master securityholder file for a given issue. The proposed amendment would not, however, prevent a recordkeeping transfer agent from utilizing a service company or co-transfer agent, or multiple linked files or

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161 *See* proposed Rule 17ad-9(h).

systems, or a particular technology, as the recordkeeping transfer agent nevertheless remains responsible for maintaining and updating the master securityholder file for a given issue.

C. New Definitions to be Added to Rule 17ad-9

1. Authorized Securities

The Commission proposes to add a new definition for "authorized securities" as paragraph (m) of Rule 17ad-9. The proposed definition would provide that "authorized securities" means "the maximum number of shares of equity securities or principal amount of debt securities or number of units if relating to any other kind of security that can be issued by an issuer as authorized in the issuer's certificate of incorporation, charter, bond indenture, or similar governing document."[162] A very similar term is already used (although it has not been defined) in connection with the definition of control book as one of the elements that must be tracked as part of a transfer agent's control book.[163] As such, adopting a formal definition of this term would provide clarity and would help ensure consistent interpretation and application of the term as it is used in the Commission's transfer agent rules. The definition being proposed herein is consistent with the definition as it has long been used and understood throughout the securities industry.

2. Transfer Journal

The Commission proposes to add a new definition for "transfer journal" in Rule 17ad-9(n). The proposed definition would provide that "transfer journal" means "a record of all issuances, cancellations, transfers, distributions of cash or securities, additions and cancellations of position detail, and other information necessary to enable the transfer agent to track and document changes in security ownership, the movement of securities, and other changes."[164]

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162 *See* proposed Rule 17ad-9(m).

163 *See, e.g.,* 17 CFR 240.17Ad-9(d) ([T]he total number of shares … authorized by the issuer.) (emphasis added).

164 *See* proposed Rule 17ad-9(n).

The term "transfer journal" is referenced in various transfer agent rules but has not been previously defined by the Commission. For example, Rule 17ad-6 requires every registered transfer agent to make and keep current a copy of any transfer journal prepared by a registered transfer agent.[165] Additionally, in Rule 17ad-10, transfer journals are referenced as a communication mechanism between co-transfer agents to a recordkeeping transfer agent to post certificate detail to the master securityholder file.[166]

Transfer journals are typically maintained by transfer agents to document all transactions affecting securities ownership, helping them track changes in ownership, resolve record differences, and ensure accuracy of the master securityholder file, especially when multiple transfer agents help service a single issue. For example, as noted above, a co-transfer agent that transfers a certificated security but does not maintain and update the master securityholder file would document the transfer in its transfer journal and then provide the transfer journal to the recordkeeping transfer agent, who would, subsequent to receiving the transfer journal, update the master securityholder file with the credit, debit, and other relevant information from the co-transfer agent's transfer journal. Transfer journals are separate and distinct from a master securityholder file. Whereas a master securityholder file establishes the list of an issue's current registered owners and can only be maintained by the recordkeeping transfer agent as discussed above, a transfer journal is a time-sequenced record of all changes in position detail and can be maintained by any registered transfer agent as a source of information to track and document the changes in security ownership, the movement of securities, and other changes that are processed by that specific transfer agent.

Based on its oversight of the transfer agent industry, the Commission understands that the proposed definition is consistent with most transfer agents' understanding and use of the term transfer journal. By codifying that common understanding of the term within the Commission's

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165 *See* CFR 240.17Ad-6(a)(10).

166 *See* CFR 240.17Ad-10(a)(3).

transfer agent rules, the proposed definition would ensure consistent application of the term, provide specificity to the industry regarding the information that forms a transfer journal, and with the proposed amendments to Rule 17ad-6(a)(10) discussed below, ensure that all registered transfer agents are maintaining this key record.

3. Presentor

The Commission proposes to add a new definition for "presentor" in Rule 17ad-9(o). The proposed definition would provide that "presentor" means the registered securityholder, the entitlement holder, and their authorized agents.[167]

The term "presentor" is used throughout the transfer agent rules in connection with the person "presenting" an item for transfer to a transfer agent. The presentor for a transfer is typically the registered owner, a purchaser, or their authorized agent, such as a broker, who presents a certificated security, a stock power, or, in the case of uncertificated securities, an instruction, to a transfer agent. It is a critical component of the definition of the term "item," which as noted above is the basic unit for which the turnaround and other processing requirements apply and is an essential term used throughout the transfer agent rules.[168] For example, Rule 17ad-1(a)(1)(i) defines an item as "…an instruction to a transfer agent which holds securities registered *in the name of the presentor* to transfer or to make available all or a portion of those securities."[169]

Despite its importance, the term "presentor" is not defined in the transfer agent rules. The proposed definition would specify and thereby limit who may present items for transfer and would align the definition with the Uniform Commercial Code's use of the term "appropriate person," which provides a well-established legal framework for determining who is responsible for directing the transfer of securities. For example, under the Uniform Commercial Code, if a

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167 *See* proposed Rule 17ad-9(o).

168 *See* Rule 17ad-1 through 17ad-7 Adopting Release, *supra* note 50, at 32404.

169 17 CFR 240.17Ad-1(a)(1)(i) (emphasis added).

presentment or instruction is made by an "appropriate person"[170] and includes appropriate documentation, the transfer agent has a duty to register the transfer.[171] This alignment would promote consistency between the federal transfer agent rules and general principles of commercial law and would help ensure that transfer agents have clear requirements regarding whose instructions they may rely upon when processing transfer requests.

4. Request for Comment

The Commission requests comments on all aspects of the proposed amendments to the definitions in Rules 17ad-1 and 17ad-9. In particular, the Commission requests comments on the following:

25. Are the proposed amendments to the definitions in Rules 17ad-1 and 17ad-9 appropriate and sufficient to modernize the foundational terminology governing transfer agent operations? Are there any gaps, inconsistencies, or unintended consequences that may remain or result from the proposed amendments, or that the Commission should address?
26. Do the proposed amendments strike the appropriate balance between providing clear and specific requirements and maintaining sufficient flexibility to accommodate current and future technological developments? If not, what modifications would better achieve this balance?
27. Are there any terms used throughout the transfer agent rules that are not addressed in these proposed amendments but that should be defined or clarified? If so, please identify those terms and explain why definitions or clarifications are needed.
28. Are there any international standards, practices, or regulatory frameworks that the Commission should consider in connection with the proposed amendments to the definitions in Rules 17ad-1 and 17ad-9? If so, please identify those standards,

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170 UCC §8-401.

171 *See* UCC §§ 8-401and 8-402.

practices, or frameworks and explain how they should inform the Commission's approach.

29. Are the proposed amendments to the definition of "item" appropriate and sufficient to ensure the definition applies to all forms of securities and all methods by which transfer instructions are submitted? Should any additional categories be included in or excluded from the definition? Is the proposed addition of subsection (iv), covering transfer instructions submitted through DTC's DWAC service or functionally similar services operated by a central securities depository, appropriate? Does the phrase "functionally similar service" provide sufficient clarity, or should the Commission provide additional guidance or examples of what constitutes a functionally similar service?
30. Does the proposed definition of "item" adequately capture transfer instructions submitted through blockchain-based or other distributed ledger technology platforms? Are there specific characteristics of these platforms that the Commission should address in the definition or in accompanying guidance?
31. Are the proposed amendments to the definition of "receipt" appropriate? Would these amendments provide sufficient clarity regarding when items and other communications are considered to be received by transfer agents?
32. Should the proposed definition of "receipt" address situations where a transfer agent's electronic systems are unavailable due to technical failures, cyberattacks, or other disruptions? For example, should the definition specify how receipt is determined when a transfer agent's systems are temporarily offline or when an electronic transmission is delayed due to technical issues outside the transfer agent's control?
33. Is the proposed amendment to the definition of "routine" appropriate? Would replacing the reference to "certificate" with "security" in paragraph (i)(2) of the definition provide sufficient clarity regarding its application to both certificated and

uncertificated securities? In light of the proposed rescission of Rule 17ad-4, should paragraph (i)(5) of the definition of "routine" be amended so that redemptions or exchanges of investment company shares would be considered routine items? Should any other changes be made to this definition?

34. Are the proposed amendments to replace "certificate detail" with "position detail" throughout Rules 17ad-1 and 17ad-9 appropriate? Is the proposed expanded list of information to be included in position detail appropriate?

35. Would the proposed amendment to replace "certificate detail" with "position detail" materially affect the way transfer agents will interpret and comply with rules that the Commission proposes to amend to include the latter term? For example, would the inclusion of position detail in a particular rule increase the time and cost burden it may require to comply with an existing or proposed rule?

36. Are the proposed amendments to expand the definition of "position detail" to include, among other things, a unique identifier for securities appropriate? Are CUSIP and FIGI appropriate identification numbers to refer to as examples for both traditional and tokenized securities? If not, what alternative identification numbers or systems should be included, and why? Are there any specific considerations or challenges associated with using CUSIP or FIGI for certain types of securities, such as tokenized securities? Is it possible for a security to have more than one unique identifier and if so, should the Commission's rules address which unique identifier registered transfer agents should be required to include in their records? Should transfer agents be required to record certificate numbers for certificated securities?

37. In light of advancements in technology and changes in industry practices, are there any specific items currently required to be included in the definition of "position detail" that are less relevant or obsolete today? Are there particular technologies or systems used by transfer agents that render certain aspects of the "position detail"

definition unnecessary, redundant, or unworkable? Should any additional information be required or should any of the proposed requirements be modified to reflect any information that has become less relevant in light of modernization (e.g., issue/cancellation date)? Should any additional information be required or should any of the proposed requirements be modified to reflect any information that has become more relevant in light of modernization (e.g., wallet address as the primary identifier of record for tokenized securities)?

38. Is the proposed amendment to Rule 17ad-9(a)(3) regarding "position detail" to replace the term "registration" with a description of the specific information that constitutes registration (i.e., the securityholder's full name and any other relevant identifying, titling, or formatting information necessary to accurately identify the specific securityholder to the exclusion of other securityholders) appropriate and sufficient? Does the proposed description adequately capture all of the information that should be included in a securityholder's registration, including for all types of securityholders and ownership structures? Is the proposed description sufficiently flexible to enable technological innovation?

39. Would an alternative approach to a securityholder's identifying information in Rule 17ad-9(a)(3) of the definition of "position detail" be more appropriate? Specifically, should Rule 17ad-9(a)(3) use a principles-based approach that would require only the information reasonably necessary to accurately identify the specific securityholders to the exclusion of other securityholders? If so, is there any additional information that a transfer agent should collect? As another alternative, should Rule 17ad-9(a)(3) require that the transfer agent collect some unique identifying information that can be tied to an individual's name and address, which could include, for example, the name and physical mailing address or some other unique identifier?

40. If a securityholder does not provide a transfer agent with the securityholder's full name and physical mailing address, would the securityholder still be considered a registered securityholder pursuant to applicable law? Does it depend on variations in state law and/or the types of securities at issue? Is there any information which a securityholder, seeking to be a direct, registered holder of a security must provide to a transfer agent to establish the securityholder's ownership of the security pursuant to applicable law?
41. Would an alternative approach to Rule 17ad-9(a)(4) regarding the definition of "position detail" be more appropriate? Specifically, should Rule 17ad-9(a)(4) of the definition of "position detail" omit the requirement to collect, at a minimum, a securityholder's physical mailing address as contact information? Should Rule 17ad-9(a)(4) be revised to use a principles-based approach that would require the collection of only the information reasonably necessary to establish contact with the securityholder? Should Rule 17ad-9(a)(4) include some other minimum requirement for contact information, such as an email address, phone number, and digital wallet address? Is there any information in addition to contact information that a transfer agent should collect?
42. Would a transfer agent's failure to collect a securityholder's full name and physical mailing address affect the transfer agent's ability to comply with any other applicable law or regulations? Would a transfer agent's failure to collect a securityholder's full name and physical mailing address affect any other person's ability to comply with any other applicable law or regulations? If so, please specify the applicable law or regulations and how a transfer agent's failure to collect a securityholder's full name and physical mailing address would affect compliance.
43. Are there any other entities or persons that rely on the securityholder information collected by transfer agents who would be affected by a transfer agent's failure to

collect a securityholder's full name and physical mailing address? If so, please identify the entities or persons and explain how they would be affected by a transfer agent's failure to collect a securityholder's full name and physical mailing address.

44. Does the collection of full name and physical mailing address create circumstances that increase the likelihood of unauthorized disclosure of personally identifying information or present other risks to investors?

45. Is the proposed amendment to require that master securityholder files be maintained in electronic form appropriate? Would the proposed conditions within the definition of "master securityholder file" be sufficient to ensure the integrity and reliability of the master securityholder file? Should the Commission impose different or additional conditions on the maintenance of the master securityholder file? If so, please explain what additional conditions should be imposed and why, and whether any such conditions should apply uniformly to all transfer agents or should they vary based on the size, complexity, or type of securities handled by the transfer agent?

46. Is the proposed amendment to specify that there can be only one recordkeeping transfer agent for a given issue of securities appropriate? Are there situations currently where two or more registered transfer agents effectively serve as the recordkeeping transfer agent for a given issue of securities? Would this proposed amendment affect any types of securities or products in particular, such as exchange-traded funds or tokenized securities?

47. Is the Commission's proposed explanation that an issue of securities means, for purposes of identifying the recordkeeping transfer agent, all of the securities which an issuer has issued and which are intended to be fungible, such as all shares of stock of a given class, appropriate? Are there other meanings of the term "issue" that the Commission should consider? Should the Commission distinguish securities that are the same class but issued in different formats, such as uncertificated and tokenized?

48. Could the use of multiple linked files or systems for maintaining the master securityholder file lead to situations where more than one registered transfer agent is effectively acting as the recordkeeping transfer for a given issue of securities?
49. Would an alternative, principles-based approach be more appropriate for recordkeeping transfer agents? For example, should the Commission allow more than one transfer agent to serve as the recordkeeping transfer agent for a given issue of securities so long as each recordkeeping transfer agent remains equally responsible and liable for the accuracy of the master securityholder file as a whole and is able to produce the entire master securityholder file upon request? Are there any other conditions, limitations, or situations the Commission should consider if more than one transfer agent were to serve as a recordkeeping transfer agent for a given issue of securities? Should the Commission allow a recordkeeping transfer agent to not serve as a recordkeeping transfer agent for the entire issue of securities?
50. Are there specific requirements or conditions that should apply to the use of blockchain or other distributed ledger technology as a master securityholder file or a component thereof?
51. Are the proposed new definitions for "authorized securities," "transfer journal," and "presentor" appropriate? Should these definitions be modified in any way?
52. What implementation challenges, if any, would transfer agents face in complying with the proposed amendments to the definitions? What transition period would be appropriate, and would phased implementation of certain amendments be beneficial?

D. Amendments to Rule 17ad-2

Rule 17ad-2 sets processing performance standards for transfer agents. Under the rule, transfer agents who are not acting as a registrar must turnaround within three business days of receipt at least 90% of all "routine items"[172] received by the transfer agent during any month.[173] The rule specifies that items received at or before noon on a business day shall be deemed to have been received at noon on that day, and items received after noon on a business day or on a day that is not a business day shall be deemed to have been received at noon the next business day.[174] Non-routine items must receive "diligent and continuous attention" and must be "turned around as soon as possible."[175] Routine items that are not turned around within three business days nevertheless must be "turned around promptly."[176] Registered transfer agents acting as an outside registrar must "process" at least 90% of all items received during any given month no later than noon of the next business day for any item received after noon and no later than the opening of business on the next business day for those items received at or before noon.[177] If a transfer agent fails to meet the performance standards for turnaround set forth in Rule 17ad-2 with respect to any month, it must notify the Commission and the transfer agent's ARA if it is not the Commission within 10 business days of the end of the month, provide certain turnaround data regarding specific numbers and percentages of items, explain the reasons for the failure, identify what steps have been taken to prevent future failures, and provide certain data regarding routine items that have not been turned around and have been in the transfer agent's possession for "more than four business days."[178] Similar notification requirements apply where a transfer agent acting as an outside registrar fails to meet the processing performance standards.[179] If a transfer agent receives items at locations other than the premises at which it performs transfer

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172 Routine items are defined in Rule 17ad-1(i), 17 CFR 240.17Ad-1(i).

173 *See* 17 CFR 240.17Ad-2(a). However, a transfer agent that is exempt under Rule 17ad-4(b) and that has received 30 days notice of depository-eligibility of an issue for which it performs transfer agent functions must turnaround 90% of all routine items received each month within five business days of receipt. *See* Rule 17ad-2(e)(2), 17 CFR 240.17Ad-2(e)(2).

174 *See* 17 CFR 240.17Ad-2(a).

175 *See* 17 CFR 240.17Ad-2(e).

176 *See id*.

177 *See* 17 CFR 240.17Ad-2(b).

178 *See* 17 CFR 240.17Ad-2(c).

179 *See* 17 CFR 240.17Ad-2(d).

agent functions, the transfer agent must have appropriate procedures to assure, and must assure, that items are forwarded to such premises promptly.[180] Rule 17ad-2(g) requires a registered transfer agent that receives processed items from an outside registrar to have appropriate procedures to assure, and to assure, that such items are made available promptly to the presentor.[181]

The Commission is proposing several targeted amendments to the requirements regarding turnaround and processing, as well as conforming changes to the related notice requirements. In addition, the Commission is proposing to eliminate the turnaround provision for certain exempt transfer agents in light of the proposed rescission of Rule 17ad-4 discussed in Section III.F below. We discuss these proposed changes in more detail below. The Commission is not proposing any changes to paragraphs (f) and (g) of Rule 17ad-2.

1. Turnaround and Processing of Routine Items

Existing Rule 17ad-2(a) requires transfer agents who are not acting as an outside registrar to turnaround within three business days of receipt at least 90% of all "routine items"[182] received by the transfer agent during any month.[183] The rule specifies that items received at or before noon on a business day shall be deemed to have been received at noon on that day, and items received after noon on a business day or on a day that is not a business day shall be deemed to have been received at noon the next business day.[184]

The Commission is proposing to amend Rule 17ad-2(a) to require registered transfer agents (except when acting as an outside registrar) to establish, maintain, and enforce written policies and procedures reasonably designed to ensure that the transfer agent turns around all

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180 *See* 17 CFR 240.17Ad-2(f).

181 *See* 17 CFR 240.17Ad-2(g).

182 Routine items are defined in Rule 17ad-1(i), 17 CFR 240.17Ad-1(i).

183 *See* 17 CFR 240.17Ad-2(a). However, a transfer agent that is exempt under Rule 17ad-4(b) and that has received 30 days notice of depository-eligibility of an issue for which it performs transfer agent functions must turnaround 90% of all routine items received each month within five business days of receipt. *See* Rule 17ad-2(e)(2), 17 CFR 240.17Ad-2(e)(2).

184 *See* 17 CFR 240.17Ad-2(a).

routine items received for transfer within the shorter of one business day or the time period specified by Rule 15c6-1(a) under the Exchange Act.[185] The proposed rule would eliminate the existing provision that provides for a noon cutoff in determining when an item is received. Instead, pursuant to the proposed amended definition of receipt in Rule 17ad-1 discussed above, an item would be considered to be received on the business day it is received by the transfer agent. Thus, an item received at any point on a business day would be considered to be received on that day. In determining whether policies and procedures are reasonably designed, transfer agents would likely need to consider various factors, including their size, operational complexity, the nature and scope of services provided, technological capabilities, and evolving industry standards and practices, among other things.

Similarly, existing Rule 17ad-2(b) requires transfer agents acting as outside registrars to process at least 90% of all items, other than certain nonroutine items, received during a month by the open of business on the next business day or by noon of the next business day, depending on the time of day an item was received.[186] As with the proposed amendments to paragraph (a), the Commission is proposing to amend Rule 17ad-2(b) to require transfer agents acting as an outside registrar to establish, maintain, and enforce written policies and procedures reasonably designed to ensure that the transfer agent processes all items received within the existing time frames specified in the rule. The remaining provisions of paragraph (b), including the exception from the definition of "items received" for items enumerated in Rule 17ad-1(i)(5), (6), (7), or (8), would remain the same.

The Commission recognizes that these proposed amendments would be a significant change from the existing requirement to turn around within three business days 90% of all routine items received during a given month and to process by the next business day 90% of all applicable items received by an outside registrar. However, the existing rule was adopted in

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185 *See* proposed Rule 17ad-2(a).

186 17 CFR 240.17Ad-2(b) and (g).

1977.[187] At that time, nearly all securities were certificated and turnaround was a complicated and time-consuming manual process, often involving multiple parties. The three-day turnaround and 90% threshold requirements in paragraph (a) were tailored to accommodate this complicated and time-consuming manual process.[188] Today, nearly all securities are either immobilized at DTC or fully uncertificated, and turnaround is a significantly more streamlined process predominantly effected through electronic debits and credits to the parties' respective book-entry securities accounts.[189] Further, as technology has advanced, so too have transfer agents' technological and operational capabilities. Ticket windows and couriers have been replaced with electronic communications, high fidelity scans, and reliable overnight delivery services, manual processes have been automated, and efficiency in general has vastly improved. The Commission understands that, with these advancements, the vast majority of transfer agents now regularly turn around and process routine items within one business day or less, even for certificated securities. Further, the standard securities settlement cycle for most broker-dealer securities transactions is currently one day following the trade date, or T+1.[190] Linking the turnaround requirement for transfer agents to the existing settlement cycle for most broker-dealer securities transactions will help ensure that most investors' securities transactions settle within the same time frame, regardless of whether the investor holds in street name (i.e., through a broker-dealer) or in registered form (i.e., with a transfer agent).

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187 *See* Rule 17ad-1 through 17ad-7 Adopting Release, *supra* note 50.

188 *See generally* Rule 17ad-1 through 17ad-7 Adopting Release, *supra* note 50; *see also* Proposal to Adopt Rules 17Ad-1, 17Ad-2, 17Ad-3, 17Ad-4 and 17Ad-5 under the Securities Exchange Act of 1934, Exchange Act Release No. 12440 (May 12, 1976), 41 FR 22595 (June 4, 1976), pertaining to certificate turnaround time, reporting requirements related thereto, response time for confirmation requests and other correspondence and recordkeeping requirements for registered transfer agents; Regulation of Transfer Agents, Exchange Act Release No. 13293 (Feb. 24, 1977), 42 FR 12191 (Mar. 3, 1977) ("Rule 17ad-1 through 17ad-7 Re-Proposing Release").

189 For a description of the clearance and settlement process for immobilized and uncertificated securities, *see* 2015 Concept Release, *supra* note 4, at Section III.B.

190 17 CFR 240.15c6-1(a).

Because turnaround and processing times have improved since the adoption of the rule, it is no longer necessary to require a particular percentage of compliance by a specified time to accommodate the time needed for manual turnaround and processing. Instead, the proposed amendments would require written policies and procedures reasonably designed to ensure the timely turnaround of all routine items and processing of all applicable items. Based on the Commission's experience regulating transfer agents, and as discussed above, most transfer agents either regularly turn around or process, or are capable of turning around or processing, nearly all applicable items within a business day or less. The proposed policies and procedures approach would promote the prompt and accurate clearance and settlement of securities transactions by requiring transfer agents to develop written policies and procedures reasonably designed to accomplish compliance without imposing a *de facto* strict liability standard that would result in a rule violation for a single missed turnaround or processing deadline.

As discussed in this release, the Commission is proposing to rescind Rule 17ad-4, which exempts small transfer agents from the turnaround requirements of existing Rule 17ad-2. In light of this rescission, the Commission is proposing to delete the turnaround provision for certain exempt transfer agents in Rule 17ad-2(e)(2). As a result, all registered transfer agents would be subject to the turnaround requirement for routine items in proposed Rule 17ad-2(a). As discussed in more detail below, given the operational capabilities of modern transfer agents, including small transfer agents, and the importance of timely turnaround, removal of the exemption for small transfer agents is appropriate to promote the prompt and accurate clearance and settlement of securities transactions.

2. Notice Requirements

Existing Rule 17ad-2(c) requires transfer agents that fail to comply with Rule 17ad-2(a) with respect to any month to notify the Commission and the transfer agent's ARA if it is not the Commission within 10 business days of the end of the month, provide certain data regarding the number and percentages of items that the transfer agent failed to turn around in accordance with

Rule 17ad-2(a), explain the reasons for the failure, identify what steps have been taken to prevent future failures, and provide certain data regarding routine items that have not been turned around and have been in the transfer agent's possession for "more than four business days."[191] Existing Rule 17ad-2(d) provides similar notification requirements when a transfer agent acting as an outside registrar fails to comply with Rule 17ad-2(b).[192]

As discussed above, the Commission is proposing to replace the metrics-based 90% turnaround and processing requirements in paragraphs (a) and (b) with a requirement to have written policies and procedures reasonably designed to ensure 100% compliance. Given these amendments, it no longer makes sense to tie the notification provisions in paragraphs (c) and (d) to a "failure to comply" with paragraphs (a) and (b). Accordingly, the Commission is proposing to amend Rules 17ad-2(c) and (d) to require registered transfer agents to provide the required notifications when they fail to turn around or process more than three percent of applicable items within the time frames specified in proposed Rule 17ad-2(a) and Rule 17ad-2(b), respectively. Based on our experience supervising transfer agents and monitoring the notices required under existing Rule 17ad-2, imposing a three percent threshold for the notification requirements in paragraphs (c) and (d) is reasonable and appropriate. First, few transfer agents fail to turn around or process in a timely manner 90% of applicable items received each month. Rather, as noted above, the vast majority of transfer agents regularly turn around and process nearly 100% of all applicable items within one business day or less, even for certificated securities, or are readily capable of doing so. Second, modern transfer agents process significantly more items per month than did transfer agents in 1977, when Rule 17ad-2 was adopted. Given the significant improvements in processing capabilities and the significant increases in transaction volume discussed above, establishing a three percent threshold would ensure the Commission and other

191 *See* 17 CFR 240.17Ad-2(c).

192 *See* 17 CFR 240.17Ad-2(d).

ARAs receive the early warning the rule is designed to provide, but only in situations where the turnaround failure potentially indicates a serious performance issue.

3. Conforming Changes and Turnaround of Non-Routine Items

Existing Rule 17ad-2(e)(1) requires that all routine items not turned around within three business days of receipt as required by paragraph (a) and all items not processed within the periods required by paragraph (b) shall be turned around promptly and "all nonroutine items shall receive diligent and continuous attention and shall be turned around as soon as possible."[193]

As discussed above, the Commission is proposing to replace the metrics-based 90% turnaround and processing requirements in paragraphs (a) and (b) with a requirement to have written policies and procedures reasonably designed to ensure the turnaround and processing of all applicable items within the time frames specified in those rules. Consistent with those proposed amendments, the Commission is proposing conforming changes to Rule 17ad-2(e)(1) to require that all routine items not turned around within the time specified in paragraph (a) of this rule and all items not processed within the periods specified in paragraph (b) of this rule shall be turned around promptly. The Commission is not proposing any changes to the provision in paragraph (e)(1) regarding the turnaround of non-routine items.

4. Written Notice for Rejected Items

Proposed Rule 17ad-2(e)(2) would require every registered transfer agent to provide a written notification to the presentor for any item rejected by the transfer agent that identifies the rejected item, the reasons for rejection, and the specific actions the presentor must undertake for the item to be accepted by the transfer agent for processing or turnaround to be completed. This written notification must be provided (i.e., sent) within one business day of receipt of any item that is rejected by the transfer agent.[194]

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193 Exchange Act Rule 17ad-2(e)(1), 17 CFR 240.17Ad-2(e)(1).

194 *See* proposed Rule 17ad-2(e)(2).

Existing Rule 17ad-2 does not require transfer agents to notify a presentor if an item is rejected by the transfer agent. This means that an investor, intermediary, or other presentor may not be aware that an item has been rejected by the transfer agent and therefore will not be transferred. Based on the Commission's supervisory experience, individual investors, broker-dealers, and other presentors would benefit by being both notified that an item has been rejected by the transfer agent and provided the reasons for the rejection. In many instances, the missing or additional information or documentation that would make the item acceptable could be provided by the presentor if the presentor knew that such information or documentation was required. In addition, the proposed rule would require transfer agents to provide the written notification only for items rejected by the transfer agent. This means that, if the transfer agent is not responsible for the rejection, then the transfer agent would not be required to provide a written notification to the presentor. The notification requirements of proposed Rule 17ad-2(e)(2) described above are designed to address these issues and ensure that presentors are aware of and have an opportunity to cure any defects in the items they present so that turnaround can be accomplished as quickly and efficiently as possible, and settlement delays can be minimized, thereby promoting the prompt and accurate clearance and settlement of securities transactions.

5. Instructions for Filing Certain Required Information with ARAs

Rule 17ad-2(h) provides registered transfer agents with instructions regarding how to file the notices required by Rules 17ad-2(c) and (d) with the ARAs. Rule 17ad-2(h) is also referenced in Rules 17Ad-11 and 17ad-13, which require registered transfer agents to file certain reports with the ARAs, and in the proposed changes to Rule 17ad-7, which would require registered transfer agents to file certain agreements with the ARAs. As a result, the Commission is proposing to amend Rule 17ad-2(h) to state that any notice required by this section or any report required by Rules 17Ad-11 or 17ad-13, or any written agreement required by Rule 17ad-

7(h) shall be filed pursuant to the instructions in Rule 17ad-2(h)(1) through (4).[195] In light of the proposed rescission of Rule 17ad-4 discussed below, the Commission is also proposing to delete the existing reference to notices required under existing Rule 17ad-4. In addition, the Commission proposes to replace the word "notice" with "information" in Rule17ad-2(h)(1) through (4) to broaden the reference to the types of information that is required to be filed with the ARAs and to replace the existing filing instructions for each ARA with email addresses for each ARA to modernize and simplify the filing instructions.[196] Specifically, proposed Rule 17ad-2(h)(1) would require that any information required to be filed with the Commission shall be filed to the following dedicated email address, TransferAgentFiling@sec.gov. Proposed Rules 17ad-2(h)(2) through (4) would similarly provide that any information required to be filed with the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation shall be filed to dedicated email addresses. Providing for the electronic filing of this required information to dedicated ARA email addresses would be in the public interest as it would remove the burden on transfer agents of preparing and submitting the required information in paper and submitting multiple copies to different ARA office locations, depending on the ARA. In addition, the proposed change from paper filings to email submissions would increase efficiency and decrease costs for transfer agents with respect to their filing obligations, as well as facilitate Commission oversight of the filings by streamlining the process of tracking, reviewing, storing, and retrieving the email submissions made by transfer agents.

6. Request for Comment

The Commission requests comments on all aspects of the proposed amendments to Rule 17ad-2. In particular, the Commission requests comments on the following:

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195 *See* proposed Rule 17ad-2(h).

196 *See* proposed Rule 17ad-2(h)(1) through (4).

53. Is a policies and procedures requirement for turnaround and processing appropriate? Is a policies and procedures requirement preferable to a prescriptive performance standard that would require turnaround and processing to be completed within a specific timeframe? Why or why not?
54. Are there any specific elements that the Commission should require transfer agents to include in their written policies and procedures to ensure they are "reasonably designed" to achieve timely turnaround of routine items?
55. Is a one business day turnaround standard for routine items appropriate? Should a different timeframe be used? Are there categories of routine items for which a one business day standard would be impractical or inappropriate? Pursuant to the proposed amended definition of receipt in Rule 17ad-1, an item would be considered to be received on the business day it is received by the transfer agent. Thus, an item received at any point on a business day would be considered to be received on that day. Is a one business day turnaround standard for routine items received at any point on a business day appropriate and operationally feasible?
56. Should the Commission retain a minimum performance threshold for routine items rather than, or in addition to, a policies and procedures requirement? If so, what threshold would be appropriate given current transfer agent capabilities?
57. Should transfer agents acting as outside registrars have different performance standards for processing items? Is the function of an "outside register" obsolete and should the terms and rules around "outside registrar" be rescinded in Rules 17ad-1, 2, and 6?
58. With respect to proposed rule 17ad-2(a), is the elimination of the noon cutoff rule for registered transfer agents and its replacement with a business day standard appropriate? Are there operational or logistical reasons to retain a cutoff time for determining when an item is received?

59. Is three percent an appropriate threshold for imposing the notice requirements under Rule 17ad-2(c) and (d)? Why or why not? If not, what threshold would be appropriate and why?
60. Should the Commission require transfer agents to provide a written notice to the presentor for items rejected by the transfer agent? Is one business day an appropriate timeframe for providing such notice? Is the requirement that the notice identify the rejected item, the reasons for rejection, and the specific actions the presentor must undertake for the item to be accepted reasonable, operationally feasible, and conducive to the use of automated means of handling routine items promptly? Should the Commission prescribe the format or content of the required written notification in more detail than proposed?
61. Should the Commission require transfer agents to provide a written notification to the presentor for a rejected onchain transfer even though the transfer agent was not responsible for rejecting the item? Would the transfer agent have sufficient information to be able to provide the written notification? If so, should the Commission exempt rejected onchain transfers from the written notification requirement?
62. Should the Commission require transfer agents to establish, maintain, and enforce written policies and procedures reasonably designed to ensure that written notifications are provided in a timely manner to the presentor of each rejected item with specific details regarding the reason for rejection? Would a policies and procedures approach permit transfer agents to better address circumstances where the transfer agent might be unaware of a rejected item and thus, unable to provide a written notification?

63. Should the Commission require transfer agents to track and retain data on rejected items, including the reasons for rejection and the time taken to notify presentors? If so, for how long should such data be retained?

64. Is the existing standard for non-routine items sufficiently clear and workable? Should the Commission provide additional guidance on what constitutes "diligent and continuous attention"?

65. How would these proposed changes to Rule 17ad-2 affect transfer agents that provide services to investment companies? Are there any aspects of the proposed changes that do not reflect how shareholder transactions with certain investment companies work or would not be feasible for those transfer agents? If so, what are they and should exemptions or additional changes be provided? Should the rules separately address certain activities that investment company transfer agents conduct, such as ensuring that transacting shareholders receive the correct net asset value or processing shareholder exchange transactions involving the movement from one investment company to another?

66. What transition period, if any, would be appropriate for transfer agents to develop and implement written policies and procedures compliant with the proposed amendments to Rule 17ad-2?

E. Amendments to Rule 17ad-3

Rule 17ad-3 provides limitations on the expansion of transfer agent activities if a transfer agent is unable to meet the minimum performance standards established by Rule 17ad-2. Any transfer agent that is required pursuant to Rule 17ad-2(c) or (d) to provide notice for failure to meet the performance standards for three consecutive months is prohibited from taking on new issues or providing new services for existing issues.[197] Further, if a transfer agent fails, for each

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[197] 17 CFR 240.17Ad-3(a). Such limitations on the business of the transfer agent continue until there has been a period of three successive months in which no notices have been required.

of two consecutive months, to timely turnaround or process at least 75% of all routine items, it is subject to the limitations on expansion specified in Rule 17ad-3(a) and must notify the chief executive officer of each issuer for which the transfer agent acts.[198] Thus, Rules 17ad-2 and 17ad-3, taken together, are designed to provide an early warning system to alert issuers, the Commission and other ARAs of untimely performance and potential problems.[199]

As discussed above, the proposed amendments to Rule 17ad-2(c) and (d) would require a registered transfer agent to notify the Commission or the transfer agent's ARA if it fails to turnaround or process more than three (3) percent of routine items within the time frames specified in proposed Rule 17ad-2(a) and Rule 17ad-2(b), respectively. The Commission is proposing a three percent threshold because, given the significant improvements in transfer agents' processing capabilities and increases in transaction volume, it believes a three percent threshold would ensure the Commission and other ARAs receive the early warning the rule is designed to provide, but only in situations where the turnaround failure potentially indicates a serious performance issue. Under existing Rule 17ad-3(a), a transfer agent that is required to file a notice pursuant to Rule 17ad-2(c) and (d) for each of three consecutive months is prohibited from taking on new issues or providing new services for existing issues. Prohibiting transfer agents with such operational failures from taking on new business would have multiple benefits, including incentivizing a higher success rate, avoiding further failures by preventing such transfer agents from assuming work they may not be able to adequately complete, and ensuring that transfer agents first focus on the success rate of their current volume before expanding their workload.

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198 17 CFR 240.17Ad-3(b).

199 *See* Rule 17ad-1 through 17ad-7 Adopting Release, *supra* note 50 (describing Rules 17ad-1 through 17ad-7 generally to include, among other things, "early warning of inadequate transfer agent performance," and, 17ad-3 specifically, as "designed to maintain the status quo so that a transfer agent can bring its performance into compliance with the rules."

For similar reasons, the Commission is proposing to amend the threshold in Rule 17ad-3(b) from 75% to 95% (a failure rate change from 25% to 5%, respectively) so that any registered transfer agent that fails, for each of two consecutive months, to turn around or process more than five percent of applicable items within the time specified in Rule 17ad-2(a) or in Rule 17ad-2(b), respectively, would be subject to the limitations on expansion in Rule 17ad-3(a) and required to notify the chief executive officer of each issuer for which the transfer agent acts. For the same reasons a three percent threshold is appropriate for Rules 17ad-2(c) and (d), a five percent threshold for Rule 17ad-3(b) is the appropriate threshold to ensure that Rule 17ad-3 continues to serve its intended purpose, because it requires a higher failure rate over two consecutive months to trigger the Rule but implicates more severe consequences. As explained above, the vast majority of transfer agents regularly turnaround and process nearly 100% of all routine items within one business day or less, or are readily capable of doing so, and modern transfer agents process significantly more items per month than did transfer agents in 1977 when Rules 17ad-2 and 17ad-3 were adopted. Thus, a failure to turn around five percent of routine items within the required timeframe for two consecutive months would be a significant operational failure. Requiring registered transfer agents to provide additional notice to their clients of such significant operational failures would help ensure that issuers receive the warning the rule is designed to provide, but only in situations where the turnaround failure potentially indicates a serious performance issue.

1. Request for Comment

The Commission requests comments on all aspects of the proposed amendments to Rule 17ad-3. In particular, the Commission requests comments on the following:

67. Should Rule 17ad-3 be rescinded entirely? Please explain.
68. What threshold, if any, would be appropriate in Rule 17ad-3(b) to impose limitations on expansion and require notification to issuers? Is 95% too low or too high?

69. Should the Commission consider using other metrics to determine whether to limit a transfer agent's activities? Please explain in detail.

70. Are there other ways for issuers, the Commission, or other ARAs to be alerted to a transfer agent's untimely performance in turning around or processing routine items? Would the proposed change to Question 9 on Form TA-2 provide sufficient information to evaluate a transfer agent's turnaround and processing of routine items?

71. Are there other alternative approaches that the Commission should consider? Why or why not? If so, what alternative approaches should the Commission consider? Please explain in detail.

F. Rescission of Rule 17ad-4

1. Background and Existing Rule

Rule 17ad-4 provides certain exemptions from the turnaround, processing, and recordkeeping rules.[200] Rule 17ad-4(a) creates an exemption from Rules 17ad-2, 17ad-3, and 17ad-6(a)(1)-(7) and (11) for the processing of interests in limited partnerships, DRIPs, and redeemable securities issued by investment companies registered under Section 8 of the 1940 Act, which are also known as open-end funds ("Fund Shares").[201] Rule 17ad-4(b) provides a similar exemption from Rules 17ad-2(a), (b), (c), (d) and (h), 17ad-3, and 17ad-6(a)(2)-(7) and (11) for "exempt transfer agents," which are defined as those that received fewer than 500 items for transfer and fewer than 500 items for processing within a consecutive six month period, provided that the transfer agent has filed proper notice of its exempt status with its ARA or has prepared a document certifying that the transfer agent qualifies as exempt (with respect to those ARAs where filing is not required).[202]

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[200] 17 CFR 240.17Ad-4.

[201] 17 CFR 240.17Ad-4(a).

[202] 17 CFR 240.17Ad-4(b).

Rule 17ad-4 was adopted in 1977. The rationale for not requiring exempt transfer agents to comply with the turnaround and related recordkeeping requirements at that time was based on the Commission's assessment that "the number of transfers performed by many transfer agents is relatively small and involves issues which are not traded actively," and therefore, it was "not necessary or appropriate at this time to require those transfer agents to comply with the minimum performance standards and certain recordkeeping provisions."[203] It was for a similar reason—the low volume of transfers—that the Commission determined that interests in limited partnerships were also appropriately exempted from the turnaround and processing requirements.[204]

The rationale for exempting Fund Shares and DRIPs was similar but slightly different. Comments on the original proposed turnaround and recordkeeping rules noted that "the activities performed by transfer agents for [Fund Shares] involve for the most part the redemption of fund shares which is governed by Section 22(e) of the Investment Company Act of 1940 . . . and that the steps involved therein are significantly different from those required to transfer the ownership of stocks and bonds on an issuer's records."[205] The Commission believed at the time that "it would be desirable to study further the need for, and the nature of, minimum performance standards for the transfer of [Fund Shares]."[206] When adopting the exemption for Fund Shares a few months later, the Commission also stated that "[t]he amount of certificated fund shares is relatively small, and the amount of transfer agent activity in connection with transferring ownership of certificated shares represents a very small part of a transfer agent's activity with regard to an open-end investment company."[207] For these reasons, the Commission determined that the turnaround and related recordkeeping requirements would "not apply to the issuance,

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203 Rule 17ad-1 through 17ad-7 Adopting Release, *supra* note 50, at 32408.

204 Rule 17ad-1 through 17ad-7 Re-Proposing Release, *supra* note 188.

205 Rule 17ad-1 through 17ad-7 Re-Proposing Release, *supra* note 188, at 12195.

206 *Id.*

207 Rule 17ad-1 through 17ad-7 Adopting Release, *supra* note 50, at n. 13.

redemption or transfer of [Fund Shares]."[208] Similarly, because "transfers and withdrawals of shares from dividend reinvestment plans" also "require procedures significantly different from the procedures required to transfer ownership of stocks and bonds," the Commission decided to expand the exemption to include DRIPs as well.[209]

In short, the original rationale for the exemptions provided in Rule 17ad-4 was that it was not necessary or appropriate to require smaller transfer agents for thinly-traded issues to comply with the minimum performance standards and recordkeeping provisions, nor was it necessary or appropriate to apply those standards and provisions to processes that, as the Commission understood at that time, were significantly different from the transfer of ownership of stocks and bonds on issuers' records. As the Commission noted with respect to Fund Shares, more study was needed.[210]

2. Proposed Rescission

After nearly half a century of further experience, it is no longer necessary or appropriate to exempt transfer agents from the minimum performance standards and related recordkeeping provisions, regardless of the size of the transfer agent, the volume of securities it processes, or the nature of those securities. The animating principle of all the proposals herein is the recognition that transfer agents are a critical component of the national clearance and settlement system that provides the vital infrastructure for the U.S. securities markets; a transfer agent's failure to perform its duties promptly, accurately, and safely—especially its duties with respect to turnaround and the related recordkeeping requirements—can compromise the accuracy of an issuer's securityholder records, disrupt the channels of communication between issuers and securityholders, disenfranchise investors, and expose issuers, investors, securities intermediaries,

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208 Rule 17ad-1 through 17ad-7 Adopting Release, *supra* note 50, at 32408.

209 *Id.*

210 Rule 17ad-1 through 17ad-7 Re-Proposing Release, *supra* note 188, at 12195.

and the securities markets as a whole to significant financial loss.[211] In light of this important role transfer agents play in a national clearing and settlement system, Rule 17ad-4 was originally adopted to provide certain exemptions for transfer agents where the burden of compliance for certain interests in securities or size of the transfer agent was not justified by the benefit of adherence. Modern technological capabilities and a dramatic increase in the risks posed by those activities to an interconnected electronic national clearance and settlement system have shifted that balance.

It is the Commission's understanding that, since Rule 17ad-4 was adopted in 1977, the laborious manual processes and recordkeeping systems that may have placed an undue burden on smaller transfer agents have been replaced with automated processes and electronic recordkeeping systems that are readily available to even the smallest transfer agent today.[212] These same advancements mean that transfer agents that may have had to specialize in or develop bespoke systems to process transactions beyond stocks and bonds in 1977 now can and do process a wide array of even the most complicated transactions efficiently and effectively. At the same time, the securities markets and the national clearance and settlement system in which transfer agents operate have become more automated, efficient, and interconnected, which has increased the ability of *all* transfer agents, regardless of size, to meet the minimum performance and recordkeeping standards established by the Commission's transfer agent rules.

Finally, as noted above, the Commission understands that the vast majority of transfer agents now regularly turn around routine items within one business day or less, even for certificated securities and beyond stocks and bonds, rendering the exemption from the turnaround requirements unnecessary. Taken together, the balance of the burdens and benefits

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211 *See* 17ad-9 through 13 Proposing Release, *supra* note 9, (noting examples of substandard transfer agent performance presenting significant potential adverse consequences); Processing Requirements for Cancelled Security Certificates, Exchange Act Release No. 48931 (Dec. 16, 2003), 68 FR 74390 (Dec. 23, 2003) (noting examples of substandard transfer agent performance and significant adverse consequences).

212 *See* 2015 Concept Release, *supra* note 4, Section II.B for a discussion of the manual process in place at the time Rule 17ad-4 was adopted.

no longer provides a reason or basis to exempt interests in limited partnerships, DRIPs, Fund Shares, and exempt smaller transfer agents from the Commission's turnaround and recordkeeping requirements.

Accordingly, the Commission is proposing to rescind Rule 17ad-4 in its entirety.[213]

3. Request for Comment

The Commission requests comments on all aspects of the proposed rescission of Rule 17ad-4. In particular, the Commission requests comments on the following:

72. Should Rule 17ad-4 instead be modified? If so, why?
73. Should the Commission retain the exemption from the turnaround, processing, and recordkeeping rules for limited partnership interests, DRIPs, or Fund Shares? If so, why? Have the operational characteristics of processing these securities changed sufficiently since 1977 to justify removing the exemption?
74. Should the Commission retain the exemption from the turnaround, processing, and recordkeeping rules for "exempt transfer agents"?
75. Should the Commission revise the criteria for "exempt transfer agents" instead of rescinding the exemption entirely? For example, should the volume threshold be adjusted to reflect current market conditions, or should different criteria such as the nature of the securities processed or the sophistication of the issuer be used to determine exempt status? Are there any other criteria that the Commission should consider instead of recission?
76. What are the specific compliance costs, if any, that small transfer agents or transfer agents specializing in limited partnerships, DRIPs, or Fund Shares would incur as a

[213] Correspondingly, as a conforming change, we are proposing to delete paragraph (d)(2) from Rule 17ad-13, which provides that a registered transfer agent is exempt from the requirements of Rule 17ad-13 if it is an exempt transfer agent pursuant to Rule 17ad-4(b) and, if it performs transfer agent functions for Fund Shares, it maintains master securityholder files consisting of fewer than 1,000 shareholder accounts, in the aggregate, for each of such issues for which it performs transfer agent functions. *See* 17 CFR 240.17Ad-13(d)(2)(i) and (ii).

result of the proposed rescission of Rule 17ad-4? Do small transfer agents currently have access to the automated processing and electronic recordkeeping systems necessary to comply with the proposed turnaround and recordkeeping requirements?

77. Would rescission of Rule 17ad-4 cause small transfer agents to exit the market or consolidate with larger transfer agents? What would be the impact on competition, issuer choice, and investor protection if the number of small transfer agents were to decline as a result of the proposed rescission?
78. What transition period, if any, would be appropriate for transfer agents currently relying on the exemptions in Rule 17ad-4 to come into compliance with the proposed turnaround and recordkeeping requirements?
79. Should the Commission consider alternative approaches to address compliance costs for smaller transfer agents? Why or why not? If so, what alternative approaches should the Commission consider? Please explain in detail.

G. Amendments to Rule 17ad-6

Existing Rule 17ad-6 aims to ensure that transfer agents' records are sufficient for each transfer agent to monitor its own performance and to allow the transfer agent's ARA to examine for compliance.[214] It also helps ensure that transfer agents make and keep records necessary to enable and support their critical functions within the national clearance and settlement system. To that end, the rule enumerates specific categories and types of documents that transfer agents must make and keep current. Rules 17ad-6(a)(1) through 17ad-6(a)(5) require transfer agents to make and keep current various records associated with monitoring turnaround of routine and non-routine items.[215] Rules 17ad-6(a)(6) and (7) relate to records associated with monitoring compliance with written inquiries and requests. Rule 17ad-6(a)(8) addresses records associated with the assumption and termination of services on behalf of issuers, and Rules 17ad-6(a)(9),

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214 Rule 17ad-1 through 17ad-7 Adopting Release, *supra* note 50, at 32409.

215 Rule 17Ad-6(a)(1) through (5).

(10), and (11) relate to stop orders and other restrictions on transfer, transfer journals, and items received in connection with certain types of corporate actions, respectively.[216] Finally, Rule 17ad-6(b) requires certain transfer agents to obtain and retain records that would allow them to maintain an accurate control book,[217] and Rule 17ad-6(c) relates to records of cancelled securities.[218]

Rule 17ad-6 has not, with limited exceptions, been updated to account for technological changes, the continued dematerialization of securities, and other market transformations, including the emergence of tokenized securities and AI that have led to significant changes in both the types of records maintained by transfer agents and the format and manner in which they are maintained. To ensure that transfer agents continue to make and keep records sufficient to enable and support their critical functions within the national clearance and settlement system, monitor their own performance, and be examined for compliance in light of the expansion of transfer agent activities and rapid proliferation of new technologies discussed above, the Commission proposes implementing changes to existing Rule 17ad-6 that will (1) simplify the rule text, specify what recordkeeping requirements apply to uncertificated securities, and appropriately capture the records necessary for modern transfer agents to perform their regulated functions; (2) conform to other amendments in this proposal as appropriate; and (3) supplement the existing record maintenance, retention, and preservation activities by adding recordkeeping requirements relating to maintaining a master securityholder file, control book, and transfer journal.

Specifically, the Commission is proposing to amend paragraphs (a)(1)-(3), (8), (10), and (11) of Rule 17ad-6. The Commission is also proposing to amend paragraph (b) of Rule 17ad-6. The Commission is not proposing any amendments to paragraphs (a)(4), (a)(5), (a)(6), (a)(7),

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216 17 CFR 240.17Ad-6(a)(6) through (11).

217 17 CFR 240.17Ad-6(b).

218 17 CFR 240.17Ad-6(c).

(a)(9) or (c) of Rule 17ad-6. The proposed amendments do not prescribe a specific category or type of record that must be maintained. For example, rather than require transfer agents to make and keep "a log, tally, journal, schedule, or other record" showing the number of routine items received in a month that were turned around within certain periods, as is required under existing Rule 17ad-6(a)(2), the proposed amendments would require "records sufficient to show" the required information. A record, in this context, could include both physical and digital records, including records existing on a distributed ledger or blockchain network, provided the other requirements of Rule 17ad-6 and Rule 17ad-7 are met. Records would be "sufficient to show" the required information if the information is apparent from the records themselves without relying on inference or assumptions. For example, a transfer agent could comply with proposed Rule 17ad-6(a)(1) by maintaining separate logs for the date of receipt, the date of turnaround or processing, and the date of rejection for routine and non-routine items. By itself an individual log or a partial record showing only routine items or only some days of the month would not be sufficient to show the business day each routine and non-routine item is received, made available, and/or rejected as required by the rule. But taken together they could be. In this way, each transfer agent would have the flexibility and discretion to determine the specific method or format of its recordkeeping system or systems and could make and keep records and information in any media or format appropriate to the transfer agent's specific business model, activities, and technological systems.

1. Records Related to Turnaround

As explained above, Rules 17ad-6(a)(1) through 17ad-6(a)(5) require transfer agents to make and keep current various records associated with monitoring the turnaround and processing of routine and non-routine items as required under existing Rule 17ad-2.[219] Under the proposed amendments to Rule 17ad-1, the definition of "item" would be expanded to cover additional

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[219] Rule 17ad-6(a)(1) through (5).

methods of transmission and types of instructions received by transfer agents.[220] The proposed amendments to Rule 17ad-2 would modify the nature and scope of transfer agents' turn around and processing requirements.[221] Accordingly, in addition to the goals noted above, the proposed amendments to Rules 17ad-6(a)(1) through (3) are intended to align the recordkeeping requirements for turnaround and processing with the proposed changes to the nature and scope of the turn around and processing requirements themselves.

a. 17ad-6(a)(1)

Existing Rule 17ad-6(a)(1) requires transfer agents to make and keep current a receipt, ticket, schedule, log, or other record showing the business day each routine and non-routine item is received from a presentor or outside registrar and made available to the presentor and/or outside registrar.[222]

The amended rule would require a transfer agent to make and keep "[r]ecords sufficient to show the business day each routine item and each non-routine item is (i) received by the transfer agent, (ii) made available or turned around, and (iii) if applicable, rejected by the transfer agent."[223] Under this proposal, references to specific types of records (*i.e.,* receipt, ticket, log) would be replaced with the broader, all-encompassing term "records" and existing references to presentors and outside registrars would be eliminated as unnecessary in light of the proposed amendments to Rule 17ad-2 discussed above in Section II.D. Similarly, the Commission is proposing to require transfer agents to make and keep records showing the business day an item is rejected to align with the proposed changes to Rule 17ad-2 that would require registered transfer agents to provide a written notification to the presentor within one business day of receipt of any item that is rejected by the transfer agent.[224]

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220 *See* proposed Rule 17ad-1; discussion, *supra* Section III.A.1.

221 *See* proposed Rule 17ad-2; discussion, *supra* Section III.D.

222 17 CFR 240.17Ad-6(a)(1).

223 *See* proposed Rule 17ad-6(a)(1).

224 *See* proposed Rule 17ad-2(c).

b. 17ad-6(a)(2)

Existing Rule 17ad-6(a)(2) requires transfer agents to make and keep records showing the number of routine and non-routine items received[225] and subsequently turned around within the required timeframes.[226] The amended rule would replace references to specific types of records (*i.e.,* log, tally, journal, etc.) with the broader, all-encompassing term "records" to ensure the full scope of records created and maintained by modern transfer agents is reflected in the rule.

The Commission also proposes amending the requirements set forth in Rules 17ad-6(a)(2)(ii) and (iii) that reference a three-business day turnaround period for routine items. Instead, the Commission proposes amending these two rules to include a reference to the turnaround standard set forth in proposed Rule 17ad-2(a).[227] In addition, the Commission proposes to rescind Rule 17ad-6(a)(2)(vi), which requires transfer agents to make and keep records showing the number of routine items that, as of the close of business on the last business day of each month, have been in such registered transfer agents' possession for more than four business days. This provision would no longer be necessary in light of the proposed amendment to Rule 17ad-6(a)(2)(iii) which would require transfer agents to make and keep records showing the number of routine items received during the month that were not turned around within the shorter of one business day or the time period specified by Rule 15c6-1 of the Exchange Act.

The Commission proposes to amend existing Rule 17ad-6(a)(2)(v), which requires transfer agents to make and keep records regarding the number of non-routine items received during the month that were turned around, by adding a requirement for transfer agents to indicate when non-routine items were turned around. Specifically, the proposed amendment would require transfer agents to make and keep records showing the number of non-routine items received during the month that were turned around within the following time frames: within five

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225 17 CFR 240.17Ad-6(a)(2)(i) and (iv).

226 17 CFR 240.17Ad-6(a)(2)(ii) and (v).

227 *See* proposed Rules 17ad-6(a)(2)(ii) and (iii).

business days, within six to 10 business days, within 11 to 15 business days, within 16 to 20 business days, and in more than 20 business days.[228] These records would assist transfer agents and their ARAs in monitoring the turnaround of non-routine items to determine whether transfer agents are meeting their obligation under proposed Rule 17ad-2(e) to turnaround non-routine items as soon as possible.

The Commission is proposing two additional recordkeeping provisions in Rule 17ad-6(a)(2). Proposed Rule 17ad-6(a)(2)(viii) would require transfer agents to make and keep records showing the number of items received during the month that were rejected by the transfer agent, while proposed Rule 17ad-6(a)(2)(ix) would require transfer agents to make and keep records showing the number of items received during the month that were rejected by the transfer agent for which written notification to the presentor was provided within one business day of receipt as required by proposed Rule 17ad-2(c).[229] These records would assist transfer agents and their ARAs in monitoring turnaround performance and would conform the recordkeeping requirements with the proposed changes to Rule 17ad-2.

c. 17ad-6(a)(3)

Existing Rule 17ad-6(a)(3) requires a transfer agent to make and keep records documenting transfer agent activity involving items for which it acts as an outside registrar.[230] As with the proposed amendments discussed above, the amended rule would replace references to specific types of records (*i.e.,* receipt, ticket, schedule, log, etc.) in Rule 17ad-6(a)(3)(i) and (ii) with the broader, all-encompassing term "records" to ensure the full scope of records created and maintained by modern transfer agents is reflected in the rule. The Commission also is proposing to amend the reference to "the time required by Rule 17ad-2(b)" in Rules 17ad-6(a)(3)(ii)(B) and (C) to "the time specified in Rule 17ad-2(b)" to conform to the proposed

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228 *See* proposed Rule 17ad-6(a)(2)(v).

229 *See* proposed Rule 17ad-6(a)(2)(viii) and (ix).

230 17 CFR 240.17Ad-6(a)(3).

changes in Rule 17ad-2(b) from a metrics-based processing standard to the proposed policies and procedures requirement.[231]

2. Records Related to Appointment and Termination

Existing Rule 17ad-6(a)(8) requires transfer agents to make and keep "any document, resolution, contract, appointment or other writing, and any supporting document, concerning the appointment and termination of such appointment of such registered transfer agent to act in any capacity for any issue on behalf of the issuer, on behalf of itself as the issuer or on behalf of any person who was engaged by the issuer to act on behalf of the issuer."[232] Documenting in writing the agreement between a transfer agent and its issuer clients (or other transfer agents) is critical to ensuring that transfer agents perform their critical functions within the national clearance and settlement system. Without clear documentation regarding the services a transfer agent is providing, service could be interrupted, records might not be made or kept, and issuers, securityholders, and the national clearance and settlement system could be impacted. Written documentation, such as an agreement, describing the relationship under which a transfer agent and an issuer will operate and terminate the relationship also is vital to avoiding or managing disputes between transfer agents and their issuer clients and ensuring the timely and appropriate turnover of an issuer's records upon termination to the successor transfer agent. For example, existing Rule 17ad-7(h) provides that certain of a transfer agent's recordkeeping responsibilities only end when the transfer agent "ceases to perform transfer agent functions" for the relevant issue *and* delivers certain specified records "to the successor transfer agent."[233] If there is no written documentation specifying the conditions under which a transfer agent's services can or will be terminated, disputes regarding whether or when a transfer agent has ceased to perform transfer agent functions for a given issue could arise.

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231 *See* proposed Rule 17ad-6(a)(3).

232 17 CFR 240.17Ad-6(a)(8).

233 17 CFR 240.17Ad-7(h).

Despite the importance of a written agreement or other documentation of the relationship between transfer agents and their issuer clients (or other transfer agents), the Commission is concerned that existing Rule 17ad-6(a)(8) is ambiguous as to whether documents concerning the transfer agent's appointment and termination must, in all circumstances, be made and kept, or whether a transfer agent must only make and keep "any" such documents they happen to have. While it is the Commission's understanding that many transfer agents enter into written contracts with their issuer clients, the Commission also is aware that some transfer agents may not document their arrangements with issuers in writing.[234] Based on the Commission staff's experience administering the Commission's transfer agent rules and examination program, it appears that such undocumented arrangements may be more likely than relationships documented in writing to lead to protracted disputes, especially with respect to: (1) the duration of the arrangement; (2) the conditions of the arrangement's termination; (3) the disposition of the securityholder records after termination or notice of termination; and (4) the fees charged by the transfer agent. Such disputes may interfere with the operations of the markets and the protection of investors by disrupting or otherwise hindering transfer agent processing, recordkeeping, and safeguarding. For example, it is the Commission staff's understanding that some transfer agents, after having been terminated by the issuer, have substantially delayed the handing over of securityholder records to successor transfer agents by demanding that the issuer pay a substantial "termination" fee before the transfer agent would agree to hand over the securityholder records it had been maintaining, even though the issuer claimed there was no written agreement in place or it had otherwise not agreed to such a fee.[235] In such cases, the issuer may be unable to retain a new transfer agent if the old transfer agent will not make the records available to the new transfer agent. The inability to retain a new transfer agent could lead to inaccuracies in the master

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234 *See* 2015 Concept Release, *supra* note 4, at Section VI.B.

235 It is the Commission staff's understanding that typical termination fees may range from about $1,000 to $5,000, though disputes like those described herein may involve a transfer agent's demand for fees as high as $30,000.

securityholder file and other records or impede trading in the issuer's securities. Commission staff is also aware of instances in which a termination dispute between an issuer and a transfer agent has resulted in two transfer agents each maintaining separate records, which could be inconsistent with each other.

To remove the ambiguity in existing Rule 17ad-6(a)(8) noted above and prevent the type of disruptions to issuers, securityholders, and the national clearance and settlement system that can arise especially when there is no written agreement or documentation of the arrangement between a transfer agent and its clients, the Commission is proposing to amend paragraph (a)(8) of Rule 17ad-6 to explicitly require transfer agents to ensure that their agreements with issuers (or other transfer agents) to provide transfer agent services are documented in writing. The proposed rule does not, however, require that the written documentation need necessarily be in the form of a written agreement. Specifically, Rule 17ad-6(a)(8) would be amended to require transfer agents to make and keep "[r]ecords, including but not limited to documents, resolutions, contracts, appointments or other writings, and any supporting documents, concerning the appointment and the termination of such appointment of such registered transfer agent to act in any capacity for any issue on behalf of the issuer, on behalf of itself as the issuer or on behalf of any person who was engaged by the issuer to act on behalf of the issuer."[236]

3. Transfer Journal, Master Securityholder File, and Control Book

Existing Rule 17ad-6(a)(10) requires transfer agents to make and keep records of any transfer journal and registrar journal prepared by the transfer agent.[237] At the time it was proposed, the Commission viewed this provision as "cover[ing] the kinds of information that transfer agents normally would preserve even in the absence of these rules."[238]

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236 *See* proposed Rule 17ad-6(a)(8).

237 17 CFR 240.17Ad-6(a)(10).

238 Rule 17ad-1 through 17ad-7 Re-Proposing Release, *supra* note 188, at 12196.

In the Commission's experience, some transfer agents read existing Rule 17ad-6(a)(10) as permissive, meaning the transfer journal and registrar journal must be made and kept only to the extent the transfer agent has already "prepared" them. Further, as discussed throughout this release, the master securityholder file and control book comprise some of the most important and foundational records that recordkeeping transfer agents are required to maintain. Accordingly, to ensure that the transfer agent rules clearly and explicitly require transfer agents to make and keep these records, the Commission proposes amending Rule 17ad-6(a)(10) to (i) require transfer agents to make and keep a transfer journal (or registrar journal if the transfer agent acts as an outside registrar), not just make and keep them in the event they are prepared by the transfer agent, and (ii) expand the rule to also cover the control book and master securityholder file, both of which are required records for recordkeeping transfer agents pursuant to Rule 17ad-10(e) and (b), respectively. Specifically, the proposed amendment to Rule 17ad-6(a)(10) would require that a transfer agent maintain a transfer journal (or registrar journal if the transfer agent acts as an outside registrar), and a control book and master securityholder file (if the transfer agent is a recordkeeping transfer agent) for each securities issue for which the transfer agent is authorized to act on behalf of the issuer, as well as the constituent records, documents, and other information that compose such documents.[239]

4. Records Related to Non-Routine Items

Existing Rule 17ad-6(a)(11) requires transfer agents to make and keep any document upon which the transfer agent bases its determination that an item received for transfer was received in connection with a special event,[240] and, accordingly, was not routine under Rules 17ad-1(i)(5) or (8).[241] The Commission proposes amending Rule 17ad-6(a)(11) to require that a transfer agent make and keep any records, documents, or other information upon which the

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239 *See* proposed Rule 17ad-6(a)(10).

240 Rule 17ad-1 through 17ad-7 Adopting Release, *supra* note 50, at 32410.

241 17 CFR 240.17Ad-6(a)(11).

transfer agent bases its determination that *any* item received for transfer was not routine, rather than just non-routine items received in connection with a special event.[242] The existing rule requires only that transfer agents keep records for non-routine items received in connection with a reorganization, tender offer, exchange, redemption, liquidation, conversion, or the sale of securities registered pursuant to the Securities Act of 1933, which excludes other potential non-routine items, such as an item that requires requisitioning of certificates or for which the transfer agent has received notice of a stop order. Such information is readily available to transfer agents and easily retained given the technological advances discussed at length herein. Because routine and non-routine items are subject to different turnaround standards under existing and proposed Rule 17ad-2, records supporting the classification of an item as non-routine would support transfer agent compliance with the turnaround requirements and thereby promote the prompt and accurate clearance and settlement of securities transactions and the protection of investors.

5. Records Related to the Control Book

Existing Rule 17ad-6(b) requires transfer agents that maintain securityholder records or act as a registrar for a given issue to retain documentation of that issue's authorized, issued, and outstanding securities. Specifically, existing Rule 17ad-6(b) requires a transfer agent which, under the terms of its agency, maintains securityholder records for an issue or which acts as a registrar for an issue to, with respect to such issue, obtain from the issuer or its transfer agent and retain documentation setting forth the total number of shares or principal amount of debt securities or total number of units of any kind of security authorized by the issuer and the total issued and outstanding pursuant to issuer authorization.[243]

As noted above, although the term "security authorized" is used in Rule 17ad-6(b) and Rule 17ad-9 requires "shares . . . authorized" to be one of the elements that must be tracked as part of a transfer agent's control book, neither term is defined under the existing rules. However,

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242 *See* proposed Rule 17ad-6(a)(11).

243 17 CFR 240.17Ad-6(b).

as discussed herein, the Commission is proposing to define the term "authorized securities" in connection with the Commission's proposed amendments to Rule 17ad-9 as the maximum number (or principal amount) of securities that can be issued pursuant to the issuer's governing documents.[244] To ensure consistent use of the newly-defined term, the Commission is proposing to amend Rule 17ad-6(b) to reflect that authorized securities would now be a defined term and otherwise simplify it without altering the substantive requirement. Specifically, the Commission is proposing to amend Rule 17ad-6(b) to require every registered transfer agent that maintains securityholder records or acts as a registrar for an issue to obtain from the issuer or its transfer agent and retain documentation setting forth the authorized securities for that issue and the total securities for that issue that are issued and outstanding pursuant to issuer authorization.[245]

6. Request for Comment

The Commission requests comments on all aspects of the proposed amendments to the recordkeeping requirements in Rule 17ad-6. In particular, the Commission requests comments on the following:

80. Are the proposed amendments to the recordkeeping requirements appropriate and sufficient to ensure that they apply to all forms of records (e.g., both physical and digital records, records that exist solely on distributed ledgers or blockchain networks) and all types of records that are utilized by transfer agents to monitor their performance and to allow ARAs to examine for compliance?
81. Are the proposed amendments to Rule 17ad-6 sufficiently flexible to accommodate the diverse range of transfer agent business models, sizes, and technological systems currently in use, while still ensuring adequate oversight and compliance monitoring? If not, what modifications would better achieve this balance?

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244 *See supra* Section III.C.1.

245 *See* proposed Rule 17ad-6(b).

82. The proposed amendments contemplate that records may exist on distributed ledgers or blockchain networks. Are the proposed requirements sufficiently clear regarding how transfer agents should maintain, access, and produce such records for examination purposes? What specific challenges, if any, do distributed ledger or blockchain-based records present for compliance with Rule 17ad-6 and Rule 17ad-7?
83. Do the proposed recordkeeping rules, as written, adequately facilitate the implementation of recordkeeping systems that associate onchain database records and information (e.g., wallet address, quantity of security owned, and issue date) with offchain database records and relevant information (e.g., security holder name and address) so that the transfer of a tokenized security on a blockchain results in a corresponding transfer of the security on the master securityholder file?
84. How should the Commission address situations where records exist solely on a blockchain or distributed ledger that is not exclusively controlled by the transfer agent? Should the Commission establish specific requirements for ensuring the integrity, accessibility, and immutability of such records for compliance purposes?
85. Are the proposed amendments to Rules 17ad-6(a)(1) through (3) sufficient to capture all relevant information needed to monitor transfer agent turnaround performance? Should the Commission also require transfer agents to record the time of day, in addition to the business day, that items are received, turned around, or rejected to provide more granular performance data?
86. The proposed amendment to Rule 17ad-6(a)(8) would explicitly require that transfer agent agreements with issuers be documented in writing. Are there circumstances in which requiring written documentation could create undue burdens for transfer agents or issuers, particularly smaller entities? If so, how should the Commission balance the need for written documentation with the potential burden on smaller market participants?

87. The proposed amendment to Rule 17ad-6(a)(10) would explicitly require transfer agents to maintain a transfer journal rather than only keeping such record if it had already been "prepared." Are there any circumstances in which this requirement would be unduly burdensome or impractical for transfer agents, particularly smaller transfer agents or those serving issuers of tokenized securities?
88. For transfer agents that maintain records on distributed ledgers or blockchain networks, how should the requirements for maintaining a master securityholder file, control book, and transfer journal be applied? Are there technical or operational challenges in maintaining these records on a blockchain or other distributed ledger environment that the Commission should address?
89. The proposed amendment to Rule 17ad-6(a)(11) would expand the recordkeeping requirement for non-routine items to cover all non-routine items, not just those received in connection with specific types of corporate actions. Is this expansion appropriate and sufficient to capture all relevant non-routine items? Are there specific categories of non-routine items that present unique recordkeeping challenges the Commission should address?

H. Amendments to Rule 17ad-7

A transfer agent's maintenance, retention, and preservation of records, including electronic records, is critical to the prompt and accurate clearance and settlement of securities transactions, including the transfer of record ownership and the safeguarding of securities and funds related thereto. Missing, incomplete, or erroneous transfer agent records can disrupt the clearance and settlement process, lead to financial loss, and undermine confidence in the securities markets. The Commission is proposing amendments to Rule 17ad-7 to, among other things, establish a single, uniform retention period of six years for most transfer agent records, and streamline and modernize the rule's provisions governing electronic recordkeeping. A uniform, outcomes-based approach, a simplified retention schedule, and updated requirements for electronic records would better reflect how transfer agents create, manage, and preserve records today, including the widespread use of digital systems, cloud-based services, and other technology-enabled controls. By adapting the Rule to incorporate real-world technological developments currently in use among transfer agents, these proposed changes would promote more consistent and accurate recordkeeping among transfer agents, as well as better oversight and effective examinations by the Commission, which would in turn support a well-functioning securities market and contribute to investor protection.

1. Background

Paragraphs (a) through (e) of Rule 17ad-7 specify the particular lengths of time for which the various records described in Rule 17ad-6 must be maintained.[246] Paragraph (a) states that the records required by Rule 17ad-6(a)(1), (3)(i), (6), and (11)—records showing or documenting: the business day routine and non-routine items were received and made available; the date and time each item was received and made available by a registered transfer agent acting as an outside registrar, and/or notice of refusal to perform the registrar function was made available to the presenting transfer agent; inquiries and responses; and the transfer agent's determination that an item is non-routine—must be maintained for a period of not less than two years, the first six months in an easily accessible place. Paragraph (b) of Rule 17ad-7 states that the records required by Rule 17ad-6(a)(2), (3)(ii), (4), (5) and (7)—records showing the *number* of routine and non-routine items received and the timing of their turnaround, and the number of items in the registered transfer agent's possession; the number of items received, processed, and not processed within the relevant time periods; the transfer agents' performance calculations; copies of Rule 17ad-2 notices; and Rule 17Ad-5 inquiries that were not responded to within the requisite time periods and the number of such inquiries pending—must be maintained for a period of not less than two years, the first year in an easily accessible place. Paragraph (c)

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[246] 17 CFR 240.17Ad-7.

specifies that the records required by Rule 17ad-6(a) (8), (9) and (10) and (b)—records showing the transfer agent's appointment or termination; active stop orders, adverse claims, and transfer restrictions; the transfer agent's transfer and registrar journal; and the total number of shares (or principal amount or number of units) authorized, issued and outstanding for each issue serviced by the transfer agent—must be maintained in an easily accessible place during the continuance of the transfer agency and for one year after termination of the transfer agency. Paragraph (d) specifies that the records required by Rule 17ad-6(c)—cancelled certificates, bonds, etc.—must be maintained for a period of not less than six years, the first six months in an easily accessible place. Paragraph (e) of Rule 17ad-7 specifies that every registered transfer agent must maintain all records required under Rule 17f-2(d)—processed fingerprint cards and other related information—in an easily accessible place until at least three years after the termination of employment of persons required to be fingerprinted under Rule 17f-2 and that all records required under Rule 17f-2(e)—all "Notices Pursuant to Rule 17f-2" regarding claimed exemptions from the fingerprinting requirements of Rule 17f-2—must be maintained in an easily accessible place.

Paragraph (f) of Rule 17ad-7 was updated in 2001 and 2003 to authorize the use of electronic recordkeeping, electronic storage media, and micrographic storage media, such as microfilm records.[247] It permits transfer agents to maintain and retain records, including those required under Rule 17ad-6, using electronic storage or micrographic media, provided certain conditions are met.

Paragraph (g) of existing Rule 17ad-7 pertains to transfer agent records maintained and preserved by an outside service bureau, other recordkeeping service, or the issuer. If the records required to be maintained and preserved by a transfer agent pursuant to Rule 17ad-6 or Rule

[247] *See* Recordkeeping Requirements for Transfer Agents, Exchange Act Release No. 44227 (Apr. 27, 2001), 66 FR 21648 (May 1, 2001); Recordkeeping Requirements for Registered Transfer Agents, Exchange Act Release No. 48949 (Dec. 18, 2003), 68 FR 75050 (Dec. 29, 2003).

17ad-7 are maintained and preserved on behalf of the transfer agent by any of those parties, the transfer agent must obtain from that party an agreement in writing that the records are subject to reasonable periodic or special examination at any time, and that the third party will furnish hard copies of the records.[248]

Paragraph (h) of existing Rule 17ad-7 specifies that the responsibility under Rule 17ad-7 to retain the records required to be made and kept pursuant to Rule 17ad-6(a)(1), (6), (9), (10), (11), (b), and (c) ends when the transfer agent ceases to perform transfer agent functions for an issue and delivers such records to the successor transfer agent.[249] This provision was originally included to clarify when a transfer agent is relieved of such recordkeeping responsibilities.[250]

Finally,[251] paragraph (i) of existing Rule 17ad-7 states that the records required by Rule 17ad-17(d), written procedures for compliance with Rule 17ad-17, and Rule 17Ad-19(c), written procedures for the cancellation, storage, transportation, destruction, or other disposition of securities certificates, shall be maintained for a period of not less than three years, the first year in an easily accessible place.

Rule 17ad-7 was adopted when transfer agents retained most records in paper form and relied on micrographic storage (e.g., microfilm and microfiche) to preserve documentation. Later amendments in 2001 and 2003 allowed the use of electronic storage media, but they did so by specifying technology-oriented requirements—for example, labeling removable media, maintaining separate duplicate copies of indexed records, and prescribing file-level metadata, such as requiring the labeling of files with a unique file name, date and time of file creation and

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248 17 CFR 240.17Ad-7(g).

249 17 CFR 240.17Ad-7(h).

250 Rule 17ad-1 through 17ad-7 Adopting Release, *supra* note 50, at 32411.

251 Paragraph (j) of Rule 17ad-7 is held in reserve. Paragraph (k) of Rule 17ad-7 governs the written policies and procedures and other records required pursuant to Regulation S-P and was added to Rule 17ad-7 in 2024 pursuant to certain amendments to Regulation S-P. *See* Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer Information, Exchange Act Release No. 100155 (May 16, 2024), 89 FR 47688 (Jun. 3, 2024) ("Regulation S-P Adopting Release"). The Commission is not proposing any amendments to paragraphs (j) and (k) at this time.

last modification, and file sequence number—rather than setting technology-neutral objectives for security, integrity, accessibility, and auditability. As the Commission has observed over time, these prescriptive, media-specific provisions are increasingly out of step with modern recordkeeping environments, including systems that provide tamper-evident audit trails, robust authentication, and resilient backup/restore capabilities without reliance on the specific media or file conventions contemplated by the existing rule.

2. 17ad-7(a)-(e) and (i)

The Commission is proposing to expand the list of records that must be maintained pursuant to Rule 17ad-7 to include all records required to be made or kept by a transfer agent under the Exchange Act and, with some exceptions, replace the existing patchwork of retention periods with a single six-year requirement for most records. Specifically, paragraph (a) of Rule 17ad-7 would provide that, unless otherwise specified in Rule 17ad-7, all records required to be made or kept under the Exchange Act shall be maintained for a period of not less than six years, the first two years of which in an easily accessible place. Because they would now be subsumed by amended paragraph (a), the Commission is proposing to delete paragraphs (b), (d), and (i) of Rule 17ad-7.[252] Expanding the record retention requirements is necessary and appropriate to ensure the integrity, reliability, and examinability of modern transfer agent records. The need for a broader retention requirement is especially acute in light of transfer agents' increasingly central role in the rapidly evolving technological landscape of the U.S. securities markets. As transfer agents continue to explore and expand the use of distributed ledger technology, AI, and other nascent technologies in connection with their recordkeeping and operations, a broader retention requirement is essential to the Commission's oversight and examination capabilities. A six-year standard will more appropriately balance operational practicality with the needs of oversight and enforcement, recognizing that modern systems facilitate the retention of data well beyond the

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252 The Commission would also amend the reference to Rule 17ad-7(i) in Rule 17ad-17(d) to conform to this proposed change.

minimum requirements for transfer agents at minimal cost and can meet "readily producible" requirements without reliance on paper or micrographic duplicative processes. It would also permit Commission staff conducting examinations to look back further in time for comparative purposes. This amendment will also reduce compliance complexity and related cost by eliminating the existing, multi-tiered approach and differing "easily accessible" windows tied to specific subsets of records, thereby simplifying and streamlining the transfer agent's administrative burden in implementing the rule, including the written policies and procedures that would be required by new Rule 17ad-30.[253] It also will enhance examination efficiency and predictability by providing a clear and consistent baseline for the availability of records across transfer agents and record types, and promote parity with other Commission recordkeeping frameworks and modern industry standards that employ multi-year retention horizons for core business records. For example, under Commission rules, certain exchange members, brokers and dealers already incorporate a six-year standard on certain recordkeeping requirements. Records related to terms and conditions with respect to the opening and maintenance of closed customer accounts must be preserved under Rule 17a-4 for six years,[254] records related to certain customer identification information must be retained for at least six years,[255] and information related to Form CRS (or customer relationship summary) provided to retail investors must be retained for six years.[256] Establishing a single and clear recordkeeping requirement covering most record types would promote compliance and adequate record retention for those registered transfer agents who have affiliates subject to other, typically six year, record retention requirements, by reducing the administrative burden and inaccuracies inherent in differing requirements and the need to determine relevant categories throughout the administrative process.

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253 *See* proposed Rule 17ad-30.

254 17 CFR 240.17a-4(c).

255 17 CFR 240.17a-4(e)(5).

256 17 CFR 240.17a-4(e)(10).

The retention periods specified in paragraphs (c) and (e) of Rule 17ad-7 continue to be appropriate, and may extend longer than six years in some cases, and therefore the Commission is not proposing amendments to those provisions. Transfer agents will continue to be required to retain records showing the transfer agent's appointment or termination, stop orders, adverse claims, and transfer restrictions, and the transfer agent's transfer journal for the duration of the transfer agency and an additional year following termination, and to retain certain fingerprinting-related records required pursuant to Rule 17f-2 for the time periods specified in paragraph (e).

3. 17ad-7(f)

a. Electronic Recordkeeping Systems

As noted above, existing Rule 17ad-7(f) permits transfer agents to retain and preserve the records required under Rule 17ad-6 using electronic or micrographic media, provided certain conditions are met. The rule further states that records stored electronically or micrographically may serve as a substitute for the hard copy records required to be maintained pursuant to Rule 17ad-6. Existing Rule 17ad-7(f)(1) sets forth definitions for the terms "micrographic media," "electronic storage media," and "ARA."

This rule was adopted in 2001 and was designed to be technology-neutral but was guided by the electronic storage methods available at that time, including microfiche and optical disks, such as CD-ROMS and DVDs.[257] The Commission is proposing amendments to this rule to replace the phrase "electronic storage media" with the phrase "electronic recordkeeping system" throughout the rule to continue its technology-neutral approach but encompass a broader range of electronic recordkeeping solutions. In addition, the Commission is proposing to remove the definition of, and all references to, micrographic media, as the Commission understands that registered transfer agents have moved away from using micrographic media to store records. Nonetheless, the amended rule is designed to be technology neutral, and the amended rule would

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[257] *See* Recordkeeping Requirement for Transfer Agents, Exchange Act Release No. 44227 (Apr. 27, 2001), 66 FR 21648, 21651 (May 1, 2021) (where the Commission noted that the amendments to the Rule are "technology neutral").

not require or prohibit any specific technology, including micrographic media, so long as the transfer agent otherwise complies with the provisions of the rule. The Commission is also proposing to remove the definition of ARA, as the abbreviation for appropriate regulatory agency would be replaced with the full term for consistency with other Commission rules applicable to transfer agents.

Therefore, proposed Rule 17ad-7(f) would state that, subject to the conditions set forth in this section, the records required to be maintained pursuant to Rule 17ad-6, may be maintained, retained, or preserved using an electronic recordkeeping system. In addition, the rule would state that records stored electronically in accordance with this paragraph may serve as a substitute for any hard copy records.[258] For purposes of the proposed rule, the term "electronic recordkeeping system" would be defined as a system designed to maintain, retain, or preserve records in a digital format.[259] The proposed definition of "electronic recordkeeping system" is designed to refer to the technological means by which records are stored, without specifying a particular type of technology.

b. Requirements For Transfer Agents Using Electronic Recordkeeping Systems

Existing Rules 17ad-7(f)(2) – (5) establish the specific requirements for transfer agents using electronic storage media or micrographic media to store their records. The proposed amendments discussed below are not intended to materially change the nature of transfer agents' obligations with respect to electronic recordkeeping, but rather would streamline and consolidate the existing outdated requirements and replace them with updated requirements that align with modern standards related to electronic records, information security, and audit trails.

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258 *See* proposed Rule 17ad-7(f). As noted in the discussion of Rule 17ad-6, the Commission is not requiring that any records be maintained in hard copy. However, the Commission is proposing a requirement that the master securityholder file be maintained using an electronic recordkeeping system. *See* proposed Rule 17ad-9(b).

259 *See* proposed Rule 17ad-7(f)(1).

Existing Rule 17ad-7(f)(2) requires transfer agents that use electronic storage media or micrographic media to store their records to: (i) have available at all times for examination by the staffs of the Commission and of the transfer agent's ARA facilities to project or produce immediately easily readable images of such records; (ii) be ready at all times to provide records requested by the Commission or the transfer agent's ARA; (iii) create an accurate index of such records, store it with the records, and make it available to the staffs of the Commission and the transfer agents' ARA for examination; (iv) have quality assurance procedures to verify the quality and accuracy of the records; and (v) maintain separate duplicates of the records and the index, preserve them for the same time period required for the originals, and have them available at all times for examination.[260] Existing Rule 17ad-7(f)(3) requires that any electronic storage media used by a transfer agent to store records must (i) ensure the security and integrity of the records through manual and automated controls that assure the authenticity and quality of the electronic records, detect attempts to alter or remove the records, and provide a means to recover altered, damaged, or lost records; (ii) externally label all removable storage media with a unique identifier; and (iii) uniquely identify and internally label all files with certain identifying and tracking information.[261] If a transfer agent uses electronic storage media for its records, it also must establish an audit system, maintain and provide upon request all information necessary to access the records, and place in escrow with a third party and keep current a copy of appropriate documentation and information necessary to access the records and indexes in the event the transfer agent is incapable or unwilling to provide such access.[262] Existing Rule 17ad-7(f)(4) requires that an audit system account for inputting of and any changes to every record stored on electronic storage media or micrographic media, that it be available for examination at any time

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260 Exchange Act Rule 17ad-7(f)(2), 17 CFR 240.17Ad-7(f)(2).

261 17 CFR 240.17Ad-7(f)(3)(i) through (iii).

262 17 CFR 240.17Ad-7(f)(4) and (5); *see also* Recordkeeping Requirements for Transfer Agents, Exchange Act Release No. 44227 (Apr. 27, 2001), 66 FR 21648 (May 1, 2001) (the purpose of the escrow requirement is to assist the Commission or other ARA in accessing the transfer agent's records).

by the staffs of the Commission and the ARA, and that it be preserved for the same time as underlying records. Finally, existing Rule 17ad-7(f)(5) requires transfer agents that use electronic storage or micrographic media to store their records to: maintain, keep current, and provide promptly upon request by the staffs of the Commission and ARA all information necessary to access the records and indexes stored on such media and place such access information and certain other information in escrow with an independent third party.[263] Further, the independent escrow agent must file a signed undertaking with the Commission and the transfer agent's ARA that undertakes to furnish promptly the information in escrow to the Commission upon request.[264]

Based on its experience overseeing the transfer agent industry, the Commission is proposing to modernize the electronic recordkeeping provisions of Rule 17ad-7(f). As stated, the purpose of the proposed amendments is not to materially change the nature of transfer agents' obligations with respect to electronic records and electronic recordkeeping, but rather to ensure transfer agents would be able to take advantage of advances in technology, while adhering to modern standards related to availability, integrity, security, and reportability. As discussed throughout this release, the records created and maintained by registered transfer agents—including the "golden record" of securities ownership for investors across the entire securities industry—are critical to protecting investors, safeguarding their funds and securities, and ensuring the safe and efficient functioning of the U.S. securities markets and the national clearance and settlement system. Missing, incomplete, or erroneous transfer agent records can disrupt the clearance and settlement process, lead to financial loss, and undermine confidence in the securities markets. Given the ubiquity of electronic recordkeeping throughout the securities industry, including among registered transfer agents, ensuring that transfer agents are subject to modern standards for electronic recordkeeping, including the controls described below, is

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263 Exchange Act Rule 17ad-7(f)(5), 17 CFR 240.17Ad-7(f)(5).

264 *Id.*

necessary to protect investors, safeguard securities and related funds, and ensure the safe and efficient functioning of the U.S. securities markets and the national clearance and settlement system.[265] The updated electronic recordkeeping requirements proposed herein are also designed to, among other things, promote effective oversight of transfer agents by ensuring that their electronic records are available to regulators.

Proposed Rule 17ad-7(f)(2) would require a registered transfer agent using an electronic recordkeeping system to implement reasonable controls to ensure the integrity, accessibility, reproducibility, redundancy, and continuity of records maintained, retained, or preserved using the electronic recordkeeping system, including, but not limited to, controls that (1) protect records from unauthorized changes or destruction, including safeguards to detect and prevent unauthorized alteration or loss of records; (2) provide indexing and retrieval capabilities sufficient to allow immediate production of documents in both a human-readable format and in a reasonably usable electronic format; (3) create an audit trail that tracks access, modification, and deletion of records, including the identity of the user and the date and time of the action or attempted actions that is maintained, retained, and preserved using the same controls and for the same time period required by this section for the underlying record, and (4) provide means to recover altered, damaged, or lost records resulting from any cause.[266]

These proposed requirements are designed to remain technology-neutral and accommodate the types of electronic recordkeeping systems transfer agents may use as technology evolves beyond the types of optical storage systems and micrographic media that were common when Rule 17ad-7 was adopted over two decades ago. The proposed amended language does not necessitate specific types of recordkeeping systems, thereby allowing transfer agents to continue using existing systems, provided they otherwise comply with the requirements

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265 *See* 15 U.S.C. 78q-1.

266 *See* proposed Rule 17ad-7(f)(2).

of Rule 17ad-7, or adopt new systems and processes in the face of continued technological innovation.

The Commission is proposing that transfer agents using electronic recordkeeping systems implement controls to ensure the integrity, accessibility, reproducibility, redundancy, and continuity of records maintained, retained, or preserved using such system. While these controls are similar to the existing controls required for electronic and micrographic storage media, they are meant to be more flexible and encompass a wider range of electronic recordkeeping systems because they do not include requirements specific to a particular form of technology, such as the existing requirement to create an accurate index of the records.

Controls to ensure integrity would ensure that records remain authentic, reliable, and complete and would include controls and safeguards to protect records from unauthorized changes. The controls should not include write-prohibitions that may be incompatible with ordinary transfer agent functions. Instead, an audit trail system that tracks access, modification, and deletion of records, including the identity of the user and the date and time of such action or attempted action, would be more appropriate, and is in keeping with modern standards of data integrity.

Controls to ensure accessibility would ensure that records remain available for use and would include controls that provide indexing and retrieval capabilities sufficient to allow immediate production of documents in both a human-readable format and in a reasonably usable electronic format. A human-readable format is a format that can be naturally read by an individual, while a reasonably usable electronic format is a format that is compatible with commonly used systems for accessing and reading records. The ability to produce records in both formats is a necessary and important feature of electronic recordkeeping systems so that Commission and ARA staff may carry out their oversight responsibilities. These controls would also support the prompt production of records for examination by Commission or ARA staff.

Controls to ensure reproducibility would permit records to be easily viewed, copied, or exported in a way that preserves the record's integrity, and which can be produced or otherwise made accessible for examination and regulatory oversight, while controls to ensure redundancy would ensure records remain available in the event of loss of the original record and would include controls that provide a means to recover altered, damaged, or lost records resulting from any cause. Controls to ensure continuity would permit records to remain complete, accessible, and reliable across their entire lifecycle, without regard to system or technology upgrades, staff changes, or format changes.

Where third-party agents are employed by registered transfer agents, those third parties would also need to be held to the same controls, and may often constitute a control mechanism themselves, such as with escrow agents who ensure redundant and secure recordkeeping.

The proposed amendments would require transfer agents utilizing electronic recordkeeping systems to implement reasonable controls to ensure the integrity, accessibility, reproducibility, redundancy, and continuity of the transfer agent's records, which would help ensure that transfer agents ultimately protect investors by promptly and accurately fulfilling their critical recordkeeping responsibilities within the national clearance and settlement system.

c. Requirements For Transfer Agents Using Third Parties For Recordkeeping

Existing paragraph (f)(6) of Rule 17ad-7 states that, if the transfer agent uses a third party to maintain or preserve some or all of its electronic records, that third party must file with the Commission and the transfer agent's ARA an undertaking stating that it will permit representatives or designees of the Commission to examine any books and records the third party is maintaining or preserving on behalf of the transfer agent and promptly furnish hard copies of any such books and records.[267]

[267] 17 CFR 240.17Ad-7(f)(6).

Existing paragraph (g) of Rule 17ad-7 pertains to transfer agent records maintained and preserved by an outside service bureau, other recordkeeping service, or the issuer. If the records required to be maintained and preserved by a transfer agent pursuant to Rule 17ad-6 or Rule 17ad-7 are maintained and preserved on behalf of the transfer agent by any of those parties, the transfer agent must obtain from them an agreement in writing that the records are subject to examination by representatives of the Commission and its ARA, if not the Commission, and that the third party will furnish upon demand complete, correct, and current hard copies of the records.[268]

The Commission is proposing to combine these requirements into a single provision in proposed Rule 17ad-7(h)(1) to require that, unless it has and maintains at all times independent access to such records, a registered transfer agent that uses a third party, including, but not limited to, an outside service bureau, another registered transfer agent, or the issuer to maintain, retain, or preserve records, including by use of an electronic recordkeeping system or by using servers or other storage mechanisms that are owned or operated by the third party, obtain from such third party and file with the Commission and its ARA, if not the Commission, a legally binding written agreement signed by a duly authorized person of the third party acknowledging that the records of the transfer agent are subject at any time to examination by representatives of the Commission or ARA and agreeing to promptly, upon request, permit examination of such records during regular business hours and furnish legible, true, complete, and current copies of any records so requested.[269]

Proposed Rule 17ad-7(h)(2) would provide that a registered transfer agent using a third party to maintain, retain, or preserve records has independent access to such records if it can regularly access the records without the need of any intervention by the third party and through such access (1) permit examination of the records at any time by representatives of the

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[268] 17 CFR 240.17Ad-7(g).

[269] *See* proposed Rule 17ad-7(h)(1).

Commission or its ARA; and (2) promptly furnish legible, true, complete, and current copies of such records.[270] Where a transfer agent is utilizing blockchain-based or other distributed ledger technology, it would have independent access where it is able to view the records maintained on the blockchain or other distributed-ledger, and can through such access permit examination and promptly furnish copies, as noted immediately above.

The requirements in proposed Rule 17ad-7(h)(1) are similar to the requirements of existing Rule 17ad-7(g) in that the transfer agent would be required to obtain an agreement, in writing, with the third party stating that the records are subject to examination by representatives of the Commission and its ARA, if not the Commission, and that the third party would furnish copies of the records upon demand. In addition, however, proposed rule 17ad-7(h)(1) would also require the registered transfer agent to file that written agreement with the Commission and its ARA, if not the Commission, and require the third party to promptly furnish copies of any records so requested and permit examination of such records during regular business hours. These additional requirements would help to ensure that Commission and ARA staff have access when needed to transfer agent records being maintained, retained, or preserved by third parties. In addition, proposed Rule 17ad-7(h)(1) would provide an exception for registered transfer agents that have, and maintain at all times, independent access to any records maintained, retained, or preserved by a third party. These transfer agents would not be required to obtain an agreement from the third party.

In the Commission's experience, despite the existing requirement in Rule 17ad-7(f)(6) for third party recordkeepers maintaining records for transfer agents to file a written undertaking with the Commission and ARA, they do not always do so. Under proposed rule 17ad-7(h)(1), the Commission would place the obligation directly on the registered transfer agent. Requiring registered transfer agents to have a written agreement with any third party recordkeepers would

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270 *See* proposed Rule 17ad-7(h)(2).

foster accountability by the transfer agent, in that the third party would be bound to certain commitments to the transfer agent, which the transfer agent would be able to enforce through contractual remedies. The third party's acknowledgement in the proposed written agreement that the records held by the third party for the transfer agent are subject at any time to examination by representatives of the Commission or ARA would inform the third party of the importance of maintaining the records as required and providing them, upon request, for examination.

Proposed Rule 17ad-7(h)(3) would further provide that any agreement with a third party to maintain, retain, or preserve records will not relieve a registered transfer agent from the responsibility to maintain, retain, or preserve records as required under this chapter.[271] The requirements of proposed Rule 17ad-7(h)(3) are substantially similar to the requirements of existing Rule 17ad-7(f)(6)(ii) which states that agreement with a third party to maintain records shall not relieve a registered transfer agent from its responsibility to prepare and maintain records as specified in this section or in Rule 17ad-6. The changes the Commission is proposing would update and conform the language in this provision with the other proposed changes to Rule 17ad-7(f).

d. Prompt Production of Records

Existing Rule 17ad-7(f) requires transfer agents that use electronic storage media or micrographic media to store their records to have available at all times for examination "facilities to project or produce immediately easily readable images of such records" and to "[b]e ready at all times to provide such records" that the Commission or the transfer agent's ARA requests,[272] but does not explicitly require the prompt production (or examination) of such records. Further, there is no similar provision for records that are *not* stored using electronic storage media or micrographic media. At the same time, if a transfer agent uses a third party to maintain or preserve some or all of its required records using electronic storage media or micrographic

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271 *See* proposed Rule 17ad-7(h)(3).

272 *See* Exchange Act Rule 17ad-7(f)(2)(i) and (ii), 17 CFR 240.17Ad-7(f)(2)(i) and (ii).

media, existing Rule 17ad-7(f)(6), requires the third party to file a written undertaking with the Commission or the transfer agent's ARA stating that, among other things, the third party "hereby undertakes to permit examination of such books and records at any time . . . and to promptly furnish to said Commission or its designee true, correct, complete, and current hard copies of any or all or any part of such books and records."[273]

In the Commission's supervisory experience, clear, explicit requirements to promptly produce and permit examination of records are necessary and appropriate to help the Commission to fulfill its statutory mandate to regulate and oversee registered transfer agents and facilitate examination of transfer agent records by Commission and ARA staff. Accordingly, proposed Rule 17ad-7(g) would require every registered transfer agent, with respect to any record required to be maintained, retained, or preserved under this section, or otherwise subject to examination under section 17(b) of the Exchange Act, to provide promptly upon demand from the representatives of the Commission or the transfer agent's ARA a legible, true, complete, and current copy of such record in a reasonably usable electronic format.[274]

This proposed requirement is necessary and appropriate to facilitate examination of transfer agent records by Commission and ARA representatives. The proposed rule would create a simplified, single requirement applicable to all records subject to examination under Section 17(b) of the Exchange Act, regardless of whether the records are maintained in a paper-based or electronic format. It would require records to be produced promptly upon request. Promptly, in this context, means making reasonable efforts to produce records requested by Commission or ARA representatives without delay. In the Commission's experience, given the widespread use of electronic recordkeeping, transfer agents have the technical capability to furnish records within a few hours of a request, although they may request additional time to review and prepare them prior to production. Thus, the Commission expects that only in unusual circumstances

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273 Exchange Act Rule 17ad-7(f)(6)(i), 17 CFR 240.17Ad-7(6)(i).

274 *See* proposed Rule 17ad-7(g).

would a registered transfer agent be able to delay furnishing records for more than one business day and still meet the "promptly" standard.

The proposed rule would require records to be produced in a reasonably usable electronic format. This means that any electronic recordkeeping system used by a transfer agent would need to be able to download and transfer a copy of a record in a reasonably usable electronic format to meet this obligation. A reasonably usable electronic format would be a format that is compatible with commonly used systems for accessing and reading electronic records and, as a result, may change over time as technology evolves. This proposed requirement is designed to prevent situations where regulators receive files in proprietary formats they cannot open or review.

The proposed rule would require transfer agents to provide legible, true, complete, and current copies of records requested by Commission or ARA representatives. This provision would necessarily require a transfer agent to have controls in place to verify the quality and accuracy of its records to ensure that any records provided to Commission or ARA representatives are legible (capable of being read), true (accurate and authentic), complete, and current.

4. Delivery of Records to Successor Transfer Agent

Existing Rule 17ad-7(h) provides that when a registered transfer agent ceases to perform transfer agent functions for an issue, the responsibility of such transfer agent under Rule 17ad-7 to retain the records required to be made and kept under Rule 17ad-6(a)(1), (6), (9), (10), and (11), (b) and (c) shall end upon delivery of such records to the successor transfer agent.

The Commission proposes to renumber this provision as Rule 17ad-7(i) and add language specifying that a transfer agent may also deliver certain required records to the issuer or the issuer's designee to end its responsibility to retain those records.[275] In addition, the Commission

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275 *See* proposed Rule 17ad-7(i).

proposes to add a requirement for registered transfer agents to deliver, provide, or otherwise make available, to the issuer or the issuer's designee all records required to be made and kept current under Rule 17ad-6(a)(1), (6), (9), (10), and (11), (b) and (c) related to an issue within 15 calendar days after ceasing to perform transfer agent functions for that issue.[276]

The Commission has received issuer complaints noting that two primary conflicts arise between transfer agents and issuers: (1) fee disputes and (2) termination/succession issues. Disputes between issuers and transfer agents can interfere with the transfer agent's processing, recordkeeping, and safeguarding and therefore cause disruptions with the clearance and settlement system.[277] For example, issuers have noted that some transfer agents, after being terminated by the issuer, have delayed or have refused to hand over securityholder records to successor transfer agents unless the issuer pays a termination fee[278] that was not previously agreed upon by both parties. The withholding of securityholder records does not allow the successor transfer agent to ensure the master securityholder file and other records are accurate.

If the relationship between an issuer and a transfer agent is terminated, and the issuer engages a new transfer agent, it is essential to the issuer, its securityholders, and market participants who may seek to trade the issuer's securities, that the issuer's records are promptly delivered to the new transfer agent to provide an orderly continuity of services. To promote the continuous and accurate recordkeeping of issuer and securityholder records, this provision would require that all relevant master securityholder files, transfer journals, control books, records of cancelled securities certificates, and other key records be delivered, provided, or otherwise made available to the issuer or its designee no later than 15 calendar days of the transfer agent ceasing to perform transfer agent functions for an issue.[279] Based on the Commission's experience

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[276] *Id.*

[277] *See* 2015 Concept Release, *supra* note 4, at 81978.

[278] *See id.* It is the Commission staff's understanding that typical termination fees may range from about \$1,000 to \$5,000, though disputes like those described herein may involve a transfer agent's demand for fees as high as \$30,000.

[279] *See* proposed Rule 17ad-7(i).

supervising transfer agents, 15 calendar days is sufficient time for a transfer agent to identify the relevant documents and provide copies of such documents to the issuer or the issuer's designee, such as a successor transfer agent.

The timely transfer of issuer and securityholder records is essential to maintaining the accuracy and continuity of critical transfer agent functions that support the national clearance and settlement system. As discussed above, delays in producing or transmitting documents and records can create operational gaps that impede a successor transfer agent's ability to commence servicing the issuer's securities, potentially affecting issuers, investors, and downstream market participants who rely on accurate and current records to process transactions and maintain orderly markets. Requiring transfer agents to make these critical records available provides certainty that a successor transfer agent will be able to resume core functions on behalf of the issuer and its securityholders in a timely manner, reducing the likelihood and duration of disruptions that could interfere with recordkeeping, distributions, transfers, and other essential services. These concerns underscore why a clear and enforceable requirement to deliver all relevant documents within a defined period is necessary to support the continuous and accurate servicing of securityholder accounts, to mitigate the risks of service interruptions, and to help ensure the safe and efficient functioning of the national clearance and settlement system.

5. Request for Comment

The Commission requests comments on all aspects of the proposed amendments to Rule 17ad-7. In particular, the Commission requests comments on the following:

90. Is the proposed uniform six-year retention period appropriate for most transfer agent records? Are there categories of records that should have a shorter or longer retention period? If so, which ones and why?
91. The proposed rule would extend the retention requirement to cover all records required to be made or kept under the Exchange Act, not just those specified in Rule 17ad-6. Are there categories of records currently created and maintained by transfer

agents in the ordinary course of business that should be explicitly excluded from this expanded scope? If so, which ones and why? Do commenters believe that this requirement would conflict with any other Commission recordkeeping requirement (for example, for transfer agents that are also registered broker-dealers)?

92. Would the proposed uniform six-year retention period create disproportionate compliance burdens for smaller or less complex transfer agents, such as those that perform transfer agent functions solely for their own or affiliated companies' securities? Should the Commission consider tiered retention requirements based on transfer agent size or complexity?

93. With respect to records that would be subject to a retention requirement under the proposed expansion of Rule 17ad-7(a), do transfer agents already create and maintain such records in the ordinary course of their operations, and if so, for how long are such records currently retained in practice? Are there categories of records that transfer agents currently create and use operationally but do not retain for any defined period, such that the proposed rule would require not only a new retention obligation but also changes to existing systems, policies, or infrastructure to preserve records that are currently discarded or overwritten after use? Please identify any such record categories and describe the operational, technological, and cost implications of retaining them for six years.

94. The proposed rule would require electronic recordkeeping systems to maintain an audit trail that tracks access, modification, and deletion of records, including the identity of the user and the date and time of the action or attempted action. Are there circumstances in which maintaining such an audit trail would be technically infeasible or operationally impractical, such as with legacy systems or certain cloud-based platforms? How should the rule address such circumstances?

95. The proposed rule would replace the term “electronic storage media” with “electronic recordkeeping system.” Is the proposed definition for this term sufficiently clear and technology-neutral to accommodate current and emerging recordkeeping technologies, including cloud-based platforms, distributed ledger systems, and AI-driven recordkeeping tools? Are there technologies or systems that might fall outside this definition that should be covered?

96. The proposed rule would remove all references to micrographic media, reflecting the Commission's understanding that registered transfer agents have largely moved away from such technology. Are there transfer agents that continue to rely on micrographic media for recordkeeping? If so, what transition period or accommodation, if any, would be appropriate to allow such transfer agents to come into compliance with the amended rule?

97. The proposed rule would require transfer agents to implement controls to ensure the continuity of records across their entire lifecycle, without regard to system or technology upgrades, staff changes, or format changes. What specific challenges do transfer agents face in ensuring record continuity across system migrations, technology upgrades, or changes in service providers? Are there particular standards or frameworks such as those developed by the National Institute of Standards and Technology (NIST) or the International Organization for Standardization (ISO) that the Commission should reference or incorporate to provide clearer guidance on continuity requirements?

98. Would there be situations in which a transfer agent is unable to obtain the agreement required under proposed Rule 17ad-7(h) from a third-party service provider? If so, what requirements would be appropriate?

99. Do commenters agree that a transfer agent utilizing blockchain-based or other distributed ledger technology would have independent access to such records

consistent with proposed Rule 17ad-7(h)(2) such that the transfer agent would be able to regularly access and view the records maintained on the blockchain or other distributed-ledger without the need of any intervention by a third party, and could through such access permit examination of the records and promptly furnish copies of the records?

100. Should the Commission require transfer agents to maintain a duplicate copy of each required record, separately from the original, using the same controls and for the same retention period as the original? Would such a requirement be practical and cost-effective for transfer agents of all sizes and complexity? Should such a rule specify minimum standards for the geographic or logical separation of original and duplicate records, such as requiring that duplicates be maintained at a different physical location or on a separate network?

101. The proposed rule would require transfer agents to deliver, provide, or otherwise make available to the issuer or its designee all specified records within 15 calendar days of ceasing to perform transfer agent functions for an issue. Is 15 calendar days a sufficient and realistic timeframe for all transfer agents, regardless of the size or complexity of the issue? Should the rule provide for extensions of this deadline in specified circumstances, such as those involving disputes between the transfer agent and the issuer, or operational disruptions? If so, what specified circumstances would warrant such an extension and what process should govern such extensions? Should the Commission consider alternative approaches to a transfer agent’s maintenance, retention, and preservation of records? Why or why not? If so, what alternative approaches should the Commission consider? Please explain in detail.

I. Amendments to Rule 17ad-10

The Commission adopted Rule 17ad-10 in 1983 to ensure the accuracy of securityholder records and to address potential harm caused by inaccurate securityholder records.[280] It requires each recordkeeping transfer agent to promptly and accurately post certificate detail to the master securityholder file after a security is transferred, purchased, redeemed or issued. The meaning of the term "promptly" varies with the relevant transaction but generally means five business days, although for certain exempt transfer agents under Rule 17ad-4(b) promptly means 30 calendar days, and for transfer agents functioning solely for their own or their affiliated companies' securities and using batch processing promptly means ten business days.[281] Timely updating of the master securityholder file is required because delayed posting or the failure to post would promote the proliferation of record inaccuracies that could impede the accurate payment of dividends and the processing of proxy solicitations.[282]

The Commission proposes amending Rule 17ad-10 to specify that the rule applies to both certificated and uncertificated securities equally, align the "prompt" posting timeframe to the modern settlement cycle,[283] and modernize the rule text by replacing references to physical processes, hard copy records, and mail with technology neutral terms and standards. The proposed amendments are narrowly tailored to these three areas and mirror the standards and practices the Commission has already observed transfer agents adopt operationally. Specifically, the Commission proposes replacing the term "certificate detail" as used in this rule, with "position detail" to conform to the changes to Rule 17ad-9.[284] Similarly, the Commission proposes amending its rules to remove references to "hard copy" records, physical processes, and mail and replace them, where necessary, with technology neutral terms. Lastly, the Commission

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280 *See generally,* 17ad-9 through 13 Adopting Release, *supra* note 111, at 28232.

281 17 CFR 240.17Ad-10(a)(2).

282 *See infra* Section III.J.1 for further discussion of transfer agents' paying agent activities.

283 *See* 17 CFR 240.15c6-1(a); *see also* proposed Rule 17ad-2.

284 *See* proposed Rule 17ad-9.

seeks to revise the "buy-in" rule by removing the term "physical overissuance," replacing it with "overissuance," as the former term has led to questions regarding whether it applies to uncertificated securities. In connection with that change, the Commission is proposing to add a definition for the term "overissuance" to specify that the rule applies to any overissuance, whether it involves certificated or uncertificated securities, to avoid any confusion, as more fully described below.

1. Global amendments

Consistent with the amended definitions in Rule 17ad-9 discussed above,[285] the Commission is proposing to replace each reference to "certificate detail" throughout Rule 17ad-10 with a reference to "position detail," including each instance of the term "certificate detail" in the title of the rule and in paragraphs (a)(1), (a)(3), (f), and (h) of Rule 17ad-10.[286] The Commission also is proposing to replace each reference to "certificate" with a reference to "security," including each instance of the term "certificate" in paragraph (g) of Rule 17ad-10. This will help ensure that the prompt posting and other requirements specified in Rule 17ad-10 clearly and explicitly apply equally to both certificated and uncertificated securities. This is especially important with respect to uncertificated securities because turnaround for uncertificated securities is accomplished when the transfer agent completes the registration of the change in ownership,[287] and registration of uncertificated securities is accomplished when the appropriate position detail reflecting the transaction is posted to the transfer agent's master securityholder file.[288] In other words, for uncertificated securities, prompt posting *is* turnaround.

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285 *See supra* Section III.B.1.

286 *See* proposed Rule 17ad-10.

287 *See* 17 CFR 240.17Ad-1(d), (e) (definitions of transfer and turnaround).

288 Under the UCC, registration of a new owner for uncertificated securities occurs when the issuer (or the issuer's agent) registers the purchaser as the new owner on its books. *See* U.C.C. § 8-301 (delivery of uncertificated securities occurs when the issuer registers the purchaser as the registered owner on its books).

Finally, the Commission is proposing to replace outdated references to paper-based modes of communication, such as "dispatch or mail" with the term "provide," which is technology-neutral and broad enough to encompass both the manual, mail-based means of communication envisioned when the rule was first adopted, and electronic, digital, and other means of communication that modern transfer agents might utilize. Specifically, the Commission proposes to replace the terms "dispatch or mail" and "mail" with the term "provide" in paragraphs (c)(1), (c)(2), and (d) of Rule 17ad-10.

2. Prompt Posting to Master Securityholder File

As discussed in connection with the proposed amendments to Rule 17ad-2, improvements to operational efficiency enabled by advances in technology, the widespread availability of near-instantaneous electronic communications, and the prevalence of uncertificated securities in today's securities markets allow transfer agents to process transfers, communicate and share information with outside parties, and update and maintain their critical records significantly faster than was possible in 1983 when Rule 17ad-10 was first adopted. The manual, mail-dependent processes associated with the prompt posting of certificate detail have given way to near-instantaneous electronic communications and automated processes and workflows. Given these advancements, and given that most securities processed by transfer agents are uncertificated, it is appropriate to align the timing for prompt posting under Rule 17ad-10 with the timing for turnaround under Rule 17ad-2, regardless of whether the security being transferred, purchased, redeemed, or issued is certificated or uncertificated. Indeed, as noted, for uncertificated securities the two processes are one and the same. Accordingly, the Commission is proposing to amend Rule 17ad-10(a)(2)(i) to redefine "promptly" as meaning the shorter of one business day or the time period specified by Rule 15c6-1(a) under the Exchange Act.[289] This change aligns with the amendments to Rule 17ad-2 and establishes a uniform standard for

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289 *See* proposed Rule 17ad-10(a)(2)(i).

turnaround that matches the requirements for all recordkeeping transfer agents and for all securities, whether they are certificated or uncertificated. This would mean that, under the existing standard securities settlement cycle, all recordkeeping transfer agents would be required to promptly and accurately post to the master securityholder file debits and credits containing minimum and appropriate position detail representing every security transferred, purchased, redeemed, or issued within one business day after the security is transferred, purchased, issued, or redeemed, regardless of whether the security is certificated or uncertificated. As discussed above,[290] linking the prompt posting requirement for transfer agents to the existing settlement cycle for most broker-dealer securities transactions will help ensure that most investors' securities transactions settle within the same time frame, regardless of whether the investor holds in street name (i.e., through a broker-dealer) or in registered form (i.e., with a transfer agent).

As a result of this proposed change, the Commission would rescind all other meanings of the term promptly from Rule 17ad-10(a)(2). Specifically, the Commission would rescind the meaning of promptly for (i) recordkeeping transfer agents (other than those that perform transfer agent functions for redeemable securities issued by investment companies registered under section 8 of the 1940 Act) that are exempt transfer agents under Rule 17ad-4(b), (ii) recordkeeping transfer agents (other than those that perform transfer agent functions for redeemable securities issued by investment companies registered under section 8 of the 1940 Act) that perform transfer agent functions solely for their own or their affiliated companies' securities issues and employ batch processing systems, and (iii) all other recordkeeping transfer agents. As noted above, these provisions are no longer necessary in light of the technological and operational developments that enable transfer agents to promptly update the master securityholder file.

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290 *See supra* Section III.D.1.

3. Communications Between Co-Transfer Agents and Recordkeeping Transfer Agents

Existing Rule 17ad-10(c) requires co-transfer agents to "dispatch or mail promptly" to the recordkeeping transfer agent a record of debits and credits for every security transferred or issued.[291] "Promptly" in this context means two business days following transfers (or daily if the transfer is within five days of the record date).[292] Consistent with the proposed amendments to Rule 17ad-2 discussed above, the Commission proposes to amend paragraph (c) of Rule 17ad-10 to require co-transfer agents to provide the required information within one business day rather than two.[293] As discussed, advances in technology and other innovations enable co-transfer agents to provide records of debits and credits for transferred securities within one business day and often contemporaneous with their occurrence. This will help support recordkeeping transfer agents' ability to meet the new turnaround timing requirements and ensure that all registered transfer agents perform their processing obligations consistently and timely.

Similarly, existing Rule 17ad-10(d) requires co-transfer agents to "respond promptly to all inquiries from the recordkeeping transfer agent regarding records required to be dispatched or mailed by the co-transfer agent" pursuant to Rule 17Ad-10(c).[294] For purposes of paragraph (d), "promptly" means within five business days of receipt of an inquiry from the recordkeeping transfer agent.[295] The Commission is proposing to amend paragraph (d) to require co-transfer agents to respond within one business day of receipt of an inquiry from the recordkeeping transfer agent.[296] Given the shortened turnaround deadlines in Rule 17ad-2 and the changes to paragraph (c) of Rule 17ad-10 noted above, it is imperative that co-transfer agents respond to inquiries from recordkeeping transfer agents in a timely manner. As with the proposed

291 17 CFR 240.17Ad-10(c).

292 *Id.*

293 *See* proposed Rule 17ad-10(c).

294 17 CFR 240.17Ad-10(d).

295 *Id.*

296 *See* proposed Rule 17ad-10(d).

amendment to Rule 17ad-10(a), this change comports with the uniform standard set forth in Rule 17ad-2 and will help support recordkeeping transfer agents' obligations to effect turnaround in a timely manner.

4. Retention of Certificate Detail

Existing Rule 17ad-10(f) requires every recordkeeping transfer agent to retain a record of all "certificate detail" (or, as proposed, "position detail") deleted from the master securityholder file for a period of six (6) years from the date of deletion.[297] The Commission adopted this requirement to facilitate the resolution of record differences by recordkeeping transfer agents. The Commission proposes amending this rule to rescind the language allowing transfer agents that do not keep or maintain a "hard copy" of the information to comply with the rule by adhering to the electronic storage requirements set forth in Rules 17ad-7(f) and (g).[298] This provision would no longer be necessary, as the Commission's proposed amendments to the recordkeeping rules do not require transfer agents to keep and maintain hard copies of records. This proposed amendment would not require a particular method for transfer agents to retain records of "position detail" information deleted from the master securityholder file, meaning that such information could be maintained, for example, by onchain records.

5. Overissuances

Existing Rule 17ad-10(g) requires a registered transfer agent, in the event of any actual "physical overissuance," that it caused and of which it has knowledge, to buy-in securities (i.e., purchase them in the open market) equal to the number of shares (in the case of equity securities) or principal dollar amount (in the case of debt securities) of the overissuance.[299] The buy-in requirement is designed to deter transfer agents from permitting record differences to accrue and incentivizes them to maintain complete and accurate records that assure that securityholders will

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297 17 CFR 240.17Ad-10(f).

298 *See* proposed Rule 17ad-10(f).

299 17 CFR 240.17Ad-10(g)(1).

receive all appropriate corporate distributions and communications.[300] The Commission is aware, however, that the use of the word "physical" in referring to an overissuance could be read to convey that the rule applies only to an overissuance of *certificated* securities, because they are represented by "physical" paper certificates. This is not the case. The buy-in requirement specified in existing Rule 17ad-10(g) applies to *any overissuance*, whether the overissuance involves certificated or uncertificated securities.

An overissuance is a type of record difference, but not all record differences are overissuances. Only record differences that result in an overissuance require a buy-in under existing Rule 17ad-10(g). When Rule 17ad-10(g) was proposed, the term "physical overissuance" was designed to distinguish between the type of record difference that results in an overissuance (i.e., where "the share or dollar totals in the master securityholder file do not balance with the control book") and another type of record difference where "securities transferred or redeemed contain certificate detail different from the certificate detail currently on the master securityholder file."[301] The distinction is important because only the first type of record difference—the type that results in an overissuance—requires a buy-in under existing Rule 17ad-10.[302] Importantly, it is possible for the share or dollar totals in the master securityholder file to be out of balance with the control book for any type of security, whether it is uncertificated or certificated. Accordingly, and to avoid future confusion among industry participants, the Commission is proposing to remove the word "physical" in reference to overissuance in the title and throughout paragraph (g) of Rule 17ad-10.

To provide further clarity regarding the meaning of the term overissuance, the Commission is proposing to add paragraph (i) to Rule 17ad-10, which will define overissuance as "an out-of-balance condition wherein the securities issued and outstanding exceed the

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300 *See* 17ad-9 through 13 Adopting Release, *supra* note 111.

301 17ad-9 through 13 Proposing Release, *supra* note 9, at 47271.

302 *See* 17ad-9 through 13 Adopting Release, *supra* note 111, at 28237.

securities authorized and outstanding, as reflected in the transfer agent's control book."[303] This proposed definition is appropriate because it is not potentially limited to certificated shares through use of the term "physical" as discussed above, and instead uses technology-neutral language that is equally applicable with respect to certificated and uncertificated securities. The proposed definition would help ensure that transfer agents are accurately and consistently applying the term and complying with their obligation to monitor against overissuances generally and conduct buy-ins consistent with Rule 17ad-10(g).[304]

6. Request for Comment

The Commission requests comments on all aspects of the proposed amendments to the requirements in Rule 17ad-10. In particular, the Commission requests comments on the following:

102. The proposed rule would redefine "promptly" for purposes of Rule 17ad-10(a) as the shorter of one business day or the time period specified by Rule 15c6-1(a), aligning the prompt posting requirement with the current T+1 settlement cycle. Is this standard achievable for all categories of transfer agents and all types of securities transactions, including those involving certificated securities, complex corporate actions, or securities issued by smaller issuers? Are there transaction types or operational circumstances that would make one-business-day posting impractical or infeasible?

103. The proposed rule would eliminate the existing differentiated "promptly" standards for exempt transfer agents under Rule 17ad-4(b), transfer agents using batch processing systems, and all other recordkeeping transfer agents. Would the elimination of these differentiated standards create disproportionate compliance

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303 *See* proposed Rule 17ad-10(i).

304 *See* proposed Rule 17ad-10(g).

burdens for smaller or less technologically sophisticated transfer agents? Should the Commission consider an exemption or different standards for certain types of transfer agents, or a phased implementation schedule or transitional relief for transfer agents that would need to significantly upgrade their systems to meet the new standard?

104. Should the Commission consider allowing multiple recordkeeping transfer agents to jointly but separately maintain the master securityholder file for a particular issue across multiple files and systems? If so, how would the prompt posting and overissuance requirements in Rule 17ad-10 apply in such arrangements, and what additional safeguards or coordination requirements would be necessary to ensure accuracy and integrity of the master securityholder file?

105. Should transfer agents that maintain the master securityholder file exclusively on an immutable blockchain network be exempt from the record deletion and retention requirement set forth in Rule 17ad-10(f), given that records created on such networks cannot be "deleted" in the traditional sense? If so, what alternative requirements, if any, should apply to ensure that the purposes of Rule 17ad-10(f) are achieved?

106. Should the Commission amend Rule 17ad-10(h) to eliminate the provision stating that recordkeeping transfer agents shall not be required to add certificate detail (or position detail, as proposed to be amended) to the master securityholder file for certificates issued prior to the effective date of this section, which was September 30, 1983?

107. Should the Commission consider alternative approaches to ensuring that the requirements of Rule 17ad-10 apply equally and effectively to uncertificated securities, beyond the proposed replacement of "certificate detail" with "position detail" throughout the rule? For example, should the Commission consider adopting separate, tailored provisions for uncertificated securities that better reflect the

operational realities of maintaining and updating securityholder records in a fully electronic environment? Please explain.

J. Amendments to Rule 17ad-12

1. Background

A significant number of registered transfer agents provide administrative, recordkeeping, processing, and custody services associated with distributing cash and stock dividends, bond principal and interest, mutual fund redemptions, and other payments to securityholders, a constellation of services often referred to as "paying agent" services.[305] These activities often require transfer agents to receive, accept, and hold funds or securities for periods ranging from less than one day to as long as 30 days before distributing them to intended recipients.[306] In some instances, transfer agents may hold residual or unclaimed funds and securities for extended durations when the intended recipient is lost or unresponsive before distribution or escheatment under applicable law.[307]

The scope and scale of these activities are significant. In 2014, transfer agents distributed over $2.4 trillion in securityholder dividends and interest payments.[308] In 2024, the amount rose to nearly $4.4 trillion in dividend disbursements and interest payments.[309] These figures do not

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[305] 2015 Concept Release, *supra* note 4, at Section VI.C (internal citations omitted). Exchange Act Rule 17ad-17(c)(2) defines the term "paying agent" to include any issuer, transfer agent, broker, dealer, investment adviser, indenture trustee, custodian, or any other person that accepts payments from the issuer of a security and distributes the payments to the holders of the security. 17 CFR 240.17Ad-17(c)(2).

[306] 2015 Concept Release, *supra* note 4, at Section VI.C (internal citations omitted).

[307] *Id.*; *see also* Transfer Agent Safeguarding of Funds and Securities, OCIE Risk Alert (Feb. 13, 2019), *available at* https://www.sec.gov/files/OCIE%20Risk%20Alert%20-%20Transfer%20Agent%20Safeguarding.pdf (last visited Mar. 23, 2026).

[308] This figure is based on transfer agent annual reports filed with the Commission on Form TA-2 under the Exchange Act for the 2014 reporting period, which are publicly available once filed. *See generally*, Exchange Act Rule 17Ac2-2(a), 17 CFR 240.17Ac2-2(a); SEC Form TA-2, 17 CFR 249b.102.

[309] This figure is based on transfer agent annual reports filed with the Commission on Form TA-2 under the Exchange Act for the 2024 reporting period, which are publicly available once filed. *See generally,* Exchange Act Rule 17Ac2-2(a), 17 CFR 240.17Ac2-2(a); SEC Form TA-2, 17 CFR 249b.102.

include distributions made by mutual fund transfer agents.[310] This data underscores the increasing magnitude and systemic importance of the paying agent functions performed by registered transfer agents. Operational disruptions have historically demonstrated the potential market impact of custody and processing failures: the late-1960s Paperwork Crisis (including widespread physical-certificate backlogs and theft), the 2008 financial crisis, and the 2012 flooding of DTCC's securities vault during Superstorm Sandy each highlighted the importance of safe, accurate, and efficient delivery of funds and securities—whether certificated or uncertificated—for market integrity and investor protection.[311]

Given transfer agents' custody and paying agent roles, risks include fraud, theft, misappropriation, recordkeeping errors, attachment (e.g., judgments against a transfer agent), and insolvency (e.g., commingling of issuer or securityholder funds with transfer agent funds, potentially leading to those issuer or securityholder funds being treated as general assets of the transfer agent in bankruptcy).[312] As operations have become increasingly automated and data-driven, transfer agents also face operational and information-security risks that can affect ownership interests of securityholders and disrupt market activity, particularly in light of electronic linkages to DTC and other market participants.[313]

2. Existing Requirements Under Rule 17ad-12

Rule 17ad-12 is the safeguarding rule. It requires registered transfer agents (1) to assure that all securities in their custody or possession are held in safekeeping and handled, in light of all facts and circumstances, in a manner reasonably free from risk of theft, loss or destruction and

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310 For example, based on information received in response to information requests by Commission staff, we understand that aggregate gross purchase and redemption activity for some of the larger mutual fund transfer agents has ranged anywhere from $3.5 trillion to nearly $10 trillion just for a single entity in a single year. As discussed in Section II.D, we are proposing to amend Form TA-2 to include this information.

311 2015 Concept Release, *supra* note 4, at Section VI.C (internal citations omitted).

312 *Id.; see also* OCIE Risk Alert, *supra* note 307.

313 2015 Concept Release, *supra* note 4, at Section VI.C (internal citations omitted); *see also* DTCC During Market Turmoil (July 2, 2021), *available at* https://www.dtcc.com/dtcc-connection/articles/2021/july/02/dtcc-during-market-turmoil (last visited Mar. 23, 2026).

(2) to assure that all funds in their custody or possession are protected, in light of all facts and circumstances, against misuse.[314] In evaluating which particular safeguards and procedures must be employed, Rule 17ad-12 specifies that the cost of the various safeguards and procedures as well as the nature and degree of potential financial exposure are two relevant factors.[315]

When Rule 17ad-12 was first proposed in 1982, the Commission noted that "registered transfer agents, in addition to possess[ing] securities in transfer, may have custody and possession of substantial amounts of funds and securities for a variety of reasons" and that it was proposing Rule 17ad-12 "to strengthen investor protection."[316] At the time, the Commission was primarily concerned with transfer agents maintaining physical custody of funds and securities through their role in maintaining balance certificates, administering DRIPs, retaining abandoned dividend checks and certificates under state abandoned property laws, maintaining supplies of unissued certificates, distributing cash dividends, and processing mutual fund redemptions.[317] The examples of "safekeeping" measures a transfer agent might employ were indicative of the focus on physical possession or control: dual control vaults, sign-in procedures for vault entry, closed circuit TV cameras, security guards, locked doors to offices where transfer agent activities are performed, identification badges by employees, and password procedures or terminal access controls for system terminals in the transfer agent's office, among others.[318]

Other rules touch on mitigating risks associated with transfer agents' activities. For example, Rule 17Ad-13 requires an independent accountant's annual report concerning internal accounting control and related procedures for the transfer of record ownership and the safeguarding of related funds and securities,[319] and Rule 17ad-17 addresses a narrow aspect of

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314 17 CFR 240.17Ad-12(a)(1) and (2).

315 17 CFR 240.17Ad-12(a)(2).

316 17ad-9 through 13 Proposing Release, *supra* note 9, at 47274.

317 *Id.*

318 *Id.*

319 *See* 17 CFR 240.17Ad-13.

paying agent activity—searches for lost securityholders and notices to unresponsive payees.[320] However, these rules do not prescribe specific minimum standards for the complex administrative, recordkeeping, and processing activities associated with transfer agents' paying agent services, nor do they explicitly address operational and information security risks that arise in modern, largely electronic environments.

3. Modern Transfer Agent Activities and the Expanded Risk Landscape

While many paying agent activities remain similar in kind to those contemplated in 1982, their scope, volume, and complexity have dramatically increased. Modern transfer agents routinely:

- Receive and hold issuer or securityholder funds and securities prior to distribution, exposing them to custody and delivery risks over varied holding periods;
- Maintain residual or unclaimed funds and securities for extended durations due to lost contact or unresponsive payees, implicating escheatment obligations;
- Execute complex distribution workflows—e.g., determining record-date eligibility; calculating and balancing cash dividends or stock dividend equivalents; issuing, registering, and delivering securities in certificated or book-entry form; printing and posting payments; reconciling checks and disbursements; and providing ancillary services (e.g., stops on lost/stolen checks or certificates, reissues, paid-check copies, and IRS tax reporting);[321] and
- Administer special distributions (e.g., settlements and litigations) requiring granular reconciliation of ownership records across time windows and eligibility criteria, where errors can trigger investor loss and issuer/agent liability.[322]

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320 *See* 17 CFR 240.17Ad-17.

321 2015 Concept Release, *supra* note 4, at Section VI.C (internal citations omitted).

322 *Id.*

At the same time, the widespread use of uncertificated securities, including tokenized or book-entry securities, and end-to-end automation has introduced material operational and information-security risks. Transfer agents store, access, and manipulate data related to the securities and funds they hold. Unauthorized or inappropriate access or failure of those systems can directly lead to loss, misappropriation, or disruption of market activity—including among street-name owners via electronic linkages to DTC.[323] In the Commission's experience, there is wide variance among transfer agents' practices concerning information security and operational risk management, and it is not uncommon for failures in information security or operational risk management to directly cause or contribute to losses through theft or misappropriation.[324] While physical security is vitally important, cybersecurity and operational threats are equally vital to an effective safeguarding program.

Yet Rule 17ad-12 focuses on physical custody and does not provide clear, definitive standards for safeguarding uncertificated securities, nor does it mandate a comprehensive risk-management framework capable of addressing cybersecurity and operational threats at the scale of modern activities. Further, risks such as recordkeeping errors, attachment, and insolvency remain salient and are not fully addressed by the existing safeguarding regime.

4. Proposed Amendments

Given the evolving roles of transfer agents, the magnitude of funds and securities they process and hold, increasing importance of cybersecurity and operational risk management in protecting investor and issuer funds and securities, more specificity and a robust, comprehensive standard is necessary to better protect investors, facilitate the prompt and accurate clearance and settlement of securities transactions, and preserve the resilience of the national clearance and

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323 2015 Concept Release, *supra* note 4, at Section VI.E (internal citations omitted).

324 *See* OCIE Risk Alert, *supra* note 307.

settlement system.[325] Reframing Rule 17ad-12 as an outcomes-based, policies-and-procedures requirement—supplemented by targeted minimum safeguards—is both necessary and appropriate in the public interest and for the protection of investors to:

- Explicitly cover all asset forms, including uncertificated securities, by extending the safeguarding requirement to misappropriation, damage, and improper or unauthorized access—terms that directly encompass electronic records and modern data systems;
- Mandate segregation of funds, requiring that issuer, securityholder, and other third-party funds be maintained in a bank account designated as a "for the benefit of" account, distinct from any transfer agent operating accounts, which will help ensure that those funds are not treated as the transfer agent's general assets in the event of insolvency and reduce risks from commingling, attachment, and operational confusion;
- Require business continuity plans ("BCP") to address events posing significant operational disruption risks—ensuring timely recovery of records and resumption of operations and obligations and providing a baseline of preparedness to help mitigate local and systemic risks; and
- Establish a comprehensive risk-management framework to identify, measure, monitor, and mitigate material custody, operational, cybersecurity, and related risks—calibrated to each transfer agent's business model and services—providing flexibility while ensuring consistent, minimum standards across the industry.

Accordingly, the Commission is proposing to reframe Rule 17ad-12 as a comprehensive risk management rule. Specifically, under proposed amendments to Rule 17ad-12, a registered

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325 *See In the Matter of Columbia Management Investment Services Corp.*, Exchange Act Release No. 80016 (Feb. 10, 2017) (settled matter) (finding that the transfer agent's Records Management Manager ''viewed sensitive personal account information such as addresses, dates of birth, and identification numbers'' to misappropriate foreign deceased shareholders' funds and securities); *In The Matter of Equiniti Trust Company, LLC f/k/a American Stock Transfer & Trust Company, LLC*, Exchange Act Release No. 100780 (Aug. 20, 2024) (settled matter) (finding that the transfer agent "suffered two separate cyber incidents in 2022 and 2023, respectively, that led to the net loss of approximately $4.08 million total in client funds").

transfer agent would be required to establish, maintain, and enforce written policies and procedures reasonably designed to (i) ensure that all securities and funds in the transfer agent's possession, control, or custody are protected at all times against the risk of theft, loss, misappropriation, misuse, damage, destruction, and improper or unauthorized access and (ii) identify, measure, monitor, and mitigate any material custody, operational, cybersecurity, and other risks posed by or associated with the transfer agent's business, activities, and operations.[326] This approach would help establish clear but flexible compliance requirements that would permit each transfer agent to develop policies and procedures tailored to its risks and other characteristics. The specific policies and procedures would still need to comply with the minimum requirements specified in the rule but would otherwise be within the discretion of the transfer agent depending on the nature and scope of the transfer agent's services and activities.

The rule would also require that all issuer, securityholder, and other third-party funds held by a registered transfer agent be maintained in a bank account designated as a "for the benefit of" account separate from any other bank account of the registered transfer agent.[327] The proposed rule would not, however, require transfer agents to maintain segregation of third-party funds on a client-by-client basis. This requirement would help ensure that a transfer agent's operational funds are not commingled with issuer, securityholder, or other third-party funds and that those issuer, securityholder, or third-party funds are kept bankruptcy remote in the event the transfer agent enters bankruptcy or otherwise goes out of business, thereby facilitating access of issuers, securityholders, and other third parties to funds that are rightfully theirs.

Finally, the amended rule would require transfer agents to establish, maintain, and enforce a written business continuity plan that (i) identifies and addresses events that pose a significant risk of disrupting the transfer agent's operations; (ii) ensures the timely recovery of the transfer agent's records; (iii) enables the timely resumption of the transfer agent's operations

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326 Proposed Rule 17ad-12(a).

327 Proposed Rule 17ad-12(b).

and fulfillment of its responsibilities and obligations; and (iv) is tested, reviewed, and updated no less frequently than annually.[328] This requirement is necessary and appropriate to ensure that registered transfer agents address and mitigate the significant risks that disruptions pose to investors, issuers, the securities markets, and the national clearance and settlement system. As discussed above, any interruption to a transfer agent's functions—whether caused by natural disaster, operational failure, cyber incident, employee malfeasance, or other events—can result in significant delays or errors in the delivery of funds and securities, lead to the loss of physical or electronic records, funds or securities, or in some cases jeopardize the ownership interests of securityholders. Based on the Commission's supervisory experience, historical disruptions, including those triggered by severe weather events and other operational shocks, have demonstrated that the continuity of transfer agent operations is essential to maintaining market stability and protecting investors. The Commission understands that modern transfer agents rely extensively on electronic systems for recordkeeping, processing, and communication with issuers, securityholders, and other market participants. These systems introduce dependencies and vulnerabilities that did not exist when the transfer agent rules were first adopted, including the risk that a system outage, data loss, or cybersecurity incident could impair a transfer agent's ability to process transactions, access or reconcile records, or fulfill its obligations as a paying agent or custodian. Because transfer agents often serve as a critical link between issuers, registered securityholders, depositories, and other intermediaries, an operational disruption at a single transfer agent can have broader effects on trading, clearance and settlement, and investor access to funds or securities. For these reasons, requiring registered transfer agents to establish, maintain, and enforce a written business continuity plan is a key component of a modernized safeguarding framework and is necessary to mitigate the operational and information security risks faced by contemporary transfer agents. The requirement that the business continuity plan

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[328] Proposed Rule 17ad-12(c).

ensure the timely recovery of the transfer agent's records is designed to ensure that each transfer agent considers how to address the recovery of both physical and electronic records. For example, duplicate copies of records that are kept separate from the originals may serve as a safeguard against data loss, corruption, or tampering. As such, duplicate copies of records may be part of a transfer agent's business continuity plan, enabling the timely recovery of records and resumption of operations if needed. The requirement that the business continuity plan be tested, reviewed, and updated no less frequently than annually is designed to help ensure that each transfer agent's plan remains current, effective, and appropriately calibrated to the transfer agent's technology, business model, scale, and risk profile.

The proposed amendments to Rule 17ad-12 will provide an outcomes-based but measurable standard that enables transfer agents to tailor their risk management to their particular operations while establishing a consistent minimum baseline of preparedness across the industry. Given the volume of assets handled by transfer agents and the dependence of issuers and investors on their uninterrupted operation, reframing Rule 17ad-12 as a comprehensive risk management rule is necessary and appropriate to promote the prompt and accurate clearance and settlement of securities transactions, the safeguarding of securities and funds, and to protect investors and the public interest.

5. Request for Comment

The Commission requests comments on all aspects of the proposed amendments to Rule 17ad-12. In particular, the Commission requests comments on the following:

108. Is an outcomes-based, policies and procedures approach appropriate for registered transfer agents' risk management, or should the rule specify more prescriptive minimum standards for particular types of risks or activities?

109. Should the Commission provide guidance on what would constitute a "material" custody, operational, cybersecurity, or other risk that would need to be addressed in a transfer agent's risk management policies and procedures?

110. Are the proposed requirements for BCPs adequate to ensure timely recovery and resumption of operations after a disruption?

111. Should transfer agents be required to report cybersecurity incidents or other significant operational disruptions to the Commission or their ARA within a specified timeframe? If so, what types of incidents should trigger a reporting obligation, and what information should be included in such reports?

112. Should transfer agents be required to obtain independent assessments of their cybersecurity and operational risk management practices, such as SOC 2 reports (i.e., the compliance and privacy standard developed by the AICPA) or similar third-party attestations? If so, how frequently should such assessments be required, and should they be filed with the Commission or made available to ARA staff?

113. Is the proposed requirement to maintain issuer or securityholder funds in segregated bank accounts practical and effective from a safeguarding perspective? Should the rule address whether stablecoins and tokenized deposits can be funds (in addition to cash) and whether the bank account could be a bank's custodial wallet? Should the rule specify minimum requirements for the banks at which such accounts must be maintained? Should the rule permit transfer agents to use trust accounts or other types of intermediaries, such as registered broker-dealers, to hold issuer or securityholder funds?

K. Amendments to Rule 17ad-17

1. Background

Existing Rule 17ad-17(b)(2) defines a lost securityholder as a securityholder to whom an item of correspondence that was sent is returned as undeliverable. Existing Rule 17ad-17(a)(1) requires recordkeeping transfer agents, brokers, and dealers with accounts of lost securityholders to exercise reasonable care to ascertain the correct physical mailing addresses of such securityholders, including by conducting at least two database searches pursuant to a specific schedule.[329] The Commission adopted Rule 17ad-17 in 1997 to address situations where recordkeeping transfer agents could lose contact with securityholders, which could prevent securityholders from receiving corporate communications or interest, dividend, and other payments from the issuer to which the securityholder may be entitled.[330] The Commission also noted that loss of contact could place securityholders' securities and related interest and dividend payments to which they are entitled at risk of being deemed abandoned under operation of state escheatment laws.[331] Generally, such state escheatment laws require transfer agents to remit "abandoned" securities and funds to a state's unclaimed property administrator after a certain period of time has elapsed following a "dormancy trigger"—historically five years for securities.

There are two primary dormancy triggers for securities adopted in most states. First, one dormancy trigger is the return as undeliverable of one or more items of U.S. mail sent to the owner of the securities, commonly referred to as the "Returned Post Office" or "RPO" standard. Second, another dormancy trigger begins after the last owner-generated contact or activity, regardless of whether physical mail is successfully delivered.[332] In general, the property owner can avoid escheatment following a dormancy trigger by indicating an awareness of and interest in the security, for example by communicating with the transfer agent, accessing an account, negotiating a check, or making a deposit or withdrawal.[333] Although securityholders who have had their securities escheated may be able to petition the state to reclaim their property, states generally indemnify holders only for the value of the securities at the time of escheatment, not for subsequent market appreciation, dividend streams, or tax consequences. Thus, ensuring that

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329 *See* 17 CFR 240.17Ad-17(a).

330 *See* Rule 17ad-17 Adopting Release, *supra* note 57.

331 *Id.*

332 *See* Unclaimed Property: Compliance Obligations and Challenges for Broker Dealers - SIFMA, SIFMA (January 2015), *available at* https://www.sifma.org/research/white-papers/unclaimed-property-compliance-obligations-and-challenges-for-broker-dealers (discussing common dormancy triggers adopted by the states).

333 *See, e.g.,* Revised Uniform Unclaimed Property Act, Section 210 (Indication of Apparent Owner Interest in Property).

transfer agents can identify active and engaged securityholders is a key factor in preventing escheatment and the attendant harm or inconvenience it can cause to investors.

The Commission is aware of a recent trend among some states to reduce the dormancy period for securities from five years to three years.[334] The Commission is also aware that many states have now replaced or supplemented the long-standing RPO standard that defines lost securityholders under Rule 17ad-17(a) with an inactivity standard that requires the owner to actively manage or access their account or it can be deemed dormant following a requisite period of inactivity.[335] The argument in favor of the inactivity standard appears to be that the RPO standard is outdated, as many owners now access their accounts and receive statements electronically. However, a risk is that many investors adopt a "buy and hold" or "set it and forget it" strategy with their investment accounts, especially those established as retirement or educational savings accounts, and may see no need to routinely access their account, especially if they are receiving periodic statements.

The net effect of these developments is to increase the likelihood of escheatment for investors. In the case of inactivity standards replacing the RPO standard, it is possible that state laws could vitiate the purpose of Rule 17ad-17 altogether by requiring a transfer agent, broker, or dealer to escheat funds or securities to the state even though there is no lost securityholder as defined by the rule.

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334 For example, New York, Arizona, South Dakota, Maryland, and New Hampshire have three-year dormancy periods for securities. *See also* letter from Senator Elizabeth Warren, Ranking Member, Committee on Banking, Housing, and Urban Affairs, to Meaghan Aguirre, National Association of Unclaimed Property Administrators, dated April 15, 2026, *available at* https://www.banking.senate.gov/imo/media/doc/20260415lettertonaupaonescheatment.pdf.

335 For example, in 2026, Florida Senate Bill 1457 enacted several significant changes to Florida's unclaimed property laws. The new Florida standard incorporates both a returned communication standard and a 10-year period to show an indication of interest, or activity, in an account. It also allows investors to demonstrate continued interest by securely accessing a website, engaging through a mobile app, or responding to an account notice, among other actions. *See* Fla. SB 1452 (2026). *See also,* 12 Del. C. § 1133; N.Y. Abandoned Property Law **§** 50; Michigan Compiled Laws § 567**;** Texas Property Code Title 6; Iowa Code Chapter 556.

2. Proposed Amendments Regarding Inactive Securityholders

Accordingly, for the reasons discussed above, the Commission proposes to add Rule 17ad-17(b)(3) to establish a new defined term for "inactive securityholder." Under the new Rule 17ad-17(b)(3), an inactive securityholder would include a securityholder for whom the transfer agent, broker, or dealer has not observed any account activity for a period of 18 months. For this purpose, the term "account activity" by a securityholder includes any of the following actions regarding its account: electronically accessing the account, including account login or email access; any electronic communication with the transfer agent, broker, or dealer regarding the account; conducting a transaction in the account where the assets are held, including deposits or withdrawals of funds; indication of receipt of communications (such as read receipts); or any other affirmative indication or action that reasonably demonstrates that the securityholder is reachable and engaged with its account.

Under this proposal, a securityholder for whom the transfer agent, broker, or dealer has not observed any account activity for a period of 18 months would be treated as an inactive securityholder. Pursuant to the new requirement in proposed Rule 17ad-17(a)(3), the transfer agent, broker, or dealer would be required to exercise reasonable care to notify such securityholder. In exercising reasonable care to notify such securityholders, each such recordkeeping transfer agent and broker or dealer shall provide not less than two written notifications to each inactive securityholder stating that such inactive securityholder has not been active in its account, that some jurisdictions may consider inactive accounts to be unclaimed or abandoned property subject to escheatment, and describe the steps a securityholder may take to show activity in the account. Such notifications must be provided no later than six (6) months after the securityholder became an inactive securityholder and no later than six (6) months after providing the first notification. Such notifications need not be provided if the securityholder ceases to be an inactive securityholder prior to the notifications being provided. Such notifications may be sent by any method reasonably expected to reach the inactive securityholder.

Providing the notifications could aid the transfer agent, broker, or dealer in reestablishing activity in the account, prior to the transfer agent, broker, or dealer being required to remit funds or securities to the state escheatment authority pursuant to a potential dormancy standard, thereby advancing the protection of investors against escheatment of their assets.

3. Proposed Amendments Regarding Correspondence and Payments

To reflect the use of electronic means for sending correspondence and payments, the Commission is also proposing to update existing paragraphs (b)(2), (c)(1), and (c)(3). Paragraph (b)(2) defines the term “lost securityholder.” A securityholder can become a lost securityholder if, among other things, an item of correspondence that was sent to the securityholder at the address contained in the transfer agent’s master securityholder file or customer security account records of the broker or dealer has been returned as undeliverable. The Commission is proposing to delete from this definition the phrase “at the address contained in the transfer agent’s master securityholder file or customer security account records of the broker or dealer.” Under the revised definition, a securityholder would become a lost securityholder whenever an item of correspondence that was sent to the securityholder has been returned as undeliverable, regardless of whether the address where the item was sent was contained in the transfer agent’s master securityholder file or customer security account records of the broker or dealer. The Commission is proposing this update to reflect that some securityholders may correspond using means and addresses, including electronic methods, that may not always be contained in the transfer agent’s master securityholder file or customer security account records of the broker or dealer. This proposal would ensure that all securityholders receive the protections afforded by the rule, regardless of how they may choose to correspond.

Similarly, the Commission is proposing to update paragraphs (c)(1) and (c)(3) to reference electronic means for sending payments. Paragraph (c) requires a paying agent, as defined in Rule17ad-17(c)(2), to provide not less than one written notification to each unresponsive payee, in certain circumstances. Paragraph (c) currently refers to checks not being negotiated, in determining whether a securityholder is an unresponsive payee and when a paying agent must provide the written notification. The Commission is proposing to update paragraph (c) to refer to a rejected electronic payment, in addition to a check that has not been negotiated. The Commission is proposing this update to reflect that some securityholders may receive payments through electronic methods. This proposal would ensure that all securityholders receive the protections afforded by the rule, regardless of how they may choose to receive payments.

4. Request for Comment

The Commission requests comments on all aspects of the proposed amendments to Rule 17ad-17. In particular, the Commission requests comments on the following:

114. Should the rule specify additional steps that transfer agents, brokers, or dealers must take before or after completing unsuccessful database searches before remitting funds or securities to a state unclaimed property administrator, such as attempting to contact the securityholder by alternative means or notifying the issuer? For example, should the Commission require that a lost securityholder provide affirmative consent before a transfer agent, broker, or dealer may remit funds or securities to a state unclaimed property administrator?

115. Is the Commission's proposed definition of "inactive securityholder" appropriate? Should the Commission amend the definition of "inactive securityholder" to incorporate any other account dormancy or inactivity component? If so, please describe in detail the other account dormancy or inactivity components. Is the Commission's proposed period of inactivity appropriate? What period of inactivity should trigger lost securityholder status?

116. Is the Commission's proposed description of account activity appropriate? What types of account activity should be sufficient to prevent a securityholder from being deemed inactive? Does the description adequately capture activity in tokenized securities?

117. Should the Commission consider other or additional measures to protect investors from the consequences of escheatment, such as requiring transfer agents, brokers, or dealers to provide an additional written notice to securityholders of the risk of escheatment before remitting their assets to a state unclaimed property administrator, or requiring transfer agents to maintain records of escheated assets to facilitate reclamation by investors?

118. Should the Commission make any other amendments to Rule 17ad-17 to reflect the use of electronic communications? For example, should the Commission amend the definition of "Information data base service" to reference electronic contact information and communications? Should the Commission include in the definition of "Information data base service" a data base that contains contact information reasonably likely to result in reestablishing contact with the lost securityholder, in the case of any other undeliverable correspondence? Should the Commission require transfer agents, brokers, or dealers to search for a correct physical mailing address for a lost securityholder? Should the Commission allow transfer agents, brokers, or dealers to satisfy their obligations under Rule 17ad-17 by searching for a correct electronic mailing address or other means of electronic communication? Are there commercially available databases which transfer agents, brokers, or dealers can use to search for a correct electronic mailing address or other means of electronic communication?

119. Should the Commission make any other amendments to Rule 17ad-17(c) to reflect paying agents' use of electronic communications and electronic payments?

120. In situations where a transfer agent, broker, or dealer does not have a physical mailing address for a securityholder, how does the transfer agent, broker, or dealer comply with Rule 17ad-17? Are there alternative means of complying with Rule 17ad-17 that do not require the use of physical mail?

121. Should the Commission consider any other alternative approaches to protect investors from the consequences of escheatment? If so, what alternative approaches should the Commission consider? For example, should the Commission harmonize with approaches taken by other regulators, such as the Department of Labor? Should the Commission consider explicitly preempting state laws related to escheatment? Please explain in detail.

122. Should the Commission consider providing an alternative to the database search requirement in circumstances where the transfer agent, broker, or dealer does not have identifying information for a lost securityholder? For example, should the Commission consider a lost securityholder reauthentication requirement whereby the transfer agent, broker, or dealer must make at least two attempts to reestablish contact with a lost securityholder using all available contact information reasonably available to the transfer agent, broker, or dealer?

IV. Proposed New Rules

It is appropriate to address on-going concerns regarding transfer agent operations as well as strengthen the industry's approach to new technology and investor protection. Accordingly, the Commission is proposing a strengthened compliance framework which would include requirements for registered transfer agents to develop compliance policies and procedures and to refrain from improperly removing restrictive legends. Each of these proposed new rules is discussed in detail below.

A. Proposed Rule 17ad-30: Compliance

Proposed Rule 17ad-30 would require every registered transfer agent to establish, maintain, and enforce written policies and procedures reasonably designed to (i) achieve compliance with the federal securities laws and the rules and regulations thereunder applicable to the transfer agent and (ii) identify and remediate instances of non-compliance with the policies and procedures in a timely manner.[336] The proposed rule would also require that the policies and procedures be reviewed and approved by the transfer agent's board of directors or similar governing body no less frequently than annually or following material changes to either the transfer agent's operations or the federal securities laws and rules and regulations described in paragraph (a)(1) of this section.[337]

Based upon its supervisory experience with respect to transfer agents, the Commission has observed that there is significant variance among transfer agents in terms of their awareness of and experience with the federal securities laws, including the Commission's transfer agent rules. This variance can have significant consequences, including compromising the accuracy of issuer securityholder records, disrupting communications between issuers and securityholders, disenfranchising investors, and potentially exposing issuers, investors, and the broader securities markets to significant financial loss and undermining the national system of clearance and settlement.

These requirements would establish a uniform baseline compliance requirement for all registered transfer agents, regardless of size, business model, or specific services provided, while at the same time providing individual transfer agents with the flexibility to develop and implement written policies and procedures based on their specific business model, services, risks, and other characteristics. Such flexibility would help accommodate the various business

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336 *See* proposed Rule 17ad-30(a).

337 *See* proposed Rule 17ad-30(b).

models transfer agents may have while at the same time advancing the Commission's investor protection goals and facilitating the safe and efficient functioning of the national clearance and settlement system.

1. Policies and Procedures Reasonably Designed to Achieve Compliance

Proposed Rule 17ad-30(a)(1) would require every registered transfer agent to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with the applicable federal securities laws, rules, and regulations.[338] As noted, this approach is designed to provide flexibility while promoting a baseline of compliance across the industry. The policies and procedures requirement would necessitate that registered transfer agents conduct a critical review and evaluation of the regulatory landscape and identify the specific statutes, rules, and regulations implicated by the transfer agent's registration status and specific activities.

The establishment of written policies and procedures for regulated entities is commonplace in existing securities laws and regulations.[339] Beyond simply establishing a compliance framework, written policies and procedures also facilitate the identification and remediation of compliance issues in a timely manner. Written policies and procedures are an essential tool through which transfer agents can organize, communicate, implement, monitor, and improve their compliance efforts, and the proposed rule's requirement for such policies and procedures is therefore complementary to existing legal obligations.

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338 *See* proposed Rule 17ad-30(a).

339 *See e.g.,* 17 CFR 275.206(4)-7 (a rule requiring registered investment advisers to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Investment Advisers Act and rules adopted thereunder. This rule also includes requirements to review, no less frequently than annually, the written compliance policies and procedures and to designate a chief compliance officer responsible for administering such policies and procedures); *see also* 17 CFR 270.38a-1 (a rule requiring registered investment companies to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the federal securities laws. This rule also includes requirements to review, no less frequently than annually, the adequacy of the compliance policies and procedures and to designate a chief compliance officer responsible for administering such policies and procedures).

In establishing and maintaining such written policies and procedures, a transfer agent may tailor them to its particular circumstances and the scope of its transfer agent activities. In establishing, maintaining, and enforcing such written policies and procedures, a transfer agent generally should ensure that its directors, officers, employees, contractors, and service providers are aware of the transfer agent's policies and procedures and both obligated and capable of complying with them in the performance of their duties. The Commission understands that there are various ways for a firm to ensure awareness and compliance among its management and personnel, including maintaining and distributing employee handbooks, establishing robust training programs, ensuring that firm policies and procedures are easily accessible, utilizing technology like compliance software and online policy management tools, consistent interpretation and enforcement of the policies and procedures by management, internal audits and risk assessments, and creating a culture of transparency and accountability where questions, concerns, and issues can be raised openly and without fear of retaliation. Regardless of the specific methods and tools a transfer agent uses to ensure that its management and staff are aware of and follow relevant policies and procedures, determining which methods and tools will work best is a key component of ensuring that the policies and procedures are reasonably designed to achieve compliance.

Sub-paragraph (2) of Rule 17ad-30(a) would require that the policies and procedures be reasonably designed to identify and remediate noncompliance with the transfer agent's policies and procedures in a timely manner.[340] While transfer agents would have flexibility to ensure that compliance failures are remediated in a way that is tailored to the specific transfer agent, any approach would need to include policies and procedures reasonably designed to identify and track instances of non-compliance, as well as an approach to identify and implement appropriate remedial measures. This system would help provide the transfer agent with data and other

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340 *See* proposed Rule 17ad-30(a)(2).

information necessary to evaluate the overall effectiveness of the compliance program, including whether the policies and procedures, or any other part of the compliance program, may need to be updated or amended as required under paragraph (b) of proposed Rule 17ad-30. By requiring transfer agents to establish systems for identifying and remediating violations, the proposed rule would help ensure that compliance issues are addressed promptly before they can disrupt the prompt and accurate processing of securities transactions or otherwise harm investors, issuers, or the broader securities markets, and at the very least mitigate such disruptions and harm.

2. Board Approval and Annual Review

Proposed Rule 17ad-30(b) would require that the policies and procedures be reviewed and approved by the transfer agent's board of directors or similar governing body no less frequently than annually or following material changes to either the transfer agent's operations or the federal securities laws and rules and regulations described in proposed rule 17ad-30(a)(1)[341]

Compliance with applicable securities laws, rules, and regulations is fundamental to a transfer agent's ability to perform its critical functions in the national clearance and settlement system, and the board of directors or similar governing body is ultimately responsible for the overall direction and oversight of the transfer agent's business, including compliance. Requiring board approval would emphasize the importance of compliance and help ensure that adequate attention is paid at the highest levels of the firm. [342]

Similarly, the requirement to review the policies and procedures no less frequently than annually would provide an opportunity for the governing body responsible for making such determinations to assess the effectiveness of the compliance program, identify any gaps or weaknesses, and ensure that the compliance program evolves as needed to address changes in the transfer agent's business, applicable rules and regulations, and the broader securities market.

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341 *See* proposed Rule 17ad-30(b).

342 *See generally* Clearing Agency Governance and Conflicts of Interest, Exchange Act Release No. 98959 (Nov. 16, 2023), 88 FR 84454 (Dec. 5, 2023).

The requirement for the board of directors to review and approve the policies and procedures following material changes to the transfer agent’s operations or the applicable federal securities laws and rules should also ensure that a transfer agent keeps its policies and procedures updated following any relevant developments in the compliance and regulatory landscape.

3. Request for Comment

The Commission requests comments on all aspects of proposed Rule 17ad-30. In particular, the Commission requests comments on the following:

123. Should the Commission provide more specific guidance or safe harbors regarding what constitutes policies and procedures “reasonably designed” to achieve compliance? If so, what specific elements or standards should be included?

124. Should the rule apply uniformly to all registered transfer agents, or should the Commission adopt a tiered or scaled approach based on factors such as size, transaction volume, number of issuer accounts serviced, or complexity of services provided? If so, how should such tiers be defined and what requirements should apply to each?

125. Are there particular categories of federal securities laws and regulations that should be explicitly identified in the rule or accompanying guidance as requiring coverage in a transfer agent's compliance policies and procedures? Alternatively, would such specificity undermine the flexibility the Commission intends to provide?

126. Should the rule require transfer agents to designate a specific compliance officer or maintain a dedicated compliance function responsible for overseeing the implementation and enforcement of the compliance program? If so, should there be minimum qualifications for such a role, and how should any such requirement be scaled for smaller transfer agents?

127. Should a transfer agent’s board of directors or similar governing body be required to review and approve the transfer agent’s compliance policies and procedures

annually? For transfer agents that lack a traditional board structure, such as sole proprietorships, partnerships, or certain limited liability companies, what entity or individual should be responsible for fulfilling the approval and oversight functions specified by the proposed rule? Should the Commission provide additional guidance on what constitutes a "similar governing body" for purposes of this requirement?

128. Should the Commission provide guidance on what constitutes a "material" change to the transfer agent's operations or the federal securities laws and rules that would trigger the requirement for the transfer agent's governing body to review and approve the transfer agent's compliance policies and procedures?

129. Should the rule require transfer agents to report material instances of noncompliance to the Commission within a specified timeframe? If so, how should "material" be defined for this purpose?

130. Should the rule require transfer agents to keep any particular records regarding the development and/or enforcement of the policies and procedures that would be required by the proposed rule? Should the rule require transfer agents to keep any particular records regarding the governing body's annual review and approval of the policies and procedures required by the proposed rule?

131. Should the Commission consider any alternative approaches to establishing a compliance framework for transfer agents? If so, what alternative approaches should the Commission consider? Please explain in detail.

B. Proposed Rule 17ad-31: Restrictive Legends

As discussed in the 2015 Concept Release, transfer agents play a particularly important role in the securities industry with respect to the issuance and transfer of restricted securities. In no case may a security be resold or transferred legally unless there is an effective registration statement or an available exemption from registration for the resale. Restricted securities are, most commonly, among other things, securities acquired directly or indirectly from the issuer, or from an affiliate of the issuer, in a transaction or chain of transactions not involving any public offering.[343] Typically, these securities bear restrictive legends indicating that their sale or transfer may be subject to a restriction or limitation and intermediaries will not effectuate their transfer until restrictive legends are removed. Because transfer agents are often the party responsible for affixing, tracking, and removing restrictive legends, they help to prevent unregistered securities distributions that violate Section 5 of the Securities Act of 1933.[344]

Section 5 violations facilitated by the removal of restrictive legends have remained a perennial issue. Transfer agent failures to adequately perform this function have, under certain circumstances, been found to have violated Section 5.[345] As a result, requirements specifically applicable to transfer agents to address their unique role in this process are necessary and appropriate to protect investors and the public interest by reducing the risk of such violations of the federal securities laws. Therefore, the Commission is proposing new Rule 17ad-31 to establish requirements for transfer agents regarding the placement and removal of restrictive legends and to help prevent transfer agents from facilitating violations of Section 5 of the Securities Act of 1933.[346] The proposed rule would require transfer agents to: (1) maintain and rely upon a current list of authorized issuer employees on whose instructions the transfer agent is authorized to act regarding the placement and removal of restrictive legends; and (2) refrain from facilitating any unregistered securities transaction unless the transfer agent has a reasonable basis to believe that the transaction does not violate, or is not part of a chain of transactions that would violate, Section 5(a) of the Securities Act of 1933. The proposed rule would also provide a non-

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343 *See* Rule 144(a)(3), 17 CFR 230.144(a)(3).

344 *See* Securities Act of 1933 Section 5, 15 U.S.C. 77e.

345 *See e.g., In the Matter of Manhattan Transfer Registrar Company and John C. Ahearn*, Exchange Act Release No. 83267 (May 17, 2018) (settled action against a transfer agent and its former principal for violations of Sections 5(a) and 5(c) of the Securities Act of 1933 related to their roles in removing restrictive legends and effectuating numerous stock transfer requests which led to the unlawful public sale of the securities of two companies.

346 *See* Securities Act of 1933 Section 5, 15 U.S.C. 77e.

exclusive safe harbor for transfer agents seeking to establish such a reasonable basis prior to facilitating an unregistered securities transaction.[347]

1. Requirement to Maintain List of Authorized Issuer Representatives – Proposed Rule 17ad-31(a)

Proposed Rule 17ad-31(a) would require each transfer agent to, for each issue of securities it services on behalf of an issuer, (1) obtain from the issuer and maintain a current list of issuer employees on whose instructions the transfer agent is authorized to act regarding the placement and removal of restrictive legends; and (2) refrain from acting on instructions from any person not included on the list required pursuant to paragraph (a)(1).[348]

The purpose of this provision is to ensure that transfer agents only perform services based on instructions from employees of the issuer who are authorized by the issuer to provide such instructions. This would address situations in which transfer agents receive requests to perform services such as removing restrictive legends or issuing new securities from an unauthorized person rather than at the direction of the issuer. The Commission is aware that some promoters may represent themselves as agents of the issuer when they are not. The proposed rule would prevent a transfer agent from acting upon the instructions of an unauthorized person to issue stock or to remove restrictive legends.

2. Requirements to Establish Reasonable Basis Before Facilitating Certain Transactions – Proposed Rule 17ad-31(b)

Proposed Rule 17ad-31(b) would require transfer agents to refrain from facilitating any unregistered securities transaction unless the transfer agent has a reasonable basis to believe that the transaction does not violate, or is not part of a chain of transactions that would violate, Section 5(a) of the Securities Act of 1933.[349] The proposed rule provides three examples of

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347 *See* proposed Rule 17ad-31.

348 *See* proposed Rule 17ad-31(a).

349 *See* proposed Rule 17ad-31(b). Notwithstanding the requirements of proposed Rule 17ad-31(b), any seller of a security in an unregistered transaction would continue to bear the burden of establishing the

unregistered securities transactions: processing or recording (1) an original issuance of securities not registered pursuant to the Securities Act; (2) a request to remove a restrictive legend or stop order on any security; or (3) the purchase, sale, or transfer[350] of a security by an affiliate, officer, or director of the issuer of the security.

The purpose of this provision is to help prevent the removal of restrictive legends or the facilitation of other transactions involving unregistered securities from being used as a step in a potentially illegal distribution of securities. By requiring transfer agents to have a reasonable basis to believe that the transaction will not violate Section 5, the rule is designed to strengthen transfer agents' role in this process to help prevent violations of the Securities Act. Given transfer agents' access to information about the securities and the parties involved, transfer agents are able and should be required to take reasonable steps to ensure they are not facilitating a potentially illegal distribution.

This proposed provision would require transfer agents to ensure that they have a reasonable basis for believing that a transaction may proceed legally before facilitating it. Therefore, transfer agents should ensure that they are not aware of any red flags associated with such transaction. The term "red flag" refers to an aspect of a transaction or series of transactions that may indicate the transaction is fraudulent, illegal, or otherwise problematic. Red flags associated with unregistered securities transactions may include, among other things, trading suspensions, concentration of ownership of the majority of freely tradeable securities, large reverse stock splits, companies whose assets are large but revenue is minimal, a shell company acquisition of a private company, incomplete or nonexistent issuer filings with the Commission, a sudden spike in investor demand for a thinly traded or low priced security, suspicious

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availability of an exemption from registration. *See, e.g.,* In the Matter of the Application of William H. Murphy & Co., Inc. and William H. Murphy For Review of Disciplinary Action Taken by FINRA, Exchange Act Release No. 90759 (Dec. 21, 2020) (stating that "[u]pon the establishment of a prima facie case of a Section 5 violation, the burden shifted to WHM to show that the offers and sales at issue were exempt from the registration requirements . . . Because 'public policy strongly supports registration,' the burden of proof rests with the party claiming the exemption.") (citations omitted).

350 For purposes of proposed Rule 17ad-31(b), the term "transfer" includes non-sale transfers of securities.

documents such as inconsistent financial documents or altered certificates of incorporation, an issuer with several recent name changes, business combinations, or recapitalizations, and receipt of similar documents from different issuers with certain characteristics, such as involvement of the same attorney. If a transfer agent becomes aware of a red flag while processing an unregistered securities transaction, the transfer agent should take reasonable steps to inquire further regarding the red flag and proceed processing the transaction only when the transfer agent has a reasonable basis to believe that doing so will not facilitate a violation of Section 5.

3. Methods for Establishing Reasonable Basis – Proposed Rule 17ad-31(c)

Proposed Rule 17ad-31(c) would create a non-exclusive safe harbor by providing transfer agents with two methods for developing the reasonable basis required under paragraph (b): (1) obtaining and reviewing an opinion of counsel that meets certain specified requirements; or (2) making their own determination that the transaction may be conducted pursuant to a specific exemption from registration.[351] Under either method, in order to rely on the safe harbor, the transfer agent also must not be aware of circumstances indicating that the transaction may violate, or is part of a chain of transactions that may violate, Section 5(a) of the Securities Act of 1933.

a. Opinion of Counsel

Under proposed paragraphs (c)(1) and (c)(2), a transfer agent may establish the required reasonable basis by obtaining and reviewing an opinion of counsel that meets certain requirements. Specifically, the opinion must be from counsel who is not an affiliate, officer, director, or employee of either the issuer or the individual or entity seeking to resell shares of the issuer.[352] This requirement is designed to help ensure the independence and objectivity of the legal analysis. The opinion must identify the documents and information the counsel reviewed and relied upon in providing the required analysis. This requirement is designed to provide

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351 *See* proposed Rule 17ad-31(c).

352 *See* proposed Rule 17ad-31(c)(2).

transparency regarding the factual basis for the legal opinion and to enable the transfer agent to assess whether the opinion is based on a sufficient factual record. The opinion must analyze the applicability and validity of a specific exemption from registration and, based on that analysis, opine that the specific transaction at issue may be conducted pursuant to the specific exemption from registration so identified. This requirement is designed to ensure that the opinion provides a substantive legal analysis of why a specific exemption applies to the specific transaction, rather than simply providing a conclusory statement that the transaction is exempt.

In addition to obtaining an opinion that meets these requirements, the transfer agent must not be aware of circumstances indicating that the transaction may violate, or is part of a chain of transactions that may violate, Section 5(a) of the Securities Act.[353] This requirement is designed to ensure that transfer agents do not simply rely blindly on an opinion of counsel when there are "red flags" or other circumstances that have alerted or should alert the transfer agent to potential problems with the transaction.[354]

b. Transfer Agent's Own Determination

Under proposed paragraph (c)(3), as an alternative to obtaining an opinion of counsel, a transfer agent may make its own determination that the transaction may be conducted pursuant to a specific exemption from registration, provided the transfer agent is not aware of circumstances indicating that the transaction may violate, or is part of a chain of transactions that may violate, Section 5(a) of the Securities Act.[355] This alternative is designed to provide flexibility for transfer agents that have the expertise and resources to conduct their own legal analysis. The Commission recognizes that some transfer agents, particularly larger transfer agents with

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353 *See* proposed Rule 17ad-31(c)(1).

354 *See supra* Section IV.B.2 for a discussion of potential red flags. In addition, a transfer agent should generally consider whether the opinion of counsel is provided by an attorney who is licensed to practice law and in good standing in the jurisdiction(s) where the attorney is so licensed. For example, certain market centers may provide a list of prohibited service providers that include attorneys convicted of criminal activity or subject to regulatory bans or suspensions.

355 *See* proposed Rule 17ad-31(c)(2).

experienced legal and compliance staff, may prefer to conduct their own analysis rather than rely on opinions from outside counsel. Permitting transfer agents to make their own determinations, subject to appropriate documentation and approval requirements as discussed below, would provide appropriate flexibility while still ensuring adequate safeguards.

4. Documentation Requirements for Transfer Agent Determinations – Proposed Rule 17ad-31(d)

Proposed Rule 17ad-31(d) would establish specific documentation requirements for any determination made by a transfer agent under paragraph (c)(3). These requirements are designed to help ensure that transfer agents that choose to make their own determinations regarding the availability of exemptions from registration maintain appropriate records to support those determinations and subject them to appropriate management review and approval. Specifically, any determination under paragraph (c)(3) must be supported by written documentation, reviewed and approved by management of the transfer agent, that: (1) identifies the specific exemption from registration pursuant to which the relevant transaction may be conducted; (2) identifies the documents and information the transfer agent reviewed and relied upon in making the determination; and (3) identifies and analyzes the specific facts, including the documents and information that establish and support such facts, that support the transfer agent's determination.[356]

These documentation requirements are designed to help ensure that transfer agents that make their own exemption determinations engage in an analysis similar to what would be expected in an opinion of counsel. By requiring the transfer agent to identify the specific exemption, the documents and information reviewed, and the specific facts supporting the determination, the rule is designed to ensure that the determination is based on a thorough analysis of the relevant legal requirements and factual circumstances. The requirement that the determination be reviewed and approved by management is designed to help ensure appropriate

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356 *See* proposed Rule 17ad-31(c)(3).

oversight and accountability. Requiring management review and approval will help ensure that determinations are made carefully and consistently and that appropriate controls are in place to prevent errors or misconduct.

5. Request for Comment

The Commission requests comments on all aspects of proposed Rule 17ad-31. In particular, the Commission requests comments on the following:

132. Should proposed Rule 17ad-31 apply to an original issuance of securities not registered pursuant to the Securities Act? Are there categories of original issuances for which the rule's requirements would be unnecessary or unduly burdensome, and if so, should such categories be explicitly excluded?

133. Should the Commission provide a specific, non-exhaustive list of "red flags" or circumstances that should alert a transfer agent to potential Section 5 violations and trigger heightened scrutiny or additional inquiry before facilitating a transaction? If so, what specific red flags should be included, and should they be incorporated into the rule itself?

134. Are the requirements for opinions of counsel under proposed paragraph (c)(2) appropriate? Should any additional requirements be included, or should any of the proposed requirements be modified? For example, should transfer agents be required to request and retain, subject to the record maintenance and retention rules, copies of documents the counsel reviewed and relied upon in providing the opinion?

135. Is the alternative of permitting transfer agents to make their own determinations under proposed paragraph (c)(3) appropriate? Should there be any limitations on which transfer agents may use this alternative (for example, based on size, resources, or expertise)? If so, how should such limitations be defined?

136. Are the documentation requirements under proposed paragraph (d) appropriate and sufficient? Should any additional documentation be required?

137. Should the Commission provide additional guidance regarding what constitutes "circumstances indicating" a potential violation under paragraphs (c)(1) and (c)(3)? If so, what specific guidance would be helpful?

138. Are there circumstances under which transfer agents should be permitted to facilitate transactions covered by proposed paragraph (b) without meeting the requirements of proposed paragraph (c)? If so, what circumstances and what alternative requirements, if any, should apply?

139. Should the Commission expand proposed Rule 17ad-31 to require transfer agents to make information about the issuance, ownership, and transfer history of securities, including those traded over the counter, available to broker-dealers or investors?[357] If so, what information should the Commission require transfer agents to disclose? Would this information facilitate liquidity for smaller public companies? Would this information better allow broker-dealers to determine whether the securities present heightened risk profiles or red flags associated with unlawful distributions?

140. Should the Commission consider any alternative approaches to addressing the risks associated with improper removal of restrictive legends? If so, what alternative approaches should the Commission consider? Please explain in detail.

V. Economic Analysis

A. Introduction

The Commission is mindful of the economic effects, including the costs and benefits, of the proposed rules and amendments. Section 3(f) of the Exchange Act directs the Commission, when engaging in rulemaking where it is required to consider or determine whether an action is necessary or appropriate in the public interest, to consider, in addition to the protection of

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357 *See* Final Reports of the SEC Government-Business Forum on Small Business Capital Formation from 2019, 2020, 2022, 2023, 2024, 2025, and 2026, *available at* https://www.sec.gov/about/divisions-offices/office-advocate-small-business-capital-formation/final-reports-sec-government-business-forum.

investors, whether the action will promote efficiency, competition, and capital formation.[358] Further, Section 23(a)(2) of the Exchange Act requires the Commission, when making rules pursuant to the Exchange Act, to consider the impact that the rules would have on competition, and prohibits the Commission from adopting any rule that would impose a burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act.[359]

The Commission's consideration of the proposal's economic effects draws on transfer agents' role in the national clearance and settlement system, technological and regulatory changes in transfer agent activities, and market failures within the transfer agent industry. Transfer agents act as issuers' agents and play a critical role in the clearance and settlement of securities transactions. Transfer agents' key functions include: (i) maintaining the official "golden record" of ownership of an issuer's securities; (ii) facilitating the issuance, cancellation, and transfer of those securities and making and retaining records documenting and relating to such transactions; (iii) facilitating communications between issuers and registered securityholders; and (iv) making dividend, principal, interest, and other payments and distributions to securityholders.[360]

Between the 1970s and 2026, there have been significant technological and regulatory changes to securities markets and transfer agent activities. Transfer agents' operations have transitioned from manual book-entry and paper records to automated book-entry and electronic recordkeeping, and transfer agents now commonly rely on electronic means of communication with issuers instead of handwritten inquiries and telephone responses. The bulk of securities holdings are no longer certificated securities. Many transfer agents may also be registered as investment companies, investment advisers, broker-dealers, and banking entities, and have changed their business and compliance practices to comply with the evolving set of

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358 *See* 15 U.S.C. 78(c)(f).

359 *See* 15 U.S.C. 78w(a)(2).

360 *See* 2015 Concept Release, *supra* note 4, at 81949.

recordkeeping, compliance, custody, conduct, and other requirements with respect to their activities that are unrelated to their transfer agent activities. The above changes notwithstanding, the Commission's core transfer agent rules were first adopted in the late 1970s and early 1980s. These rules have not been revisited since their adoption and do not reflect subsequent technological changes or evolving industry practices. This misalignment between the rules and modern transfer agent activities has created unnecessary complexity and potentially inhibited transfer agents' ability to perform their functions.

The market for transfer agent services is characterized by market failures: adverse selection and moral hazard arising from asymmetric information, externalities, and market power exploitation stemming from holdup problems. Regarding the asymmetric information that gives rise to adverse selection and moral hazard, issuer clients observe the outcome of transfer agents' operations rather than their intentions, information, processes, and methods, which are crucial to the proper performance of transfer agent activities. These informational disparities can lead to adverse selection, where issuers are unable to differentiate among transfer agents based on each transfer agent's capability to perform transfer agent activities, and moral hazard, where transfer agents may underinvest in operational quality once a contract is secured. Regarding externalities, transfer agent services are negotiated between transfer agents and issuers, but their effects extend to securityholders, other third-party users of transfer agent services, and the securities markets as a whole. Transfer agents' failure to perform their duties promptly, accurately, and safely can, among other things, expose issuers, investors, and the securities markets as a whole to significant financial losses;[361] reduce the willingness of investors to participate in securities markets; and impair the ability of issuers to raise capital in those markets.

The fact that each issuer engages a single transfer agent creates the potential for market power exploitation and holdup problems. Holdup problems arise when issuers make

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361 *See* 2015 Concept Release, *supra* note 4, at 81949.

relationship-specific investments (e.g., migrating securityholder records to a particular transfer agent) that are costly to reverse, which enable the transfer agent to opportunistically renegotiate terms after the contract is established.

Broadly, the proposal would facilitate the prompt and accurate clearance and settlement of securities transactions, strengthen investor protection, increase investor participation in securities markets, facilitate capital raising, enhance regulatory oversight, reduce informational asymmetries between transfer agents and issuers, and address holdup problems.

As discussed in Section V.C, the proposal has benefits and costs, many of which are difficult to quantify. For example, although the following analysis discusses specific benefits expected to result from the proposal, including more prompt and accurate clearance and settlement of securities transactions, improved investor protection, and increased capital market participation, the Commission lacks the data necessary to estimate the magnitudes of these effects separately or in the aggregate. Similarly, the Commission lacks data to estimate certain costs associated with the proposal such as the costs incurred by transfer agents to acquire the operational capability to meet turnaround requirements under the existing one-day standard settlement cycle and the costs of complying with the proposed amendments to Rule 17ad-12. Where economic effects cannot be quantified, the Commission provides a qualitative assessment in lieu of quantification and invites commenters to provide data and information to support quantification of the benefits and costs of the proposal and its impacts on efficiency, competition, and capital formation.

B. Economic Baseline

The baseline against which the costs, benefits, and effects on efficiency, competition, and capital formation of the proposal are measured consists of the current state of the transfer agent markets and the existing regulatory framework governing transfer agents.[362] Sections V.B.1 and V.B.2 address the regulatory baseline and affected parties, respectively. As described in Section V.B.3 below, the Commission's understanding of the baseline is informed by two primary data sources and its regulatory experience. Subsequent sections address specific aspects of the baseline, namely the structure of the transfer agent industry, including trends in market concentration; transfer agent activities; statistics related to transfer agents' withdrawal from registration; statistics about issuers that receive transfer agent services; database searches and account remittances; segregated funds; and basis for removing restrictive legends.

1. Regulatory Baseline

a. Federal Regulations

A transfer agent must apply for registration by submitting Form TA–1 to its ARA, and must amend the form as necessary to maintain its accuracy once its registration becomes effective.[363] Registered transfer agents must file an annual report with the Commission using Form TA–2.[364] Registered transfer agents may withdraw from registration by filing Form TA–W.[365]

Rules 17ad-1 and 17ad-9 define terms used throughout the rules.[366]

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362 *See, e.g., Nasdaq v. SEC*, 34 F.4th 1105, 1111–14 (D.C. Cir. 2022). This approach also follows SEC staff guidance on economic analysis for rulemaking. *See* SEC Staff, Current Guidance on Economic Analysis in SEC Rulemaking (Mar. 16, 2012), *available at* https://www.sec.gov/divisions/riskfin/rsfi_guidance_econ_analy_secrulemaking.pdf ("The economic consequences of proposed rules (potential costs and benefits including effects on efficiency, competition, and capital formation) should be measured against a baseline, which is the best assessment of how the world would look in the absence of the proposed action."); *Id.* at 7 ("The baseline includes both the economic attributes of the relevant market and the existing regulatory structure.").

363 *See supra* section II.A.

364 *See* Exchange Act Rule 17ac2-2, 17 CFR 240.17Ac2-2; SEC Form TA–2, 17 CFR 249b.102 (Form for Reporting Activities of Transfer Agents Registered Pursuant to Section 17A of the Securities Exchange Act of 1934).

365 *See* Exchange Act Rule 17ac3–1, 17 CFR 240.17Ac3–1; Exchange Act Section 7A(c)(3)(a), 15 U.S.C. 78q–1(c)(3)(A); SEC Form TA–W, 17 CFR 249b.101 (Notice of Withdrawal from Registration as a Transfer Agent).

366 *See* Exchange Act Rule 17ad-1, 17 CFR 240.17Ad-1.

Rule 17ad-2 sets performance standards for transfer agents,[367] principally concerning turnaround and processing time. Transfer agents failing these performance standards must notify the Commission and their other ARA. Further, Rule 17ad-3 sets notification requirements and limits expansion of activities if a transfer agent does not meet these standards.[368] Rule 17ad-4 provides certain exemptions from the turnaround, processing, and recordkeeping rules.[369]

Rule 17ad-6 generally details what records transfer agents shall make and keep;[370] Rule 17ad-7 principally specifies how long certain records shall be maintained.[371]

Rule 17ad-10 principally requires recordkeeping transfer agents to promptly post certificate detail to each master securityholder file.[372]

Rule 17ad-11 requires that recordkeeping transfer agents report to issuers and their ARA information regarding aged record differences.[373]

Rule 17ad-12 requires transfer agents to safeguard funds and securities of which they have custody or possession in a manner reasonably free from theft, loss, destruction, or misuse.[374]

Rule 17ad-13 generally requires registered transfer agents to file an annual report concerning certain internal controls and procedures.[375]

Rule 17ad-17 requires transfer agents, brokers, dealers, and other financial intermediaries to make efforts to find lost securityholders and unresponsive payees.[376]

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367 *See* Exchange Act Rule 17ad-2, 17 CFR 240.17Ad-2.

368 *See* Exchange Act Rule 17ad-3, 17 CFR 240.17Ad-3.

369 *See* Exchange Act Rule 17ad-4, 17 CFR 240.17Ad-4.

370 *See* Exchange Act Rule 17ad-6, 17 CFR 240.17Ad-6.

371 *See* Exchange Act Rule 17ad-7, 17 CFR 240.17Ad-7.

372 *See* Exchange Act Rule 17ad-10, 17 CFR 240.17Ad-10.

373 *See* Exchange Act Rule 17ad-11, 17 CFR 240.17Ad-11.

374 *See* Exchange Act Rule 17ad-12, 17 CFR 240.17Ad-12.

375 *See* Exchange Act Rule 17ad-13, 17 CFR 240.17Ad-13.

376 *See* Exchange Act Rule 17ad-17, 17 CFR 240.17Ad-17.

Transfer agents that are also broker-dealers, investment advisers, or both must comply with applicable federal and other regulations.

b. Bank Regulations and SRO Regulations

Transfer agents that are banks or subsidiaries of banks must comply with the relevant banking regulations.

There are also SRO rules and requirements applicable to transfer agents which will apply when transfer agents engage in certain activities or join programs governed by an SRO. For example, an exchange may have rules and requirements for transfer agents servicing securities listed on it; transfer agents for NYSE-listed securities are subject to NYSE requirements.[377] By way of example, the NYSE requirements focus on (i) dual registrars and transfer agents; (ii) turnaround times; (iii) capitalization; and (iv) insurance coverage.[378] These requirements also address transfer agent personnel, safeguarding, and co-transfer agents.[379] Similarly, transfer agents that participate in DRS must comply with DTC rules and regulations.[380] DTC requirements of a security issuer may also indirectly apply to the issuer's transfer agents. A transfer agent that engages in other business may be subject to SRO rules based on those other activities, such as a broker-dealer that may be subject to FINRA regulations.

c. Regulation of Transfer Agents Under State Law

Transfer agents are also subject to state laws. States require that financial institutions including transfer agents report when property is deemed to be "unclaimed" or "abandoned";[381] such property may be escheated after a period of inactivity.[382]

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377 *See generally, Listed Company Manual, Section 601.01*, NYSE, *available at* https://nyse.wolterskluwer.cloud/listed-company-manual/09013e2c8503fcc2.

378 *Id.*

379 *Id.*

380 *See generally, Rules, By-Laws and Organization Certificate of the Depository Trust Company,* The Depository Trust Company, *available at* https://www.dtcc.com/-/media/Files/Downloads/legal/rules/dtc_rules.pdf.

381 *See supra* Section III.K.

382 *See supra* Section III.K.

2. Affected Parties

The proposal would principally affect transfer agents; there were an estimated 327 registered transfer agents as of June 30, 2026.[383] The proposal would also affect the following parties:

- **Issuers**. Issuers are the clients of transfer agents. As of 2025,[384] there were 7,750 registered issuers filing Forms 10-K, 20-F, or 40-F or their variants. As of December 2025, there were 14,130 registered investment funds, excluding business development companies.[385] As of 2025, there were 171 business development companies, a type of registered investment company that files Form 10-K and is included in the 7,750 figure above. Unlike securityholders and other third parties, issuers negotiate directly with transfer agents for services and bear primary contractual responsibility for transfer agent fees.
- **Broker-dealers**. Transfer agents process securities transactions at the instruction of broker-dealers, and in the case of trades involving certificated securities generally the physical certificates are received and delivered via brokers. In the fourth quarter of 2025, there were 3,262 registered broker-dealers, of which 153 carried customer accounts ("carrying broker-dealers").[386]

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383 *See infra* Section V.B.4.

384 *See infra* Section V.B.7.

385 *See infra* Sections V.B.3 and V.B.7.

386 These estimates were based on an analysis of Schedule I to the FOCUS filings and Form BD filings for the quarter. This count excludes notice-registered broker-dealers. Carrying broker-dealers hold title to and maintain records of beneficial ownership of securities held in street name. This is distinct from maintaining a security issue's master securityholder file. Either carrying or non-carrying broker-dealers may be cross-registered as transfer agents or be a business affiliate of a transfer agent or may be additionally registered as an investment adviser; the vast majority are not transfer agents. As of June 30, 2026, four entities were registered as transfer agents and broker-dealers. Three of these entities were also registered as investment advisers. *See infra* Section V.B.4. One entity that was registered as a transfer agent and broker-dealer (but not as an investment adviser) was a carrying broker-dealer. Another entity that was registered as a transfer agent, broker-dealer, and investment adviser was a carrying broker-dealer.

- **Investors and securityholders**. Investors and securityholders rely on the national clearance and settlement system and transfer agents to process their securities transactions and, unlike issuers, generally lack direct contractual relationships with transfer agents. They may also purchase services such as certificate replacement from transfer agents.
- **Other parties**. The proposal may also affect banks, attorneys, and non-attorney third parties that provide services to transfer agents.

3. Available Data

The Commission's understanding of the transfer agent industry is informed in part by data from several sources. The first data source is transfer agents' regulatory filings, comprising registration information in Form TA-1 and amendments thereto, annual activity data reported on Form TA-2, and withdrawal information reported on Form TA-W. These filings are available on the SEC's EDGAR system in a structured eXtensible Markup Language ("XML") format.[387] The second data source is the Ives Group's Audit Analytics ("AA") data derived from the most recent periodic issuer filings since 2024. The AA data include, among other things, information about the number and characteristics of issuers served by a subset of transfer agents.[388] The Commission's understanding of the transfer agent industry is further informed by decades of supervisory and examination experience of registered transfer agents.

Four data limitations may affect the interpretation of the results based on Forms TA-1, TA-2, and TA-W. First, Commission staff have observed that certain transfer agents that file Form TA-1 do not engage in any transfer agent activity. Their inclusion in the Form TA-1 data set may cause the Commission to overestimate the number of active transfer agents. Second,

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387 The Commission also makes available quarterly compilations of transfer agent information filed with the Commission in a tab-delimited flattened format (starting with Q4 2006). *See Transfer Agent Data Sets*, SEC, *available at* https://www.sec.gov/dera/data/transfer-agent-data-sets. *See also Transfer Agent Data*, SEC, *available at* https://www.sec.gov/files/ta_readme.html.pdf (for a guide to this data).

388 *See infra* Section V.B.7.

although transfer agents are required to file Form TA-2 by March 31 following each calendar year reporting period, Commission staff have observed that some transfer agents either fail to file or file after the reporting deadline. Third, some transfer agents that exit the industry may not file Form TA-W to withdraw their registration. To the extent that non-filers of Forms TA-W and late or non-filers of Form TA-2 are missing from the Commission's data, transfer agent counts may be overestimated and estimates of transfer agent activity may be underestimated. Missing data due to late filings may disproportionately affect data concerning small transfer agents. Fourth, the Commission's supervisory experience indicates that there is variability in the way registered transfer agents calculate the number of individual securityholder accounts reported in response to Question 4(b), which hinders the Commission's ability to gather and analyze accurate and comparable information. This observed inconsistency is relevant to the baseline analysis which uses data derived from Form TA-2 Question 4(b), among other things.

Information concerning the number of issuers that are registered investment company funds, other than business development companies, is derived from the December 2025 Annual Registered Investment Company Update, which uses Form N-CEN data.[389] This data set begins in December 2019.

4. Market Structure and Trends

As of June 30, 2026, there were an estimated 327 registered transfer agents. As shown in Table 4, the Commission is the ARA for 272 of the 327 transfer agents (or approximately 83%), while the Office of the Comptroller of the Currency ("OCC"), the Board of Governors of the Federal Reserve System ("FRB"), and the Federal Deposit Insurance Corporation ("FDIC") serve as the ARA for 24, 21, and 10 transfer agents, respectively. Thus, as many as 55 transfer agents may be subject to oversight and supervision by banking regulators.

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389 *See* Annual Registered Investment Company Update, *available at* https://www.sec.gov/files/annual-registered-investment-company-update-20260512.pdf. *See also* Annual Registered Investment Company Update Supporting Data, *available at* https://www.sec.gov/files/annual-registered-investment-company-update-202512.xlsx.

Entities that are registered as transfer agents also may operate as broker-dealers or investment advisers. As of June 30, 2026, four entities were registered as transfer agents and broker-dealers[390] and 14 entities were registered as transfer agents and investment advisers.[391] Three entities were registered as transfer agents, broker-dealers, and investment advisers.[392]

Table 5 presents the geographical distribution of the 327 transfer agents. The majority of these transfer agents operate within the U.S. (301 out of 327, approximately 92%), with a small number of transfer agents operating outside the U.S. (25 out of 327, approximately 8%).[393] New York, California, and Massachusetts are the three states with the most transfer agents.

Table 4. Transfer Agents' Appropriate Regulatory Agencies

ARA	Number	Percent (%)
FDIC	10	3.1
FRB	21	6.4
OCC	24	7.3
SEC	272	83.2
Total	327	100

Table 5. Geographical Distribution of Transfer Agents

Panel A. U.S. Transfer Agents

State	Number
New York	46
California	34
Massachusetts	24
Florida	17
Texas	16
Pennsylvania	15
Illinois	13
Ohio	13
New Jersey	11

390 These entities are identified by comparing registered transfer agents with registered broker-dealers that filed quarterly FOCUS reports for 2025.

391 These entities are identified by comparing registered transfer agents with registered investment advisers as of the end of March 2026.

392 In other words, of the 14 entities that were registered as transfer agents and investment advisers, three also were registered as broker-dealers. Of the four entities that were registered as transfer agents and broker-dealers, three also were registered as investment advisers.

393 One transfer agent did not report a country or state.

Missouri	10
Colorado	10
All others	92
All U.S. Transfer Agents	301

Panel B. Non-U.S. Transfer Agents

Country	# TAs
Canada	16
India	4
Germany	1
Hong Kong	1
China	1
Philippines	1
Colombia	1
All Non-U.S. Transfer Agents	25

Table 6 reports the number of Form TA-2 filers for the 10 annual reporting periods between 2016 and 2025.[394] For the 2025 reporting period, the Commission estimates that approximately 253 registered transfer agents filed Form TA-2.[395] Using the number of Form TA-2 filers as a proxy for industry size, Table 6 indicates that the transfer agent industry has been gradually contracting over this period, with Form TA-2 filers declining from 287 in 2016 to 253 in 2025.[396] Table 6 also shows that in 2025, there were 143 transfer agents that received fewer than 1000 items for transfer[397] (representing approximately 57% of Form TA-2 filers for that reporting period).

Table 6. Number of Form TA-2 Filers

Year	Number of Form TA-2 Filers	Number of Form TA-2 Filers with <1,000 items

394 For the analysis of Form TA-2 and TA-W data in this section, we use submissions received through the end of the second quarter of 2026.

395 As discussed above, these figures underestimate the number of active transfer agents due to non-filing or filing delays.

396 The decrease in the count of Form TA-2 filers from 265 (2024 reporting period) to 253 (2025 reporting period) could be due in part to filing delays.

397 These transfer agents are identified based on their responses to Question 4(a) on Form TA-2.

2016	287	160
2017	270	140
2018	266	137
2019	266	139
2020	279	159
2021	269	151
2022	275	157
2023	267	156
2024	265	159
2025	253	143

The transfer agent industry is highly concentrated, as shown in Table 7. As of 2025, the 10 largest transfer agents account for approximately 82% of individual security holder accounts,[398] 84% of all items received for transfer,[399] and 87% of securityholder accounts for which the transfer agent maintained master securityholder files.[400] Based on AA data since 2024[401] on issuers, the 10 largest transfer agents service approximately 69% of registered issuers; those issuers represent approximately 98% of total market capitalization reported in the sample, which includes both listed and unlisted issues and both foreign and U.S. issues. These concentration levels, and their upward trend over the 2016-2025 period shown in Table 7, suggest limited competitive constraints on the largest transfer agents.

Table 7. Market Share of the Largest Transfer Agents[1]

	Individual Accounts %	Individual Accounts %	Items Received for Transfer %	Items Received for Transfer %	Master Security Holder Files %	Master Security Holder Files %
Year	Top 5	Top 10	Top 5	Top 10	Top 5	Top 10
2016	49.7	70.4	55.4	77.4	60.1	73.9
2017	52.0	72.0	54.5	74.7	62.5	75.5
2018	52.3	73.4	59.2	73.3	63.4	77.1
2019	53.8	74.8	58.9	75.1	65.4	78.5
2020	55.5	77.2	65.4	77.1	66.7	80.4

398 Individual securityholder accounts include accounts in the Direct Registration System (DRS), dividend reinvestment plans and/or direct purchase plans as of Dec. 31 of the reporting period. These are accounts for which the transfer agent maintained master security holder files. *See* Form TA-2 Question 5(a).

399 *See* Form TA-2 Item 4(a).

400 *See* Form TA-2 Item 4(b).

401 *See infra* Section V.B.7.

2021	57.8	77.2	61.4	76.5	69.0	81.1
2022	57.9	78.5	69.3	82.6	69.4	81.0
2023	59.3	80.9	66.8	84.2	72.3	84.7
2024	61.3	81.9	70.5	86.9	73.1	85.8
2025	62.5	82.2	66.6	84.5	74.2	87.0

1. These estimates are based on an analysis of Form TA-2 data for 2016 through 2025.

a. Recordkeeping Transfer Agents and Paying Agents

Of the 253 transfer agents filing Form TA-2 for the 2025 reporting period,[402] 158 (62% of the total) served as either a recordkeeping transfer agent or a paying agent,[403] while the remaining 95 transfer agents (38% of the total) served in neither capacity. Out of the 253 transfer agents, 120 served in both capacities, 32 served only as a recordkeeping transfer agent, and six served only as a paying agent. In total, 152 transfer agents served as a recordkeeping transfer agent (60%),[404] while 126 served as a paying agent (50%).[405]

According to Form TA-2 filings for the 2025 reporting period, transfer agents distributed approximately $5.0[406] trillion in securityholder dividends and interest payments.

b. Service Companies

Transfer agents compete with each other for issuer clients but may also engage other transfer agents as service companies to perform some or all of the principal transfer agent's activities. Table 8 reports statistics on service company use based on Form TA-2 data.[407] Transfer agents that neither engage service companies nor are so engaged (Table 8, Column 4) comprise the largest segment of the industry each year, and this segment has grown moderately

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402 *See supra* Table 3.

403 Recordkeeping transfer agents are identified based on their responses to Questions 6(a) and 6(c) on Form TA-2. Paying agents are identified based on their responses to Question 7(c) on Form TA-2.

404 Calculated as 120 transfer agents that served as both a recordkeeping transfer agent and a paying agent + 32 transfer agents that served only as a recordkeeping transfer agent = 152 transfer agents. 152/253 = 0.60 or 60%.

405 Calculated as 120 transfer agents that served as both a recordkeeping transfer agent and a paying agent + 6 transfer agents that served only as a paying agent = 126 transfer agents. 126/253 = 0.50 or 50%.

406 This estimate is based on transfer agents' response to Question 7(c)(ii) of Form TA-2.

407 These results are based on transfer agents' responses to Questions 2(a)-2(d) of Form TA-2. Reported calculations and row totals reflect rounding.

over time from 50% of transfer agents in 2016 to 56% in 2025. In contrast, the fraction of transfer agents engaging only as principal users of service companies decreased from 29% in 2016 to 23% in 2025 (Table 8, Column 1). The fraction engaged only as service companies decreased from 14% to 11% over the same period (Table 8, Column 2). The fraction serving in both roles increased from 8% in 2016 to 10% in 2025 (Table 8, Column 3). In total during 2025, 44%[408] of transfer agents either relied on service companies for at least some functions or acted as service companies themselves, with 33% engaging service companies[409] and 21% engaged as service companies.[410]

Analyses of Form TA-2 data indicate that transfer agents act as service companies less frequently than they engage service companies. Between the 2016 and 2025 reporting periods, transfer agents reported engaging service companies in 919 filings and being engaged as service companies in 582 filings. Among transfer agents that engaged service companies, the average number of service companies engaged was approximately 1.5, while the median was one.[411] Among transfer agents that were engaged as service companies, each was engaged by approximately 3.5 other transfer agents on average, while the median was two.[412]

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408 Calculated as 23% (percentage of transfer agents that only engaged service companies, Table 8 Column 1) + 11% (percentage of transfer agents that only were engaged as service companies, Table 8 Column 2) + 10% (percentage of transfer agents that both engaged service companies and where themselves engaged as service companies, Table 8 Column 3) = 44%.

409 Calculated as 23% (percentage of transfer agents that only engaged service companies, Table 8 Column 1) + 10% (percentage of transfer agents that both engaged service companies and where themselves engaged as service companies, Table 8 Column 3) = 33%.

410 Calculated as 11% (percentage of transfer agents that only were engaged as service companies, Table 8 Column 2) + 10% (percentage of transfer agents that both engaged service companies and where themselves engaged as service companies, Table 8 Column 3) = 21%.

411 The Commission obtained similar results for each individual reporting period.

412 *Id.*

Table 8. Service Companies

Year	Transfer Agent:			
	(1) Only Engages Service Company	(2) Only Engaged As Service Company	(3) Engages Service Company And Is Engaged As Service Company	(4) Does Not Engage Service Company And Is Not Engaged As Service Company
2016	29%	14%	8%	50%
2017	27%	14%	9%	50%
2018	29%	15%	8%	48%
2019	26%	14%	9%	51%
2020	25%	13%	10%	53%
2021	24%	13%	8%	54%
2022	24%	11%	9%	56%
2023	22%	10%	10%	57%
2024	23%	10%	9%	58%
2025	23%	11%	10%	56%

c. Internal Transfer Agents

Transfer agents may differ in breadth of services they offer. An internal transfer agent is a transfer agent that acts or intends to act as a transfer agent solely for its own securities and/or securities of affiliates.[413] Because issuers served by internal transfer agents would likely not seek transfer agent services from competing transfer agents (at least for the set of services provided by the internal transfer agents), they effectively represent a captive market segment unavailable to outside competitors. Based on supervisory experience, the Commission estimates that approximately 13% of registered transfer agents are internal transfer agents--a small fraction of the total. One interpretation of this low prevalence is that economies of scale (e.g., arising from investments in information technology) are sufficiently large that most issuers find outsourcing more cost-effective than self-administration. However, other factors, including regulatory exposure, complexity, and reputational considerations, may also contribute.

[413] Such a transfer agent may also be termed a "captive," "affiliated," or "full internalization" transfer agent. *See* 2015 Concept Release, *supra* note 4, at 81993. (discussing the concept of internal transfer agent in the context of the mutual fund industry).

d. Transfer Agents Covered by Rule 17ad-4

Based on an analysis of Form TA-2 filings for the 2025 reporting year, the Commission estimates that 51 transfer agents would be covered by Rule 17ad-4(a) (47 transfer agents process Fund Shares and four transfer agents process interests in LPs) and 143 transfer agents would be covered by Rule 17ad-4(b). Of the 143 transfer agents, 57 reported zeros on all applicable questions in their Form TA-2 filings, suggesting either that these registrants outsource all transfer agent activities or are not actively providing transfer agent services to issuer clients. Thus, the estimate of 143 transfer agents is an upper bound estimate of the number of transfer agents that would be covered by Rule 17ad-4(b). All told, up to 194 transfer agents[414] are estimated to be covered by Rule 17ad-4. The Commission requests that commenters provide feedback on the number of transfer agents that are covered by Rules 17ad-4(a) and 17ad-4(b).

5. Transfer Agent Activities

Transfer agent activities can be described by classifying the different types of securities for which registered transfer agents act in various capacities (Figures 6 and 7).[415] In 2025, 164 transfer agents reported acting in these capacities for at least one securities issue (65% of the 253 that filed Form TA-2), and corporate equity securities made up the largest average share of issues served (37%), followed by open-end investment company securities (31%). On average, these two types accounted for approximately 68% of all issues served. The rest of the issues are distributed across corporate debt securities (7%), municipal debt securities (9%), limited partnerships (6%), and other securities (10%). In 2025, 98 (60% of the 164) transfer agents serviced equity securities, 49 (30%) serviced corporate debt securities, 58 (35%) serviced open-end investment company securities, 33 (20%) serviced limited partnership securities, 25 (15%) serviced municipal debt securities, and 49 (30%) serviced other securities.

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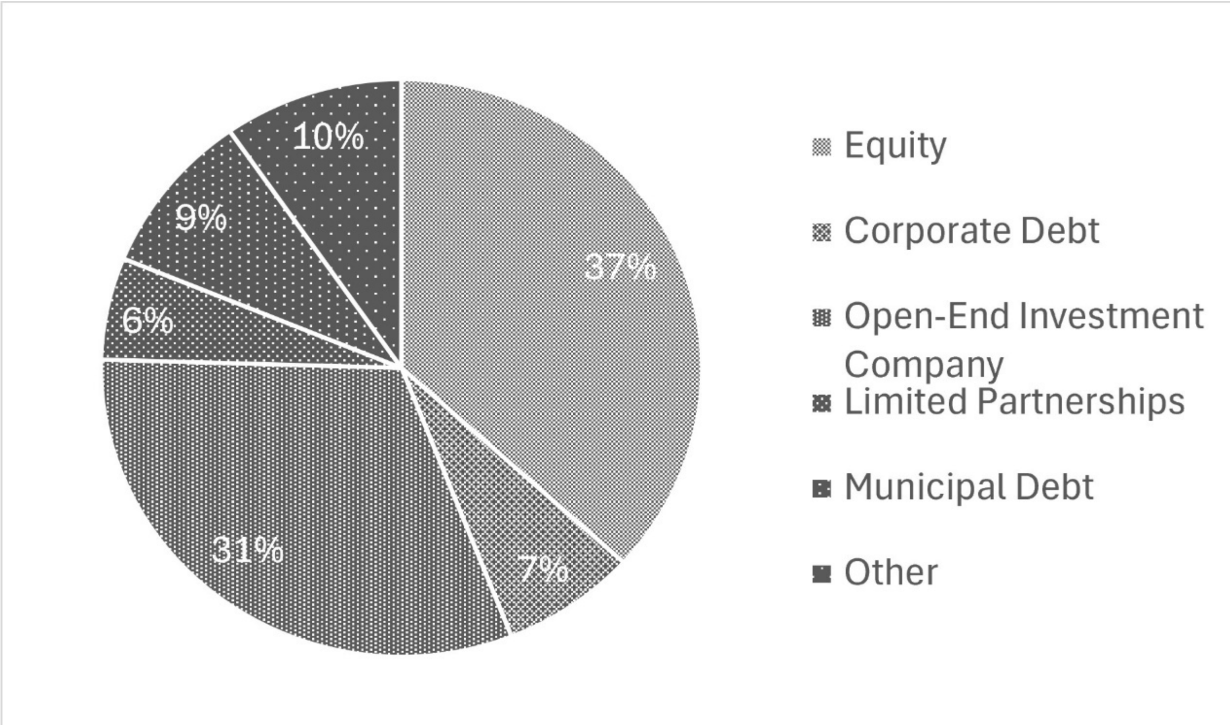
[414] 194 transfer agents = 51 transfer agents covered by Rule 17ad-4(a) + 143 transfer agents covered by Rule 17ad-4(b).

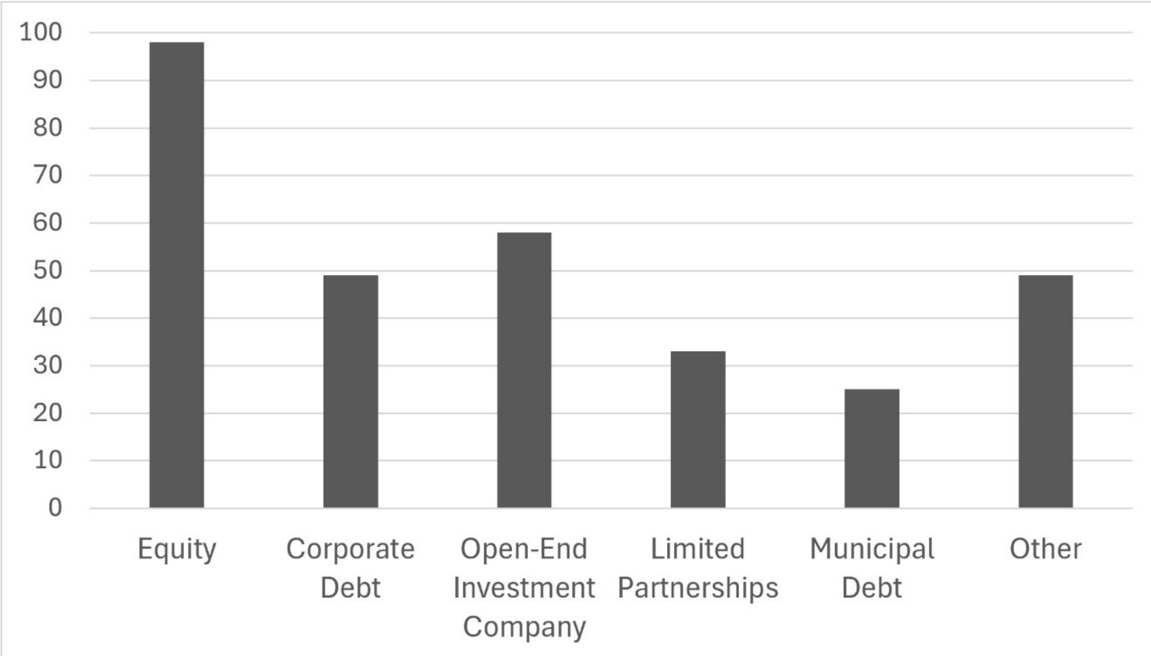
[415] The capacities considered in these figures and related text are maintaining the master securityholder file or processing transfers for a security.

Figure 6. Share of Security Issues for Which Transfer Agents Acted in Various Capacities, 2025[1]



1. This analysis is based on transfer agents' responses to Question 6 of Form TA-2 filed for the 2025 reporting period. Question 6 asks transfer agents to report the number of securities issues for which they (i) receive items for transfer and maintain the master securityholder files (Question 6(a)); (ii) receive items for transfer but do not maintain the master securityholder files (Question 6(b)); or (iii) do not receive items for transfer but maintain the master securityholder files (Question 6(c)). For each transfer agent, the Commission calculates the total number of issues serviced for each type of security and the corresponding percentage share. The percentages reported in Figure 6 represent averages of percentage shares calculated across transfer agents for which data are available. The Commission has also considered the structure of TA activities based on the reported percentage of individual securityholder accounts in corporate equity securities, corporate debt securities, open-end investment company securities, limited partnership securities, municipal debt securities, and other securities in 2025 (Question 5(d) of Form TA-2) and obtained results consistent with Figure 6.

Figure 7. Number of Transfer Agents Servicing Securities by Security Type, 2025[1]



1. This analysis is based on transfer agents' responses to Question 6 of Form TA-2 filed for the 2025 reporting period. Question 6 asks transfer agents to report the number of securities issues for which they (i) receive items for transfer and maintain the master securityholder files (Question 6(a)); (ii) receive items for transfer but do not maintain the master securityholder files (Question 6(b)); or (iii) do not receive items for transfer but maintain the master securityholder files (Question 6(c)).

While Figures 6 and 7 describe the structure of transfer agent activities at the aggregate level, they do not address whether individual transfer agents choose to perform services across all types of securities or whether they choose to perform services for a few types of securities. Table 9 presents statistics on the degree to which transfer agents specialize in specific types of securities based on transfer agents' responses to Question 6 of Form TA-2 filed for the 2025 reporting period. Table 9 indicates a high degree of specialization among transfer agents. Of the 164 transfer agents that responded to Question 6 of Form TA-2, 79 (48% of 164) received items for transfer and/or maintained master securityholder files for one type of securities. Another 44 transfer agents (27% of 164) received items for transfer and/or maintained master securityholder files for two types of securities. Thus, 75% of the transfer agents focused on, at most, two types of securities. Only five transfer agents (3% of 164) received items for transfer and/or maintained master securityholder files for five types of securities, and none did for all six.

Of the 79 transfer agents that specialized in one type of securities, 37 specialized in corporate equity securities (49% of 79; 38% of 98 transfer agents servicing equity securities); 27 specialized in open-end investment company securities (34% of 79; 47% of 58 transfer agents servicing open-end investment company securities); four specialized in limited partnership securities (5% of 79; 12% of 33 transfer agents servicing limited partnership securities); two specialized in corporate debt securities (3% of 79; 4% of 49 transfer agents servicing corporate debt securities); one specialized in municipal debt securities (1% of 79; 4% of 25 transfer agents servicing municipal debt securities); and eight specialized in other securities (10% of 79; 16% of 49 transfer agents servicing other securities). Transfer agents specializing in one type of securities tend to focus on either corporate equity securities or open-end investment company securities—the same segments served by the greatest number of transfer agents overall—yet specialist firms do not constitute a majority of transfer agents servicing any tracked security type.

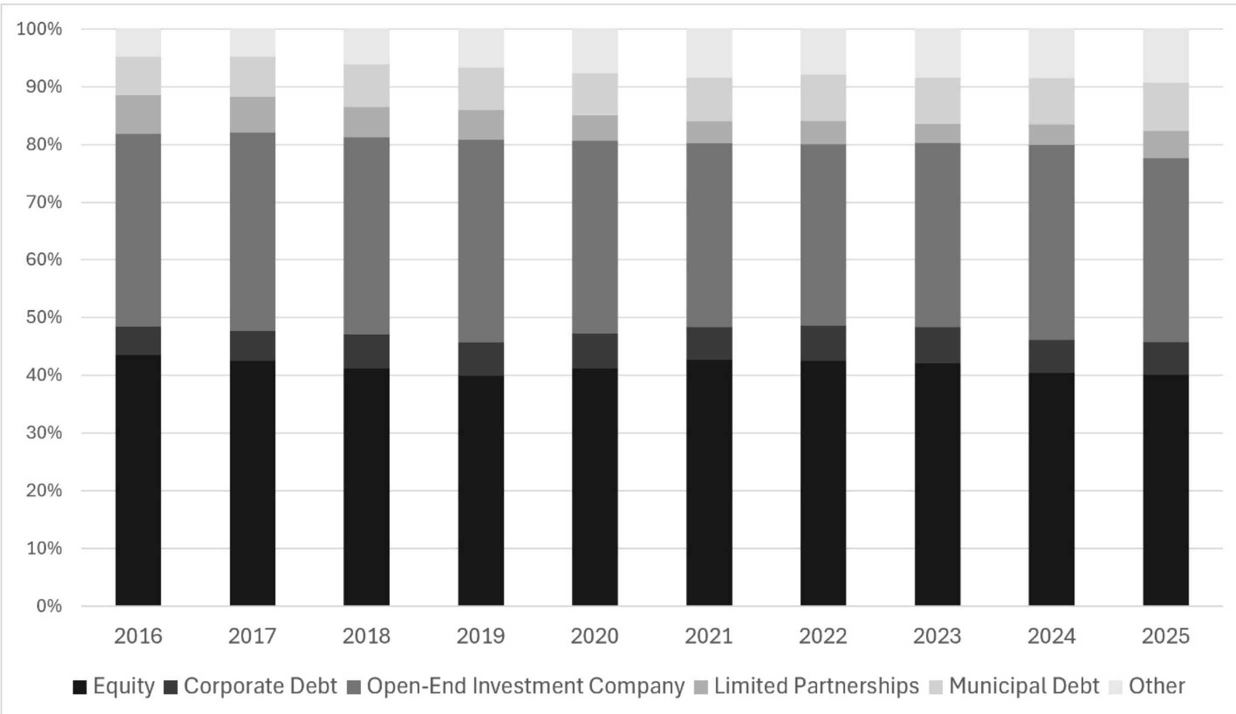
Table 9. Specialization Among Transfer Agents

Types of Securities Issues	Number of Transfer Agents	Percent
1	79	48
2	44	27
3	24	15
4	12	7
5	5	3
6	0	0
	164	100

Figure 8 depicts growth trends in the different types of securityholder accounts serviced by transfer agents between 2016 and 2025. Over this period, the shares of accounts holding corporate equity securities and open-end investment company securities have fallen slightly, the share holding limited partnership securities has fallen substantially, while the shares of accounts holding corporate debt and municipal debt securities have increased substantially. The share of accounts holding other securities has nearly doubled in this period from 4.8% in 2016 to 9.3% in

2025. Despite the fluctuations noted above, corporate equity securities and open-end investment company securities together consistently made up approximately three-quarters of individual securityholder accounts each year.

Figure 8. Trends in the Structure of Transfer Agent Activity: Share of Individual Security Holder Accounts[1]



1. This analysis is based on transfer agents' responses to Question 5(d) of Form TA-2 for the 2016-2025 reporting periods.

Table 10 provides descriptive statistics on the total number of individual securityholder accounts ("Individual Accounts"), the number of individual securityholder dividend reinvestment plan and/or direct purchase plan ("DRP/DPP") accounts, and the number of individual securityholder DRS accounts. Table 10 shows that over time, the number of Individual Accounts increased from 233 million in 2016 to 281 million in 2025. There has been an increase in the number of DRP/DPP accounts, which rose from 165 million in 2016 to 186 million in 2025, driven by large increases in 2024 and 2025 following a period of trending down. The number of DRS accounts decreased from 22 million in 2016 to 13 million in 2025.

Table 10. Number of Securityholder Accounts for which Transfer Agents Provided Dividend Reinvestment, Direct Participation, and Direct Registration System Services[1]

Year	Individual Accounts (millions)	DRP/DPP (millions)	DRS (millions)
2016	233	165	22
2017	236	163	23
2018	227	152	21
2019	229	155	18
2020	228	151	15
2021	238	159	14
2022	256	158	14
2023	263	161	14
2024	270	172	14
2025	281	186	13

1. This analysis is based on transfer agents' responses to Questions 5(a)-(c) of Form TA-2 for the 2016-2025 reporting periods. Individual Accounts is defined as the total number of individual securityholder accounts (in millions) including DRS accounts and accounts in, dividend reinvestment plans (DRPs) and/or direct purchase plans (DPPs). *See* Question 5(a) of Form TA-2. DRP/DPP is the total number of individual securityholder DRP and/or DPP accounts (in millions). *See* Question 5(b) of Form TA-2. DRS is the total number of individual securityholder DRS accounts (in millions). *See* Question 5(c) of Form TA-2.

6. Withdrawal From Registration

A transfer agent that wishes to withdraw from registration would file Form TA-W with the Commission or their other ARA. Table 11 reports the number of transfer agents that filed Form TA-W with the Commission between 2016 and 2025. The average number of transfer agents filing Form TA-W each year is 14.4, while the median is 13.5. Over this period, a total of 144 transfer agents filed Form TA-W.

Table 11. Number of Transfer Agents Filing Form TA-W with the Commission

Year	Number of Form TA-W Filers
2016	13
2017	21
2018	13
2019	12
2020	14
2021	18
2022	17
2023	14
2024	11
2025	11
Total	144

An analysis of Form TA-W filings sheds light on the state and future plans of transfer agents when they withdraw from registration. According to Table 12, of the 144 transfer agents that withdrew from registration between 2016 and 2025, 56 (39% of the total) indicated that they had a successor transfer agent for each issue of securities for which they performed transfer agent activities. Four transfer agents that withdrew from registration (3% of the total) indicated an intention to perform transfer agent activities in the near future. Five transfer agents that withdrew from registration (3% of the total) indicated that they were directly or indirectly involved in legal actions or proceedings or were aware of potential claims against them in connection with their performance of transfer agent activities. One transfer agent that withdrew from registration (1% of the total) reported the existence of unsatisfied judgments or liens against them arising out of their performance of transfer agent activities.

The stated reasons for withdrawing from registration are submitted in a free text field and are consequently sometimes ambiguous or incomplete. Based on available data, approximately 20 withdrawals (14% of the total) were due to mergers with or sales of all transfer agent client relationships to non-affiliated firms, of which 16 indicated a successor for all transfer agent clients. This estimate may overstate the number of transfer agent acquisitions; for example, some may have reflected the purchase of a firm that was an internal transfer agent. Additionally, an estimated 35 withdrawals (24% of the total) were of firms that never performed transfer agent activities, had erroneously filed a duplicate registration, or expressed an intention to re-register with a different ARA.

Table. 12 State and Future Plans of Transfer Agents at Time of TA-W Filing

	Number[1]	Percent[2]
Future activity[3]	4	3%
Legal actions or proceedings[4]	5	3%
Judgments or liens[5]	1	1%
Successor transfer agent[6]	56	39%

1. Number is the number of transfer agents filing Form TA-W between 2016 and 2025.
2. Percent is Number as a percentage of the total number of transfer agents filing Form TA-W between 2016 and 2025.
3. This row reports the number of transfer agents that intend to perform in the near future a transfer agent function for any security registered under Section 12 of the Exchange Act or which would be required to be registered except for the exemption from registration provided by paragraph (g)(2)(B) or (g)(2)(G) of that section. *See* Question 7(a) of Form TA-W.
4. This row reports the number of transfer agents that are directly or indirectly involved in any legal actions or proceedings or are aware of any potential claims against them in connection with their performance of transfer agent activities for any security. *See* Question 8 of Form TA-W.
5. This row reports the number of transfer agents that indicate the existence of unsatisfied judgments or liens against them arising out of their performance of transfer agent activities for any security. *See* Question 9 of Form TA-W.
6. This row reports the number of transfer agents that indicate the existence of a successor transfer agent. *See* Question 10(a) of Form TA-W.

7. Issuers

Table 13 reports the annual number of unique registered issuers between 2016 and 2025.[416] In particular, the Commission estimates that there were 7,750 registered issuers of principally operating companies and business development companies in 2025. Additionally, the Commission estimates that there were 14,130 funds issued by registered investment companies, excluding business development companies, in December 2025.

Table 13. Total Number of Issuers Between 2016 and 2025

Year[1]	Number of 10-K/20-F/40-F Issuers	Number of Fund Issuers
2016	8,173	-
2017	7,859	-
2018	7,712	-
2019	7,624	13,761

416 The annual number of unique issuers is the number of unique registrants (as identified by Central Index Keys) that filed Forms 10-K, 20-F, or 40-F in a given year and excludes most registered investment companies, which do not file these forms, but does include, for example, business development companies and face amount certificate companies. The number of fund issuers is the number of funds reported in the Annual Registered Investment Company Update data. *See supra* Section V.B.3.

2020	7,475	13,599
2021	7,958	13,749
2022	8,737	13,959
2023	8,351	14,088
2024	7,902	14,438
2025	7,750	14,130

1. 10-K/20-F/40-F reports full-year numbers. Fund reflects the number of funds in December of each year.

This section complements the above analysis of Form TA-2 submissions with AA data, which covers 165 registered transfer agents with a most recent periodic filing date from January 2024 to January 2026, for issuers with most recent periodic filing dates during the same period.[417] As shown in Panel A of Table 14, the median transfer agent provides services to five issuers. However, the transfer agent at the 90th percentile services 114 issuers and the transfer agent at the 99th percentile services 1,087 issuers. In addition, 46 transfer agents provide services to only 1 issuer each, while 20 transfer agents provide services to over 100 issuers each to a combined total of 8,250 issuers.

When considering issuer revenues and the complexity of issuer shareholder structure, the median transfer agent serves issuers with a median of 180 shareholders of record and $71.4 million in revenue. Similar to the distribution in the number of issuers, the distribution of revenues and shareholders is concentrated in the right tail, with the 90th percentile of transfer agents serving issuers with a median of 3,060 shareholders of record and $1.1 billion in revenue, and the 99th percentile of transfer agents servicing issuers with a median of 56,539 shareholders of record and $37.5 billion in revenue.

In addition, the industry for transfer agents is heavily segmented with respect to the types of issuers served by different transfer agents. While the median transfer agent serves no exchange listed issuers, the top decile of transfer agents overwhelmingly serves exchange listed

417 Where percentages are reported, they exclude transfer agents and issuers with missing data.

firms (over 85% of their issuer business). The distribution of OTC firms served by transfer agents exhibits similar characteristics. There is also considerable segmentation among transfer agents in the provision of services to funds. While the median transfer agent does not provide services to any investment company issuers, such firms account for all of the issuers served by transfer agents in the top quartile. In total, 89 of the 165 transfer agents in this data set do not serve a single investment company issuer, while 45 transfer agents serve investment company issuers exclusively. By contrast, many transfer agents serve at least some small issuers, though the percentage is highly sensitive to the definition of "small issuer" used. Panel B of Table 14 reports the fraction of small issuers served by transfer agents. Small issuers comprise 0% to 80% of the issuers served by the median transfer agent, depending on the definition of "small issuer" used. Between 18 and 96 transfer agents in the sample serve no small issuers, depending on the definition of "small issuer" used. Regardless of the definition of "small issuer" used, more than 25% of transfer agents service primarily securities issued by small issuers.

Note that each of these analyses is independent of the others: for example, the firms serving the most issuers do not necessarily have the highest median number of shareholders or revenues, or the highest percentage of exchange-listed issues serviced. For example, the median percentage of exchange listed-issues among the top five transfer agents by issuers served is 82%, with a range of 67–87%, and the median percentage of small issuers served is 40%, 70%, or 44%, depending on the definition of "small issuer."

Table 14. Characteristics of Issuers Serviced by Transfer Agents

Panel A. Issuer Counts, OTC Issuers, and Investment Company Issuers

Percentile	Issuers[1]	Shareholders[2]	Revenue ($ 000s) [3]	US Exchange[4]	OTC[5]	Investment Company [6]
1	1		5.4	0%	0%	0%
10	1	13	63.7	0%	0%	0%
25	1	90	7,429	0%	0%	0%
50	5	180	71,422	0%	0%	0%
75	29	1,077	445,990	33%	25%	100%
90	114	3,060	1,099,628	85%	82%	100%
99	1,087	56,539	37,491,200	100%	100%	100%

1. The number of issuers for which information about company name is available in AA.
2. The median number of shareholders of record of a corresponding share class for the issuers that a given transfer agent serves.
3. The median most recent year revenue for the issuers that a given transfer agent serves. Where the issuer is a bank or a financial institution, revenue includes both interest and non-interest income. In addition, for banks and financial institutions total revenue data generally does not include write downs or losses of any kind.
4. Issuers are classified as listed on U.S. Exchange if company or shareholder market information includes NASDAQ, NYSE, Bats, or Amex.
5. Issuers are classified as OTC if they are not classified as listed on U.S. Exchange and company or shareholder market information includes OTC or Grey Market.
6. Based on information in the Investment Company Act variable (specifying '34 Act or '40 Act).

Panel B. Small Issuers

Percentile	Small[1]	Small (Alt.)[2]	Small (Alt. 2) [3]
1	0%	0%	0%
10	0%	0%	0%
25	0%	50%	0%
50	23%	80%	0%
75	96%	100%	71%
90	100%	100%	100%
99	100%	100%	100%

1. Percentage of issuers that are non-accelerated filers or small reporting companies according to filings since 2024.
2. Percentage of issuers that are non-accelerated filers, small reporting companies, or have most recent reported trailing twelve-month revenues below the emerging growth company threshold according to filings since 2024.
3. Percentage of issuers with filings since 2024 and most recent market capitalization under $1 billion according to AA.

8. Database Searches and Account Remittances

Table 15 reports the percentage of Form TA-2 filers conducting database searches, the number of accounts searched, the number of lost securityholder accounts for which a different address has been obtained as a result of a database search[418], and the discovery rate (i.e., ratio of the number of lost securityholder accounts for which a different address has been obtained as a result of a database search to the number of accounts searched) averaged across the 10 reporting periods between 2016 and 2025. On average, 80% of recordkeeping transfer agents[419] that filed Form TA-2 conducted database searches for approximately 3.2 million securityholder accounts and obtained a new address for approximately 2.2 million of these accounts. Recordkeeping transfer agents obtained a new address for a lost securityholder account at an average rate of 68%. On average, 25% of the non-recordkeeping transfer agents that filed Form TA-2 conducted database searches for approximately 160,000 securityholder accounts and obtained a new address for approximately 93,000 of these accounts. Non-recordkeeping transfer agents obtained a new address for a lost securityholder account at an average rate of 58%. These results suggest that recordkeeping transfer agents conducted more database searches than non-recordkeeping transfer agents and obtained a new address for a higher proportion of lost securityholder accounts searched. Among transfer agents, recordkeeping transfer agents are principally involved in complying with Rule 17ad-17's requirement to search for lost securityholders.

Table 15. Database Search by Transfer Agents

	(1) Percentage Of Transfer Agents Conducting Search	(2) Number Of Accounts Searched	(3) Number Of Accounts For Which Different Address Was Obtained	(4) Discovery Rate = (3)/(2)
Recordkeeping Transfer Agent	80%	3,182,939	2,173,507	68%
Non-recordkeeping Transfer Agent	25%	159,815	92,621	58%

418 *See* Questions 11(a)(ii) and 11(a)(iii) of Form TA-2.

419 As discussed in Section V.B.4.a, recordkeeping transfer agents are identified based on their responses to Questions 6(a) and 6(c) on Form TA-2.

Table 16 reports the number of lost securityholder accounts remitted to states each year from 2016 to 2025 by Form TA-2 filers. During this period, the number of accounts remitted gradually fell from 471,591 in 2016 to 417,270 in 2022, then dropped by more than half to 162,947 in 2023, before settling at 163,204 in 2025.[420] The Commission has limited insight into database searches or accounts remitted to states by carrying broker-dealers, for example from responses to customer complaints received by the Office of Investor Education and Assistance and forwarded to broker-dealers; this information is neither systematic nor complete, and overall search or remittance numbers for carrying broker-dealers are unavailable. The Commission requests comment on this matter.

Table 16. Lost Securityholder Accounts Remitted to States by Transfer Agents

Year	Number of Accounts Remitted
2016	471,591
2017	462,622
2018	469,688
2019	504,455
2020	430,890
2021	471,400
2022	417,270
2023	162,947
2024	174,312
2025	163,204

9. Segregated Funds

The Commission's regulatory experience indicates that some transfer agents may maintain issuer, securityholder, and other customer funds in bank accounts separate from any other bank accounts of the transfer agents.[421] However, data regarding the prevalence of this

420 The decline in 2023 was primarily due to the cessation of operations by the transfer agent which had for several years been by a considerable margin the largest remitter; it filed Form TA-W with the Commission that year.

421 *See* Office of Compliance Inspections and Examinations Risk Alert (February 13, 2019), *available at* https://www.sec.gov/newsroom/whats-new/transfer-agent-safeguarding-funds-securities.

practice is not available. The Commission requests commenters to provide feedback on the number of transfer agents that currently adopt this practice.

10. Basis for Removing Restrictive Legends

As discussed in Section IV.B, transfer agents are often the party responsible for affixing, tracking, and removing restrictive legends. The Commission's regulatory experience indicates that (i) some transfer agents rely on the advice of counsel in the form of an "attorney letter" or "opinion letter" as the basis for removing restrictive legends and (ii) such opinion letters can come from either the issuer's in-house counsel or outside counsel. However, data regarding the prevalence of opinion letters as the basis for removing restrictive legends is not available, as is data on the extent to which opinion letters are provided by issuers' in-house counsel or outside counsel. The Commission requests commenters to provide feedback on these matters.

Notwithstanding the foregoing, transfer agents may choose to process a transaction in the absence of an opinion letter. Data regarding the usage of these non-opinion letter methods—to the extent they are used by transfer agents—is unavailable, as is data on the extent to which the use of each method involved transfer agents providing supporting documentation similar to or satisfying the requirements set forth in paragraph (d) of proposed Rule 17ad-31. The Commission requests commenters to provide feedback on these matters.

C. Benefits and Costs

This section discusses the benefits and costs associated with the proposed rules and amendments. The proposed amendments to Forms TA-1 and TA-2 are likely to increase the amount and usefulness of information available to market participants about transfer agents. To the degree that issuers currently face information asymmetries about transfer agent quality, incentives, and conflicts, enhanced disclosures—such as those regarding corporate organizational structure and outsourcing arrangements—may reduce adverse selection in the market for transfer agent services by improving issuers' ability to differentiate among transfer agents based on their capability prior to contracting. Separately, post-contractual conflicts of interest may be more directly addressed by other provisions of the proposal, including the compliance, safeguarding, and restrictive legend rules discussed below. Additionally, to the degree that the proposed amendments may reduce the costs of acquiring information about transfer agent quality, they may also increase market incentives for transfer agents to compete on quality.

The Commission is also proposing to amend certain definitions as well as processing, recordkeeping, record retention, prompt posting, and safeguarding requirements. These proposed amendments would update and streamline these definitions and requirements to address technological and market infrastructure changes, industry concerns, and lessons from the Commission's oversight and monitoring experience. The proposed amendments would also expand existing safeguarding requirements to address a wider range of risks, including through new provisions governing segregation of funds and business continuity planning. The proposed amendments would provide greater clarity to transfer agents regarding their regulatory obligations, promote prompt and accurate clearance and settlement of securities transactions, enhance the resilience of the national clearance and settlement system, strengthen investor protection, increase investor participation in securities markets, and facilitate capital raising.

The proposed amendments to Rule 17ad-3 would ensure that issuers receive the early warning needed to resolve serious performance issues affecting their underperforming transfer agents and provide stronger incentives for transfer agents to expeditiously resolve or avoid performance failures. These measures in turn would support prompt and accurate clearance and settlement and strengthen investor protection.

The proposed amendments to Rule 17ad-17 would create a new category of securityholders called an "inactive securityholder" (i.e., a securityholder without observed account activity for 18 months); require inactive securityholders to be notified; update the definition of a lost securityholder to address methods of correspondence other than physical mail; and update the definition of an unresponsive payee to address electronic payments. The proposed amendments could help securityholders retain ownership of their investment property, avoid incurring costs associated with premature remittance and liquidation of such property, and receive their entitled payments from issuers.

Besides amending existing rules, the Commission is proposing new rules addressing compliance and restrictive legends. These proposed rules would facilitate prompt and accurate clearance and settlement of securities transactions, strengthen investor protection, increase investor participation in securities markets and facilitate capital raising.

The Commission is also proposing to rescind Rule 17ad-4. The proposed rescission of Rule 17ad-4 may strengthen investor protection and promote the prompt and accurate settlement of securities transactions by extending turnaround, processing, and recordkeeping rules to transfer agents and transactions that were previously exempt from these rules.

The analysis below addresses the likely economic effects of the proposed and amended rules, including their anticipated and estimated benefits and costs and their likely effects on efficiency, competition, and capital formation. The Commission also discusses the potential economic effects of certain alternatives to the approaches proposed in this release.

1. Cost Passthrough and Incidence

Transfer agents would incur costs as a result of the proposed rules and amendments and form amendments. Transfer agents may pass on these costs to issuers in the form of higher fees or reduced willingness to offer services to certain types of issuers—for example, issuers from which transfer agents generate less revenue. This effect is particularly relevant given the holdup problem identified in Section V.A. Transfer agents may also pass costs directly to third parties, such as broker-dealers and securityholders, through increased fees. Given the high concentration documented in Section V.B.4. and the limited substitutability of transfer agents in certain market segments, the Commission expects that transfer agents may have significant ability to pass costs to issuers in concentrated segments, while competitive pressure in less concentrated segments may limit passthrough. To the extent that transfer agents pass on costs associated with the proposed amendments to their issuer clients and third parties, these entities may incur costs as well. Transfer agents' costs and compliance burdens could in some cases be passed along to issuers and third parties in the form of reduced access to services rather than through increased prices.

The Commission does not have data or other information concerning sensitivities of issuers and third parties to fees, how transfer agents account for these sensitivities, or the extent to which transfer agents prefer to keep fees constant. Thus, any potential shift in the supply of transfer agent services and its impact on fees is unknown. The Commission requests commenters provide feedback on these matters.

2. Benefits and Costs of Policies and Procedures Approach in Rules 17ad-2, 12, and 30

This section discusses the potential benefits and costs associated with the proposed policies and procedures approach for Rules 17ad-2, 12, and 30 i.e., framing these rules as principles-based rules.

A policies and procedures approach to Rules 17ad-2, 12, and 30 could benefit registered transfer agents by providing them with flexibility in how they effect turnaround, safeguard funds and securities, address cybersecurity and other risks associated with their activities, and comply with applicable laws and regulations. The flexibility stems from the proposed approach's requirement that registered transfer agents establish, maintain, and enforce written policies and procedures reasonably designed to ensure the performance of these activities. The policies and procedures approach would allow each transfer agent to determine the methodologies that work best to perform these activities in light of current technologies as well as future technological developments; operational and market developments; and the transfer agent's specific business model, services, risks, and other characteristics. The flexibility afforded by a policies and procedures approach may encourage transfer agents to deploy new technologies and practices that may reduce their costs, while improving their performance. To the extent that transfer agents realize cost savings and pass them on to issuers in the form of lower fees for performing transfer agent services, issuers also may benefit from the flexibility afforded by a policies and procedures approach.

In exchange for this additional flexibility, a principles-based rule may require transfer agents to consider the application of its provisions to particular situations to a far greater degree than under a prescriptive rule.[422] As a result of framing Rules 17ad-2, 12, and 30 as principles-based rules, transfer agents may devote greater efforts and incur greater costs to understand the application of these rules' provisions to particular situations, relative to the baseline.

The benefits and costs of Rules 17ad-2, 17ad-12, and 17ad-30 are discussed in more detail in Sections V.C.4.b, V.C.4.h, and V.C.5.a, respectively. The compliance costs of each of these rules are quantified in these respective sections.

3. Benefits and Costs of the Proposed Amendments to Registration and Annual Reporting Requirements

a. Proposed Amendments to Rule 17ac2-1

Under the proposal, Form TA-1 filings and amendments would be effective 45 days after filing, instead of the current 30 days.

A longer effective date may reduce the timeliness of transfer agent registrations and may delay new entrants into the transfer agent industry from providing such services to issuers by 15 days. However, as discussed in section II.A, the proposed amendment may provide the Commission with additional time to review the information contained in Form TA-1. Thus, the proposed amendment may enhance Commission oversight over the transfer agent industry. Moreover, the proposal would align the timeline of effectiveness of Form TA-1 filing and amendments with Section 17A(c)(2) of the Exchange Act.[423]

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422 *See* Julia Black, *The Rise, Fall and Fate of Principles Based Regulation* (Working Paper Nov. 21, 2010), *available at* https://ssrn.com/abstract=1712862 (retrieved from SSRN Elsevier database).

423 *See supra* Section II.A.

b. Proposed Amendments to Rule 17ac2-2

Under the proposal, filers would be required to file an amended Form TA-2 within 60 days of discovering any information reported that was materially inaccurate, misleading, or incomplete at the time of filing to correct that information. The proposed amendment would result in better accuracy in data collected and maintained by the Commission. This amendment would result in costs to transfer agents. Upon discovering that it had filed information that was inaccurate, misleading, or incomplete, a transfer agent would face a choice between 1) incurring costs to determine if the information was materially inaccurate, misleading, or incomplete in order to decide whether to file an amended Form TA-2 or 2) incurring any costs of producing and filing an amended Form TA-2 regardless of materiality. Further, transfer agents that have determined that the information was materially inaccurate, misleading, or incomplete would subsequently incur costs to produce and file an amended Form TA-2.

The compliance costs associated with the proposed amendments to Rule 17ac2-2 would impose annual costs of $1,500[424] per transfer agent.

c. Proposed Amendments to Form TA-1

The Commission is proposing to add a number of questions to Form TA-1 including, among other things, organizational details such as affiliates and the transfer agent's other registrations, as well as revision of instructions to promote clarity regarding the required information collected in existing questions.[425]

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424 The $1,500 annual estimate is based on the following calculations: $1,393.20 (lawyers at $774 for 1.8 hours) + $154.80 (costs for outside professionals of $154.80) ≈ $1,500. Occupational rates are calculated as described in *infra* note 533. For additional details on estimates of burden hours and occupations involved, *see infra* Section VI. Throughout this economic analysis, we have estimated certain costs based on our analysis of the collection of information burdens of the proposed rules for purposes of the Paperwork Reduction Act of 1995 ("PRA"). As discussed in more detail in section VI.E, our PRA estimates represent an average burden for all respondents, both large and small, and the burdens will likely vary among individual respondents based on a number of factors, including the size and complexity of their business.

425 *See supra* Section II.C.

The Commission also proposes to remove two existing questions concerning registrants' engagement of and engagement as a service company. The questions being removed from Form TA-1 are duplicative of information that is included in Form TA-2.

Benefits

There are benefits to both the questions being added to Form TA-1, which would provide valuable information to market participants doing business with transfer agents and the Commission, and to the questions being removed, which may reduce the frequency of filing amendments and the costs of preparing those filings relative to retaining those questions.

Information about the geographic scope of the business, the officers and directors of the registrant, and the registrant's organizational structure and affiliations may help in identifying conflict of interest concerns; assessing governance, safeguarding, and operational risks; assessing the internal division of labor, specialization, and scope; and relating total firm resources to the functions they support. This may contribute to improved transfer agent selection by issuers and increase competition among transfer agents. Identifying transfer agents' other registrations would better enable the Commission to cross-reference entities already registered with the Commission in other capacities and therefore improve its evaluation of applications and oversight of registered entities.

Furthermore, the structured data language in which transfer agents file Form TA-1 would enhance these benefits by making the additional disclosures more efficient to process and analyze. Form TA-1 is currently structured in a custom XML data language and would continue to be under the proposal.[426] The custom XML requirement renders the disclosures machine-readable, benefiting users of the disclosures (such as issuers and regulators) by facilitating comparisons across transfer agents and filing periods. The requirement also allows transfer

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426 *See Form TA Technical Specification*, SEC, *available at* https://www.sec.gov/submit-filings/technical-specifications#form_ta.

agents to complete a fillable web form that the EDGAR converts into a custom XML document rather than incur the cost of structuring their disclosures themselves.[427]

The removal of existing Questions 6 and 7 regarding service company arrangements from Form TA-1 may reduce certain costs related to preparing such amendments when required and may result in transfer agents needing to file amendments to Form TA-1 less frequently than if those Questions were retained, particularly if service company arrangements change more frequently than other information submitted on Form TA-1.

The proposed amendments to Form TA-1 instructions are expected to result in marginal benefits to registrants, the Commission, and potentially other stakeholders such as issuers. For example, amended instructions may help to reduce filing errors by specifying that the full legal name of the registering entity must be used and may ease Commission oversight by ensuring that registrants are aware that registration makes them subject to the SEC's examination authority, including for non-Section 12 issues. Amending the instructions to Question 8 could result in more consistent and complete responses by registrants, facilitating the Commission in its oversight and regulatory roles.

<u>Costs</u>

The removal of existing Questions 6 and 7 may result in somewhat delayed visibility into new transfer agents' use of and employment as service providers, as that information would only be received with the filing of Form TA-2. Additionally, because the service provider information in Form TA-2 is retrospective to the calendar year reporting period, changes in employment of or employment as a service provider would no longer be updated within 60 days of the change as required by existing Questions 6 and 7. However, the Commission does not anticipate that the proposed change in provision of service company arrangement information from Form TA-1 to Form TA-2 will materially impact the Commission's oversight of transfer

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427 *See EDGAR Filer Manual Vol. II* (Version 77, Mar. 2026) at Section 8.2.25, SEC, *available at* https://www.sec.gov/submit-filings/edgar-filer-manual.

agent operations with respect to service company arrangements. The other proposed amendments to Form TA-1 would result in costs to transfer agents primarily related to potential costs of needing to file amendments more frequently. This is because these proposed amendments increase the number of reportable items that could change and in turn increases the likelihood of an amendment to Form TA-1.

The proposed amendments to form instructions are expected to result in some costs to registrants. Many of the proposed amendments to instructions require no substantive work from the registrant, such as those amendments specifying that the contact person in Question 1(f) must be authorized to receive compliance correspondence, or actively facilitate the accurate filing of Form TA-1, such as stating the meanings of the abbreviations of "CCC" and "CIK." The amended instructions for Question 8, specifying who must be listed as a control person, may effectively require additional disclosure from some registrants and consequently additional costs to ascertain and report the information.

The proposed amendment may result in duplication of reporting across Forms TA-1 and TA-2, particularly for transfer agents that enter the industry close to the end of the reporting period for Form TA-2. The Commission further recognizes that because amendments to Form TA-1 must be filed within 60 calendar days of reported information becoming inaccurate, incomplete, or misleading, registrants may have to expend resources to determine on an ongoing basis if changes in internal organization, external affiliations, or registrations necessitate filing an amended Form TA-1, and incur costs to potentially file amendments multiple times per year. We estimate this aspect of the proposed amendment may impose annual compliance costs per transfer agent of $1,500.[428]

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[428] The $1,500 annual estimate is based on the following calculations: $1,161 (lawyers at $774 for 1.5 hours) + $387 (costs for outside professionals of $387) ≈ $1,500. Occupational rates are calculated as described in *infra* note 533. For additional details on estimates of burden hours and occupations involved, *see infra* Section VI. The burden and cost estimates for Form TA-1 in this release do not reflect a separate burden or cost of structuring disclosures in custom XML, because the forms are fillable web forms on EDGAR that

d. Proposed Amendments to Form TA-2

There are several benefits associated with the proposed additional disclosures in Form TA-2.[429] These proposed disclosures may mitigate information asymmetries and conflicts of interest between transfer agents and less informed issuers and investors; allow issuers to make more informed decisions in the selection of transfer agent; and support Commission oversight over transfer agents.

<u>Benefits</u>

The proposed amendments would require additional disclosures. For example, the proposed amendments would require transfer agents to disclose information related to their number of employees, activities performed, issues serviced, and certain service providers engaged. Such disclosures are expected to improve the ability of issuers and/or the Commission to assess the scope and quality of services offered by transfer agents; operational, outsourcing, and safeguarding risks of each transfer agent; and resources to cover financial responsibilities or liabilities the transfer agent may assume through visibility into transfer agents' operating structure and business affiliates. Improving visibility into such factors for each transfer agent will also better enable comparison across transfer agents.

The proposal would also require transfer agents to provide detailed information about, for example, the number and type of securities serviced and various means of doing so. The proposed amendments would require transfer agents to disclose more granular information about their activities related to already specified types of securities and the same information for newly identified classes of securities currently included within "other securities," for example, exchange-traded funds. Transfer agents would also be required to disclose amounts paid in

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convert disclosures to custom XML. While transfer agents have the option of creating and submitting a custom XML document rather than using the fillable form, the Commission expects any transfer agents that choose this option have sufficient XML experience and infrastructure such that the burden and cost of doing so is de minimis.

429 *See supra* Section II.D.

various cash and stock distributions and open end investment company security purchases and redemptions. The disclosure of additional information may facilitate oversight of transfer agents and enhance the ability of issuers to understand and compare the businesses of various transfer agents. Furthermore, as discussed in further detail in section V.C.3.c, the custom XML requirement for Form TA-2 will make the added disclosure more readily available for processing and analysis. However, to the degree that such information may be duplicative of information in Form TA-1, existing requirements to file Form TA-1 and update it may reduce the magnitude of the above benefits of the proposed disclosure of changes in the transfer agent's business.

The proposed form amendments would result in transfer agents no longer being required to report some information. To conform with proposed Rule 17ad-2, which replaces required monthly turnaround performance with a policies and procedures approach, Question 9 would be revised and transfer agents would no longer report the number of months not in compliance or the number of written notices of noncompliance filed to their ARA. Transfer agents would also no longer be required to report certain information related to the number and type of individual securityholder accounts. The removal of these disclosures may reduce the costs of tracking those metrics and preparing Form TA-2 filings.

The proposed amendments to Form TA-2 instructions are expected to result in minor benefits to registrants, the Commission, and potentially other stakeholders such as issuers. For example, the proposed clarification of how to count securityholder accounts in Question 4(b) may result in more accurate and consistent reporting, which would benefit the Commission in its oversight role and potentially other stakeholders by improving comparability between transfer agents' reported data.

Costs

The proposed disclosures in Form TA-2 would impose direct and indirect costs on transfer agents—costs that may be passed along to issuers and third parties (e.g., securityholders, broker-dealers, and other non-issuers) that purchase services from transfer agents. First, these disclosures may provide only noisy signals of transfer agent quality or conflicts of interest and therefore may provide issuers with only a limited ability to make more informed choices when selecting transfer agents. Moreover, these additional disclosure requirements may lead some transfer agents, particularly smaller and less transparent transfer agents, to exit the industry. A more detailed discussion of these effects on efficiency, competition, and capital formation is presented in Section V.D.

Second, transfer agents would incur direct compliance costs. Compliance with the proposed amendments to Form TA-2, including the amendments to instructions (principally the calculation of the number of securityholder accounts in Question 4(b)), would impose annual costs of $3,900[430] per transfer agent. These compliance costs and other costs, that are less amenable to quantification and discussed below, may be passed on to issuers and third parties.

4. Benefits and Costs of Proposed Amendments to Definitions, Processing, Recordkeeping, and Safeguarding Rules

a. Amendments to Rules 17ad-1 and 17ad-9 and New Definitions to Rule 17ad-9

Proposed amendments to Rules 17ad-1 and 17ad-9 would amend and create definitions used in transfer agent rules and extend the applicability of definitions in Rule 17ad-1 to additional rules.[431] The existing definitions generally reflect the transfer agent market as it was several decades ago when the transfer agent rules were originally adopted and when most settlement involved the cancellation and reissuance of security certificates. The intervening years have brought substantial change to the processing of security transactions, with most

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430 The $3,900 annual estimate is based on the following calculations: $3,483 (lawyers at $774 for 4.5 hours) + $387 (costs for outside professionals of $387) ≈ $3,900. Occupational rates are calculated as described in *infra* note 533. For additional details on estimates of burden hours and occupations involved, *see infra* Section VI. The burden and cost estimates for Form TA-2 in this release do not reflect a separate burden or cost of structuring disclosures in custom XML, because the forms are fillable web forms on EDGAR that convert disclosures to custom XML. While transfer agents have the option of creating and submitting a custom XML document rather than using the fillable form, the Commission expects any transfer agents that choose this option have sufficient XML experience and infrastructure such that the burden and cost of doing so is de minimis.

431 *See supra* Sections III.A and III.B.

certificated securities being held in centralized depositories in street name and substantial activity taking place purely in book entry form. Communications, recordkeeping, and other categories of technology employed in the performance of transfer agent activities have likewise developed substantially. The proposed amendments in large part modernize definitions to reflect the state of the transfer agent market and technology currently in use, as well as to provide improved flexibility in definitions to allow for further developments and innovation.

Rule 17ad-1 definitions currently apply to Rules 17ad-2 through 17ad-7. They are proposed to be extended to apply to Rules 17ad-9, 17ad-10, and 17ad-12 and proposed Rules 17ad-30, and 17ad-31. Their applicability to Rule 17ad-4 is proposed to be rescinded in conjunction with its proposed rescission. Rule 17ad-9 definitions currently apply to Rules 17ad-10 through 17ad-13 and are not proposed to be extended to further rules.

Benefits

The proposed amendments to the definitions in Rules 17ad-1 and 17ad-9 would provide a number of benefits due to their applicability to existing or proposed rules, or rules with proposed amendments to rule text. The proposed amendments would provide clarity to transfer agents in their operations. The amended definitions would contribute to this by specifying how the tasks which make up most transfer agent activities, the objects that those tasks operate on, and the records which evidence them fall within and work in the transfer agent rules. Notably, this includes specifying that certain rules apply to, for example, securities, positions, or instructions in general, not only to certificates, and to instructions submitted to an electronic system controlled, operated, or enabled by the transfer agent. The proposed amendments would eliminate outdated definitions, which do not reflect present business practices and technology, resulting in more clarity and potentially fewer burdens associated with overcompliance: to the extent that outdated definitions currently cause transfer agents to apply rules more broadly than intended, updated definitions may reduce unnecessary compliance costs. However, the Commission lacks data to estimate the magnitude of this effect. Greater flexibility in the definitions of terms, such those concerning security or securityholder identifying information, would help the rules remain relevant as markets continue to develop and adjust to technological and other innovations. Such flexibility in definitions could also provide transfer agents and service providers flexibility in how to comply with rules' requirements. Issuers may also benefit from clearer knowledge of what information transfer agents would collect and maintain as a result of the proposed amendments, which could enable them to better negotiate agreements with transfer agents.

The proposed new definitions in Rule 17ad-9—authorized securities, transfer journal, and presentor—are used extensively in both existing and proposed amended rules. Defining these terms will benefit market participants by providing regulatory clarity regarding the rules that reference these terms.

The proposed amendments to Rules 17ad-1 and 17ad-9 would change the composition and handling of certain types of records transfer agents are required, or would be required, to keep, including the master securityholder file and control book. Expanding the definition of record difference may result in more timely discovery and resolution of errors by requiring continuous monitoring and correction, rather than limiting the definition of a record difference only to instances where position detail of a security transferred or redeemed does not match the master securityholder file. Similarly, by providing in the proposed amended definition of recordkeeping transfer agent that only a single transfer agent maintains and updates the master securityholder file of a security issue,[432] the proposal may reduce the potential for transactions not being posted to the master securityholder file. Specifying that transfer agents have discretion in the technologies and systems used to maintain master securityholder files could contribute to transfer agents using the most efficient available technology, thereby promoting prompt and efficient clearance and settlement. Requiring the tracking of outstanding securities in the control

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432 *See* proposed Rule 17ad-9(h).

book in addition to the currently required securities authorized and securities issued may likewise better enable transfer agents to monitor for overissuance, particularly by firms that are active in the market for their own securities such as through the accumulation of treasury stock.

The proposed amendments to the definition of position detail increase the amount of information taken in, not only by adding an alternative applicable unique identifier to the certificate number if one exists, but also by adding any other information about securityholders and securities sufficient to accurately identify a specific securityholder to the exclusion of other securityholders; effectively deliver dividends and other payments, legal notices, and other necessary communications; and reasonably enable transfer agent recordkeeping, operations, or the efficient and effective research of record differences. This could improve clearance and settlement by ensuring transfer agents' ability to communicate with securityholders in real time using contemporary methods to help reduce settlement failures and timely resolve processing discrepancies. This could also improve transfer agents' functioning as gatekeepers with respect to financial transactions and transfers. For example, the proposed amendments would require sufficient information for lost securityholder searches under Rule 17ad-17 and contribute to an improved success rate for finding lost securityholders when performing searches.

Costs

Transfer agents would incur costs as a result of the proposed amendments to definitions in Rules 17ad-1 and 17ad-9 due to their applicability to existing or proposed rules, or rules with proposed amendments to rule text. While some general costs related to proposed amendments to definitions are discussed in this section, costs associated with the proposed amended definitions as they pertain to proposed rules and amendments in this release are mainly considered as part of the costs of these proposed rules and amendments, as discussed further in this section and Section V.C.5. Generally, costs related to proposed amendment definitions will primarily be associated with complying with the major turnaround, posting, recordkeeping, and record retention rules. Costs deriving from proposed amendments to definitions as apply to rules without proposed amendments to rule text are discussed more explicitly in this section.

The proposed amendments to the Rule 17ad-1 definition of receipt would contribute to a requirement for faster turnaround time, expanding the scope of instructions which are subject to turnaround rules with downstream effects to posting, recordkeeping, and record retention rules. As discussed in the proposed amendment to Rule 17ad-2 below, which the definition chiefly affects, requirements for more rapid processing may contribute to increased costs for some transfer agents, but the Commission understands that most turnaround is already accomplished on the timelines required under the new definition and amended Rule 17ad-2.

Proposed amendments to Rule 17ad-9 definitions, notably presentor, position detail, credit, and debit, would have the effect of requiring additional information to be collected, tracked, and stored, and potentially of requiring additional investigation and processing, including due to the specification that non-certificated actions are encompassed in the rules. Requiring more information in position detail could entail one-time costs associated with directly updating forms and systems to gather the new information. Because the requisite information is not specified but instead based on the principle that it be sufficient to effectively comply with applicable laws and regulations, transfer agents may incur up-front and ongoing costs to determine what information is necessary to adequately comply. The proposed amendments to the definition of record difference may result in more frequent investigations of record differences, as they would include a continuously existing state of discrepancy between the master securityholder file and the transfer journal, which could result in additional ongoing costs. The addition of outstanding securities to the control book is expected to impose costs for transfer agents, but these are expected to be relatively minor as the measure is the arithmetic difference of securities issued, which is already tracked in the control book, and treasury stock, which may already be designated within an issue's master securityholder file.

The proposed amendment to the definition of master securityholder file may result in costs to transfer agents insofar as they do not already maintain the master securityholder file in electronic form. Most transfer agents currently maintain master securityholder files in electronic form and thus any such costs would be minimal. However, those transfer agents which do maintain master securityholder files in paper form would face costs to transfer them to electronic form, including costs to migrate data, to develop systems for updating the new electronic master securityholder files, and to train employees in new processes. These changes could impose significant one-time costs, with ongoing costs of updating the master securityholder file being more limited. The Commission lacks data on the number of transfer agents currently maintaining paper-based master securityholder files and the associated migration costs. These changes may be particularly burdensome for smaller transfer agents servicing fewer issues for many years. Such transfer agents are more likely to have begun master securityholder files in paper format and may be less able to spread out the fixed costs of changing over to electronic master securityholder files over multiple issues.

The proposed amendment to the definition of recordkeeping transfer agent clarifies that only one transfer agent may maintain and update the master securityholder file for a security issue. Transfer agents which maintain master securityholder files along with other transfer agents for the same security issue may face one-time costs to adjust contracts and operations, but the Commission expects any ongoing costs related to consolidation of master securityholder files under a single recordkeeping transfer agent to be minimal. The Commission lacks data on the number of transfer agents which maintain master securityholder files jointly with another transfer agent.

Additionally, there could be additional costs attributed to rules with rule text that is not proposed to be amended.

The Rule 17ad-1 definitions currently and under proposed amendments apply primarily to proposed rules or to rules with proposed amendments to rule text. The exceptions are Rules

17ad-5 and 17ad-8. No Rule 17ad-1 definitions proposed to be amended apply to Rule 17ad-8. The revised definition of "receipt" is not anticipated to result in material costs to comply with Rule 17ad-5 as, among other reasons, the extended time during which receipt may occur on the business day corresponding to the calendar day of receipt is matched by extended time of the last business day on which a response may be made. The revised definition of "item" is not expected to result in material costs to comply with Rule 17ad-5 independent of related costs to comply with the amended turnaround, recordkeeping, and record retention rules.

The proposed Rule 17ad-9 definition amendments apply primarily to the proposed rules and rules with proposed amendments to rule text, with the exceptions of Rules 17ad-11 and 17ad-13. The Commission does not expect the proposed amended definitions to result in significant costs related to 17ad-13 because the required independent report concerns transfer agents' systems of accounting control, procedures for the transfer of record ownership, and safeguarding of securities and funds, which already encompass the activities contemplated by the amended definitions if not their exact form. The proposed expansion of the definition of record difference and the resulting possibility of finding record differences stemming from discrepancies between the transaction journal and master securityholder file could increase the number of aged record differences.[433] This in turn could increase the number of reports related to aged record differences and the associated costs. Specifically, Rule 17ad-11 requires transfer agents to submit reports to issuers and to their ARA following each calendar month or quarter, respectively, when aged record differences exceed specified thresholds. The cost of incremental reports issued is expected to be \$84 per filing.[434] The Commission receives an average of one report per year, but does not have information regarding reports received by other ARAs and

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433 An aged record difference is a record difference that has existed for more than thirty calendar days. *See* Rule 17ad-11(a)(2).

434 *See* 2025 Support Statement for Rule 17ad-11, 90 FR 10983 (February 28, 2025) ("2025 Support Statement for Rule 17ad-11"). The \$84 estimate is based on the following calculation: \$83.50 (internal bookkeeping, accounting, and auditing clerks at \$167 for 0.5 hours) and no external costs, \$83.50 + \$0 ≈ \$84.

cannot readily quantify the extent of new record differences that transfer agents may discover as a result of the amended definition or whether those record differences would be unresolved after 30 days at a different rate than existing record differences. The Commission requests comment on these matters.

b. Amendments to Rule 17ad-2

The Commission is proposing amendments to Rules 17ad-2(a)-(e) and (h). The proposed amendments to Rules 17ad-2(a) and 17ad-2(b) would (1) raise the performance standard for the turnaround and processing of routine items from at least 90 percent of all routine items to all routine items; (2) amend the time frame for accomplishing turnaround of routine items from the existing three business days to one business day or the time period specified by Rule 15c6-1(a) under the Exchange Act; and (3) impose a written policies and procedure requirement for the turnaround and processing of routine items. The proposed amendments to Rules 17ad-2(c) and 17ad-2(d) would require registered transfer agents to provide the required notifications when they fail to turnaround or process more than three percent of routine items within the time frames specified in proposed Rule 17ad-2(a) and Rule 17ad-2(b), respectively. The proposed amendments to Rule 17ad-2(e) would add a written notification requirement for rejected items and make conforming changes due to the proposed changes to Rule 17ad-2(a) and 17ad-2(b). The proposed amendments to Rule 17ad-2(h) would, among other things, replace the existing filing instructions for each ARA in the rule with email addresses for each ARA to modernize and simplify the filing instructions.

In light of the proposed rescission of Rule 17ad-4, the Commission is proposing to delete (1) the turnaround provision in Rule 17ad-2(e)(2) that applies to transfer agents that are exempt pursuant to Rule 17ad-4(b) and (2) the existing reference to 17ad-4 in Rule 17ad-2(h). Section V.C.4.d discusses the benefits and costs associated with the proposed rescission of Rule 17ad-4. The proposed amendments to Rule 17ad-2(h) would, among other things, reference Rules 17ad-7, 17ad-11, and 17ad-13. The proposed insertion of Rules 17ad-11 and 17ad-13 in Rule 17ad-

2(h) is unlikely to result in incremental benefits or costs because it simply mirrors the reference to Rule 17ad-2(h) in Rules 17ad-11(c) and 17ad-13(a). The benefits and costs associated with the proposed amendments to Rule 17ad-7 are discussed in Section V.C.4.f. This section discusses the benefits and costs associated with the proposed amendments to Rule 17ad-2 other than the proposed deletions in connection with the proposed rescission of Rule 17ad-4 and the proposed insertion of Rules 17ad-11 and 17ad-13 in Rule 17ad-2(h).

Benefits

The proposed amendments to Rule 17ad-2 would benefit investors by facilitating prompt and accurate clearance and settlement of securities transactions and strengthening investor protection. Transfer agents would benefit from a less burdensome and costly filing obligation as a result of the proposed electronic filing requirement in Rule 17ad-2(h).

The proposed amendments to Rule 17ad-2(a) would facilitate prompt and accurate clearance and settlement by requiring a larger percentage of routine items to be turned around over a shorter time frame relative to the baseline.[435] The proposed amendments to Rule 17ad-2(b) would also facilitate prompt and accurate clearance and settlement by requiring all applicable items to be processed within the specified timeframes compared to the existing standard of at least 90 percent of all routine items. That said, the beneficial impact on clearance and settlement may be limited. As discussed in Section III.D, the Commission understands that the vast majority of transfer agents regularly turn around and process nearly 100 percent of all applicable items within one business day or less, even for certificated securities, or are readily capable of doing so. Further, the standard securities settlement cycle for most broker-dealer securities transactions is currently one day following the trade date, or T+1.[436] The proposed

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435 Specifically, the rule as amended would require a transfer agent to turnaround all routine items received for transfer during a month within the shorter of one business day or the time period specified by Rule 15c6-1(a) under the Exchange Act. In contrast, existing Rule 17ad-2(a) requires a transfer agent to turnaround at least 90% of all routine items received during a month within three business days.

436 17 CFR 240.15c6-1(a).

policies and procedures approach could promote the prompt and accurate clearance and settlement of securities transactions by providing transfer agents the flexibility to deploy new technologies and practices that may reduce their costs, while improving their turnaround performance.[437] Additionally, should Rule 15c6-1(a) be revised in the future to specify a shorter settlement cycle, Rule 17ad-2(a) as amended would help ensure that transfer agents effect the turnaround of routine items to align with and support any shorter settlement cycle. In the absence of the proposed amendment, transfer agents may not turn around routine items expeditiously to keep up with any such shorter settlement cycle, which could delay the clearance and settlement of securities transactions. Thus, Rule 17ad-2(a) as amended would facilitate prompt and accurate clearance and settlement of securities transactions by ensuring that the turnaround of routine items would continue to keep up with the settlement cycle, even if it changes in the future. The proposed amendment would benefit investors by reducing the risk that their transactions cannot be cleared and settled accurately and promptly because of a turnaround delay.

If a transfer agent fails to meet the turnaround or processing performance standard, the clearance and settlement of securities transactions is delayed, which exposes investors to market risk and potential losses. Existing Rules 17ad-2(c) and 17ad-2(d) are intended to provide the Commission and other ARAs early warning about turnaround and processing failures, which could be symptomatic of a serious performance issue affecting the transfer agent. However, as discussed in Section III.D, few transfer agents fail to turnaround or process in a timely manner 90 percent of applicable items received each month, rendering the existing rules ineffective in providing early warning of potential performance issues. Further, significant increases in the volume of items processed by modern transfer agents raise the costs of performance failures—such as increased market risk to investors—stemming from serious performance issues and

437 *See supra* Section V.C.2.

underscore the need for effective early warning of such issues. The proposed amendments to Rules 17ad-2(c) and 17ad-2(d) would ensure the Commission and other ARAs receive the early warning the rule is designed to provide, but only in situations where the turnaround or processing failure potentially indicates a serious performance issue. Enhanced supervisory oversight by the Commission and other ARAs in such instances could help ensure speedy resolution of serious performance issues thereby supporting prompt and accurate clearance and settlement and protecting investors.

The notification requirement of proposed Rule 17ad-2(e)(2) could enhance investor protection and promote the accurate clearance and settlement of securities transactions by ensuring that turnaround can be accomplished as quickly and efficiently as possible. Absent the proposed notification requirement, an investor (more generally, a presentor) may not be able to quickly cure defects (e.g., missing or incomplete information) that prevent the turnaround of an item, because the transfer agent did not provide notice of those defects. This in turn could delay the settlement of the transaction associated with the item and expose the investor to market risk associated with the delayed settlement of the transaction. By requiring the transfer agent to notify the investor of such defects and the necessary remedial actions, the proposed notification requirement could expedite the curing of defects, facilitate the prompt and accurate clearance and settlement of securities transactions, and in turn shorten the period during which the investor would be exposed to market risk associated with delayed settlement.

The proposed electronic filing requirement in Rule 17ad-2(h) would remove transfer agents' burden of preparing and submitting the required information in paper and submitting multiple copies to different ARA office locations, depending on the ARA. To the extent that the current paper-based filing requirement is costlier than electronic filing, the proposed amendment may reduce transfer agents' costs of fulfilling their filing obligations and increase their efficiency. The proposed requirement may also facilitate Commission oversight of the filings by streamlining the process of tracking, reviewing, storing, and retrieving the email submissions made by transfer agents. More effective Commission oversight would strengthen investor protection and facilitate the prompt and accurate clearance and settlement of securities transactions.

Costs

The proposed amendments to Rule 17ad-2 would impose costs on transfer agents. To comply with the proposed amendments to Rules 17ad-2(a) and 17ad-2(b), transfer agents would incur costs to establish, maintain, and enforce written policies and procedures reasonably designed to ensure turnaround and processing of all applicable items received within the timeframes specified in these amended rules.[438] To the extent that transfer agents have existing written policies and procedures, they may choose to modify these existing written policies and procedures to comply with the proposed amendments—as opposed to creating these written policies and procedures *de novo*—which could reduce the costs associated with the proposed amendments.

As discussed in Section III.D, the Commission understands that the vast majority of transfer agents regularly turn around and process nearly 100 percent of all applicable items within one business day or less, even for certificated securities, or are readily capable of doing so. Accordingly, transfer agents would incur very limited, if any, costs to comply with the proposed amendments to Rules 17ad-2(a) and 17ad-2(b), with the possible exception of small transfer agents. With respect to small transfer agents that would be required to comply with amended Rules 17ad-2(a) and 17ad-2(b) as a result of the proposed rescission of Rule 17ad-4(b),[439] the Commission understands that even the smallest transfer agents today have access to automated processes and electronic recordkeeping systems. Further, the securities markets and the national clearance and settlement system in which transfer agents operate have

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438 *See* Rules 17ad-2(a) and 17ad-2(b).

439 Rule 17ad-4(b), in part, exempts small transfer agents from Rules 17ad-2(a) and 17ad-2(b). *See* Rule 17ad-4(b), 17 CFR 240.17Ad-4(b).

become more automated, efficient, and interconnected, which has increased the ability of *all* transfer agents, regardless of size, to meet the minimum performance standards set forth in amended Rules 17ad-2(a) and 17ad-2(b), among other things.[440] These factors may mitigate in particular small transfer agents' costs of complying with these rules. A subset of transfer agents, potentially including small transfer agents, may incur costs to acquire the operational capability to turnaround and process all routine items received within the timeframes specified in these amended rules. The Commission requests commenters provide feedback on the number of transfer agents that may incur such costs and the magnitude of such costs.

To comply with the proposed amendments to Rules 17ad-2(c) and 17ad-2(d), transfer agents may incur costs to build a system that monitors when their performance triggers the proposed three percent notification threshold for turnaround and processing, respectively. Transfer agents likely have such systems in place to comply with existing Rules 17ad-2(c) and 17ad-2(d) and would choose to update their systems to incorporate the proposed notification thresholds rather than build *de novo* monitoring systems. For these transfer agents, the costs of updating their systems likely would be minimal. Transfer agents that would be newly subject to amended Rules 17ad-2(c) and 17ad-2(d) because of the proposed rescission of Rule 17ad-4 likely do not have such monitoring systems and may incur costs to build them. The Commission requests commenters provide feedback on the number of transfer agents that may incur such costs and the magnitude of such costs.

The proposed amendments to Rules 17ad-2(c) and 17ad-2(d) could increase the number of notices filed by transfer agents to the extent that the amended notification thresholds are crossed more often than the existing thresholds. Transfer agents would incur compliance costs associated with preparing and filing these additional notices. These compliance costs would fall primarily on transfer agents lacking the operational capability to avoid triggering the notification

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440 *See supra* Section III.F.

requirements such as smaller, less well-resourced transfer agents. The Commission requests commenters provide feedback on the change in the number of notice filings and the associated costs, as well as the type and number of likely filers.

To comply with proposed Rule 17ad-2(e)(2), transfer agents may choose to update their internal policies and procedures to ensure that they provide written notifications about rejected items to the relevant presentors within the time specified by the proposed rule. Because the proposed rule does not specify a method of providing written notifications and in light of the widespread availability of near-instantaneous electronic communications in the transfer agent industry,[441] transfer agents will likely use their existing methods of communicating with presentors (such as email communications) to provide the written notifications within the time specified in the proposed rule and not incur costs to establish any new communication methods. As discussed in Section III.D, the proposed rule would require transfer agents to provide the written notification only for items rejected by the transfer agent. This means that, if the transfer agent is not responsible for the rejection, then the transfer agent would not be required to provide a written notification to the presentor and incur any associated costs.

Transfer agents would incur very little, if any incremental costs to comply with the proposed electronic filing requirement in Rule 17ad-2(h). Given the widespread availability of near-instantaneous electronic communications in the transfer agent industry,[442] transfer agents likely already possess the operational capability to comply with the proposed requirement. To the extent that the current paper-based filing requirement is costlier than electronic filing, the proposed amendment may reduce transfer agents' costs of fulfilling their filing obligations.

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[441] *See supra* Section III.I.2.

[442] *See supra* Section III.I.2.

The compliance costs related to the proposed amendments would impose initial costs of $34,000 and annual costs of $8,500 per transfer agent.[443]

c. Amendments to Rule 17ad-3

The Commission is proposing to amend Rule 17ad-3 in light of the proposed amendments to Rule 17ad-2(c) and (d). The Commission is proposing to amend the threshold in Rule 17ad-3(b) from 75 percent to 95 percent so that any registered transfer agent that fails, for each of two consecutive months, to turn around at least 95 percent of routine items within the time specified in Rule 17ad-2(a) or to process at least 95 percent of all applicable items within the time specified in Rule 17ad-2(b) would be subject to the limitations on expansion in Rule 17ad-3(a) and required to notify the chief executive officer of each issuer for which the transfer agent acts.

The proposed amendments to Rule 17ad-2(c) and (d) also alter the operation of Rule 17ad-3(a). Specifically, any transfer agent that fails to timely turnaround or process more than three percent of all routine items received during a month for three consecutive months is prohibited from taking on new issues or providing new services for existing issues. In contrast, under existing Rule 17ad-2(c) and (d), the limitations on expansion would apply if the transfer agent fails to timely turnaround or process at least 90 percent of all routine items received during a month for three consecutive months.

Benefits

As discussed in Section V.C.4.b, if a transfer agent fails to meet the turnaround or processing performance standard, the clearance and settlement of securities transactions is delayed, which exposes investors to market risk and potential losses. Rule 17ad-3 along with existing Rules 17ad-2(c) and 17ad-2(d) are intended to provide issuers, the Commission and

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443 The $34,000 initial estimate is based on the following calculations: $25,542 (lawyers at $774 for 33 hours) + $8,514 (costs for outside professionals of $8,514) ≈ $34,000. The $8,500 annual estimate is based on the following calculations: $6,385.50 (lawyers at $774 for 8.25 hours) + $2,128.50 (costs for external services of $2,128.50) ≈ $8,500. Occupational rates are calculated as described in *infra* note 533. For additional details on estimates of burden hours and occupations involved, *see infra* Section VI.

other ARAs early warning about turnaround and processing failures, which could be symptomatic of a serious performance issue affecting the transfer agent. However, as discussed in Section III.E, the vast majority of transfer agents regularly turnaround and process nearly 100 percent of all routine items within one business day or less, or are readily capable of doing so, and modern transfer agents process significantly more items per month than did transfer agents in 1977 when Rules 17ad-2 and 17ad-3 were adopted. These changes render Rule 17ad-3 ineffective in providing early warning of potential performance issues and raise the costs of performance failures—such as increased market risk to investors—stemming from serious performance issues and underscore the need for effective early warning of such issues. If a transfer agent's issuer clients do not receive effective early warning of potential performance issues, they are unable to expedite the resolution of such issues with the transfer agent. Further, early warning that is rarely triggered renders largely inert Rule 17ad-3's limitations on expansion provisions and the associated prospect of lost revenue and damaged reputation experienced by an underperforming transfer agent. This weakens the transfer agent's incentives to expeditiously address performance failures and also weakens the incentives of all transfer agents to deploy sufficient resources (e.g., enhanced operational controls, upgraded systems, or increased staffing) to avoid performance failures.

The proposed amendment to Rule 17ad-3(b) would ensure transfer agents' issuer clients receive the early warning about significant operational failures the rule is designed to provide, but only in situations where the turnaround or processing failure potentially indicates a serious performance issue. This would enable issuer clients to use their contractual relationships with underperforming transfer agents to help ensure speedy resolution of serious performance issues, return them to compliance with the performance standards thereby supporting the prompt and accurate clearance and settlement and protecting investors.

As a result of the proposed amendments to the turnaround failure thresholds in Rule 17ad-2(c) or (d), the limitations on expansion provisions of Rule 17ad-3 would trigger more frequently—all things being equal—and thus provide stronger incentives for underperforming transfer agents to expeditiously address performance failures and for all transfer agents to deploy sufficient resources to avoid performance failures. This in turn would support the prompt and accurate clearance and settlement and strengthen investor protection.

Costs

To the extent that the limitation on expansion provisions are triggered more often relative to the baseline, affected transfer agents would lose revenue as a result of the limitation. They may also suffer damage to their reputation if current and prospective clients interpret the limitation as an indication of inferior ability to perform transfer agent activities. This in turn could result in a further loss of business and revenue. These costs would fall primarily on transfer agents lacking the operational capability to avoid triggering the limitations on expansion provisions such as smaller, less well-resourced, transfer agents. The Commission requests that commenters provide feedback on whether the limitations on expansion provisions would trigger more, less, or remain unchanged in light of the proposed amendments to Rule 17ad-2(c) and (d) and the proposed amendment to Rule 17ad-3(b). Commenters are also requested to provide feedback on the type and number of transfer agents likely to be affected.

To the extent that the notification requirement of the rule is triggered more often as a result of the proposed 95 percent threshold, affected transfer agents would incur compliance costs to notify the chief executive officers of their issuer clients. These compliance costs would fall primarily on transfer agents lacking the operational capability to avoid triggering the notification requirements such as smaller, less well-resourced transfer agents. The notification requirement would impose annual costs of $670 per transfer agent.[444] These costs would be

[444] The $670 annual estimate is based on the following calculations: $501 (bookkeeping, accounting, and auditing clerks at $167 for 3 hours) + $167 (costs for outside professionals of $167) ≈ $670. Occupational rates are calculated as described in *infra* note 533. For additional details on estimates of burden hours and occupations involved, *see infra* Section VI.

mitigated because the rule requires the transfer agents to send copies of the written notices filed pursuant to Rule 17ad-2(c) or (d), as applicable, rather than prepare different notices.

Transfer agents that anticipate triggering the limitations on expansion provisions given the current state of their operational capability may choose to deploy sufficient resources (e.g., enhanced operational controls, upgraded systems, or increased staffing) to avoid performance failures and incur costs as a result. Transfer agents that are likely to respond in this way are those for which the costs associated with deploying sufficient resources are less than the costs associated with the limitations on expansion, i.e., lost revenue and damaged reputation. Specifically, larger and fast growing transfer agents may be more inclined to deploy sufficient resources to prevent performance failures. Larger transfer agents typically possess the necessary capacity, while for fast-growing transfer agents, restrictions on expansion tend to impose relatively higher costs.

d. Rescission of Rule 17ad-4

Rule 17ad-4 provides limited exemptions from certain transfer agent rules. Specifically, Rule 17ad-4(a) provides an exemption for transfer agents that process interests in limited partnerships ("LPs"), Fund Shares, or DRIPs from turnaround, processing, recordkeeping and other provisions.[445] Rule 17ad-4(b) provides an exemption for certain small transfer agents by exempting a registered transfer agent from the turnaround, processing, recordkeeping, and other provisions.[446] The Commission is proposing to rescind Rule 17ad-4 in its entirety. The original rationale for the rule was that it was not necessary or appropriate to require smaller transfer

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[445] *See* CFR 240.17Ad-4(a) (stating that Rule 17ad-2 (regarding turnaround and processing), Rule 17ad-3 (regarding restrictions on expansion in certain circumstances of non-compliance), and Rules 17ad-6(a)(1) through (7) and (11) (regarding books and records requirements) shall not apply to transfer agents that process interests in LPs, Fund Shares, or DRIPs.)

[446] *See* 17 CFR 240.17Ad-4(b). Rule 17ad-4(b) provides an exemption for certain small transfer agents by exempting a registered transfer agent from the turnaround, processing, recordkeeping, and other provisions of Rules 17ad-2(a), (b), (c), (d) and (h); 17ad-3; and 17ad-6(a)(2) through (7) and (11), provided the transfer agent has received fewer than 500 items for transfer and fewer than 500 items for processing within a consecutive six month period and provided that the transfer agent has filed proper notice of its exempt status with its ARA or has prepared a document certifying that the transfer agent qualifies as exempt (with respect to those ARAs where filing is not required.)

agents for thinly-traded issues to comply with the minimum performance standards and recordkeeping provisions, nor was it necessary or appropriate to apply those standards and provisions to processes that, as the Commission understood at that time, were significantly different from the transfer of ownership of stocks and bonds on issuers' records.[447] However, modern technological capabilities and a dramatic increase in the risks posed by transfer agents' activities to an interconnected electronic national clearance and settlement system are such that the rule's original rationale is no longer justified. Accordingly, the Commission proposes to rescind Rule 17ad-4. As a result, transfer agents that previously were subject to the exemption afforded by Rule 17ad-4 would now have to comply with turnaround, processing, limitations on expansion, and recordkeeping rules.

The Commission is also proposing to remove paragraph (d)(2) from Rule 17ad-13, which provides that a registered transfer agent is exempt from the requirements of Rule 17ad-13 if it is an exempt transfer agent pursuant to Rule 17ad-4(b) and, if it performs transfer agent functions for Fund Shares, it maintains master securityholder files consisting of fewer than 1,000 shareholder accounts, in the aggregate, for each of such issues for which it performs transfer agent functions.[448] As a result, small transfer agents that previously were covered by Rule 17ad-4(b) would now have to comply with Rule 17ad-13 and, among other things, file with the Commission and its ARA an annual report prepared by an independent accountant concerning the transfer agent's system of internal controls and related procedures for the transfer of record ownership and the safeguarding of related securities and funds based on an annual study and evaluation made in accordance with generally accepted auditing standards.[449]

<u>Benefits</u>

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447 Regulation of Transfer Agents, Exchange Act Release No. 13293 (Feb. 24, 1977), 42 FR 12191, 12195 (Mar. 3, 1977).

448 *See supra* note 213.

449 *See* Exchange Act Rule 17ad-13, 17 CFR 240.17Ad-13 and 2015 Concept Release, *supra* note 4, at 81966.

The proposed rescission of Rule 17ad-4 is expected to strengthen investor protection and facilitate the prompt and accurate settlement of securities transactions by extending Rules 17ad-2, 17ad-3, and 17ad-6, as proposed to be amended, to transfer agents processing interests in LPs, DRIPS, and Fund Shares, and certain small transfer agents. Elsewhere in this release,[450] the Commission discusses in detail how the proposed amendments to Rules 17ad-2, 17ad-3, and 17ad-6—as applied to all transfer agents—would strengthen investor protection and the prompt and accurate settlement of securities transactions. The following is a summary of these discussions. First, the processing performance standards of Rule 17ad-2 would ensure that transfer agents turn around and process routine and non-routine items promptly and accurately.[451] Second, Rule 17ad-2's proposed policies and procedures approach could promote the prompt and accurate clearance and settlement of securities transactions by providing transfer agents the flexibility to deploy new technologies and practices that may reduce their costs, while improving their turnaround performance.[452] Third, the proposed amendments to Rules 17ad-2(c) and 17ad-2(d) would ensure the Commission and other ARAs receive the early warning the rule is designed to provide, but only in situations where the turnaround or processing failure potentially indicates a serious performance issue. Enhanced supervisory oversight by the Commission and other ARAs in such instances could help ensure speedy resolution of serious performance issues thereby supporting prompt and accurate clearance and settlement and protecting investors. Fourth, the notification requirement of proposed Rule 17ad-2(e)(2) could expedite the curing of defects, facilitate the prompt and accurate clearance and settlement of securities transactions, and in turn shorten the period during which the investor would be exposed to market risk associated with delayed settlement. Fifth, the proposed amendment to Rule 17ad-3(b) would ensure transfer agents' issuer clients receive the early warning about

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450 *See supra* Sections V.C.4.b and V.C.4.c and *infra* Section V.C.4.e, respectively for a discussion of the benefits associated with the proposed amendments to Rules 17ad-2, 17ad-3, and 17ad-6.

451 *See* proposed Rule 17ad-2(a), (b), and (e).

452 *See supra* Section V.C.2.

significant operational failures the rule is designed to provide, but only in situations where the turnaround or processing failure potentially indicates a serious performance issue. This would enable issuer clients to use their contractual relationships with underperforming transfer agents to help ensure speedy resolution of serious performance issues, return them to compliance with the performance standards thereby supporting the prompt and accurate clearance and settlement and protecting investors. Sixth, to the extent that the limitations on expansion provisions of Rule 17ad-3 trigger more frequently because of the amended turnaround failure thresholds in Rule 17ad-2(c) or (d), there would be stronger incentives for underperforming transfer agents to expeditiously address performance failures and for all transfer agents to deploy sufficient resources to avoid performance failures. This in turn would support the prompt and accurate clearance and settlement and strengthen investor protection. Seventh, the proposed amendments to Rule 17ad-6 may help to promote safe, efficient, prompt, and accurate settlement transactions to the extent that the greater availability of information to ARAs helps improve the detection and curing of transfer agents' deficiencies. This effect is expected to fall primarily on smaller transfer agents. Eighth, by simplifying recordkeeping requirements, the proposed amendments to Rule 17ad-6 may ease transfer agents' administrative burden, allowing them to focus more on performing their critical functions. If administrative burden currently constrains transfer agents' ability to devote resources to their critical functions, this reallocation may indirectly improve the performance of these functions.

Extending Rule 17ad-13 to small transfer agents that were previously covered by Rule 17ad-4(b) would strengthen investor protection and promote the prompt and accurate settlement of securities transactions. The annual report requirement of Rule 17ad-13(a) could help detect and correct material inadequacies in the transfer agent's internal control system, which in turn would restore the transfer agent's ability to promptly and accurately transfer record ownership and safeguard securities and funds. The notification requirement of Rule 17ad-13(b) would provide early warning to the transfer agent's ARA about material inadequacies in the transfer agent's internal control system. Enhanced supervisory oversight by the Commission and other ARAs in such instances could help ensure speedy correction of such inadequacies and restore the affected transfer agent's ability to discharge its transfer and safeguarding obligations. If the discovery of material inadequacies impairs a transfer agent's reputation and prospects for future business, the rule may provide incentives for transfer agents to deploy sufficient resources to avoid material inadequacies in their internal control systems. This in turn would support the prompt and accurate clearance and settlement and strengthen investor protection. That said, this effect may be limited for smaller transfer agents, which are more likely to lack the resources to bolster their internal control systems.

Costs

The proposed rescission of Rule 17ad-4 would impose certain costs on those registered transfer agents that were previously covered by the rule. Specifically, the Commission estimates that up to 194 registered transfer agents that process interests in limited partnerships, DRIPs, and Fund Shares, and certain small transfer agents would be required to comply with Rules 17ad-2, 17ad-3, and 17ad-6, as proposed to be amended, and likely would incur compliance costs.[453] Elsewhere in this release,[454] the Commission discusses the compliance costs incurred by all applicable registered transfer agents in connection with proposed amendments to Rules 17ad-2, 17ad-3, and 17ad-6. The following is a summary of these discussions. With respect to the proposed amendments to Rule 17ad-2, transfer agents would incur the following compliance costs. First, to comply with the proposed amendments to Rules 17ad-2(a) and 17ad-2(b), transfer agents would incur costs to establish, maintain, and enforce written policies and procedures reasonably designed to ensure turnaround and processing of all applicable items received within

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453 *See supra* Section V.B.4.d. The aggregate quantifiable compliance costs for Rules 17ad-2, 17ad-3, and 17ad-6 (*see infra* Section V.C.6) include the costs that would be incurred by these 194 transfer agents.

454 *See supra* Sections V.C.4.b and V.C.4.c and *infra* Section V.C.4.e, respectively for a discussion of the compliance costs associated with the proposed amendments to Rules 17ad-2, 17ad-3, and 17ad-6.

the timeframes specified in these amended rules.[455] Transfer agents with existing written policies and procedures may choose to modify them as opposed to creating written policies and procedures *de novo*, which could reduce their compliance costs. Second, as discussed in Section V.C.4.b, transfer agents would incur very limited, if any, costs to comply with the proposed amendments to Rules 17ad-2(a) and 17ad-2(b), with the possible exception of small transfer agents. With respect to small transfer agents that would be required to comply with amended Rules 17ad-2(a) and 17ad-2(b) as a result of the proposed rescission of Rule 17ad-4(b),[456] the Commission understands that even the smallest transfer agents today have access to automated processes and electronic recordkeeping systems. Further, the securities markets and the national clearance and settlement system in which transfer agents operate have become more automated, efficient, and interconnected, which has increased the ability of *all* transfer agents, regardless of size, to meet the minimum performance standards set forth in amended Rules 17ad-2(a) and 17ad-2(b), among other things.[457] These factors may mitigate in particular small transfer agents' costs of complying with these rules. A subset of transfer agents, potentially including small transfer agents, may incur costs to acquire the operational capability to turnaround and process all routine items received within the timeframes specified in these amended rules. The Commission requests commenters provide feedback on the number of transfer agents that may incur such costs and the magnitude of such costs. Third, to comply with the proposed amendments to Rules 17ad-2(c) and 17ad-2(d), transfer agents may incur costs to build a system that monitors when their performance triggers the proposed three percent notification threshold for turnaround and processing, respectively. Transfer agents likely have such systems in place to comply with existing Rules 17ad-2(c) and 17ad-2(d) and would choose to update their systems to incorporate the proposed notification thresholds rather than build *de novo* monitoring systems.

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455 *See* Rules 17ad-2(a) and 17ad-2(b).

456 Rule 17ad-4(b), in part, exempts small transfer agents from Rules 17ad-2(a) and 17ad-2(b). *See* Rule 17ad-4(b), 17 CFR 240.17Ad-4(b).

457 *See supra* Section III.F.

For these transfer agents, the costs of updating their systems likely would be minimal. Transfer agents that would be newly subject to amended Rules 17ad-2(c) and 17ad-2(d) because of the proposed rescission of Rule 17ad-4 likely do not have such monitoring systems and may incur costs to build them. The Commission requests commenters provide feedback on the number of transfer agents that may incur such costs and the magnitude of such costs. Fourth, the proposed amendments to Rules 17ad-2(c) and 17ad-2(d) could increase the number of notices filed by transfer agents to the extent that the amended notification thresholds are crossed more often than the existing thresholds. Transfer agents would incur compliance costs associated with preparing and filing these additional notices. Fifth, to comply with the proposed amendment to Rule 17ad-2(e)(1) and proposed Rule 17ad-2(e)(2), transfer agents may choose to update their internal policies and procedures to ensure that they adhere to the revised requirements when addressing routine items that failed to be timely turned around or processed and non-routine items, respectively. Sixth, transfer agents would incur very little, if any incremental costs to comply with the proposed electronic filing requirement in Rule 17ad-2(h). Given the widespread availability of near-instantaneous electronic communications in the transfer agent industry,[458] transfer agents likely already possess the operational capability to comply with the proposed requirement. To the extent that the current paper-based filing requirement is costlier than electronic filing, the proposed amendment may reduce transfer agents' costs of fulfilling their filing obligations.

With respect to the proposed amendments to Rule 17ad-3, transfer agents would incur the following compliance costs. First, to the extent that the limitations on expansion provisions are triggered more often relative to the baseline, affected transfer agents would lose revenue as a result of the limitation. They may also suffer damage to their reputation if current and prospective clients interpret the limitation as an indication of inferior ability to perform transfer

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458 *See supra* Section III.I.2.

agent activities. This in turn could result in a further loss of business and revenue. Second, to the extent that the notification requirement of the rule is triggered more often as a result of the proposed 95 percent threshold, affected transfer agents would incur compliance costs to notify the chief executive officers of their issuer clients. These costs would be mitigated because the rule requires the transfer agents to send copies of the written notices filed pursuant to Rule 17ad-2(c) or (d), as applicable, rather than prepare different notices. Third, transfer agents that anticipate triggering the limitations on expansion provisions given the current state of their operational capability may choose to deploy sufficient resources (e.g., enhanced operational controls, upgraded systems, or increased staffing) to avoid performance failures and incur costs as a result.

With respect to the proposed amendments to Rule 17ad-6, transfer agents would incur the following compliance costs. To the extent that the proposed amendments to Rule 17ad-6 increase the number of documents and records that transfer agents would be required to make and keep current relative to the baseline, they would incur costs to do so. The magnitude of these costs would depend in part on the size and scope of the transfer agents' business activities. Alternatively, transfer agents could respond to the proposed amendments by restructuring their business activities to reduce the additional number of documents and records that they would be required to make and keep current. Transfer agents may choose to restructure their business activities if the associated costs are less than the cost savings associated with the reduction of documents and records that would have to be made and kept current.

As a result of the proposed rescission of Rules 17ad-4(b) and 17ad-13(d)(2), small transfer agents that were previously exempt under Rule 17ad-4(b) would now have to comply with Rule 17ad-13. Each transfer agent would incur annual compliance costs of $40,000 associated with retaining an independent accountant to study and report on the transfer agent's internal accounting control system.[459] The annual report requirement of Rule 17ad-13(a) may impose additional costs. A focus on audited internal controls as a result of this requirement could adversely affect transfer agents' performance, if it distracts them from promptly and accurately performing their transfer agent activities.

e. Amendments to Rule 17ad-6

The Commission proposes implementing changes to existing Rule 17ad-6 that will (1) simplify the rule text, specify what recordkeeping requirements apply to uncertificated securities, and appropriately capture the records necessary for modern transfer agents to perform their regulated functions; (2) conform to other amendments in this proposal as appropriate; and (3) supplement the existing record maintenance, retention, and preservation activities by adding recordkeeping requirements relating to maintaining a master securityholder file, control book, and transfer journal.

Benefits

The proposed amendments to Rule 17ad-6 may benefit issuers and investors by helping to promote safe, efficient, prompt, and accurate settlement transactions and strengthen investor protection.

The proposed amendments to Rule 17ad-6 would require transfer agents to make and keep current certain new records and information. For example, proposed Rule 17ad-6(a)(10) would require each transfer agent to make and keep current a master securityholder file, control

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[459] As the Commission estimated previously, transfer agents would incur external costs associated with the fees charged by independent accountants to perform the study, prepare the report, and retain the required records on an annual basis pursuant to Rule 17Ad-13. On average, an independent accountant is estimated to spend 120 hours to perform these tasks. The annual internal time burden associated with filing the report with the Commission is estimated to be minimal. *See* Securities and Exchange Commission, *Supporting Statement for the Paperwork Reduction Act Information Collection Submission for Rule 17Ad-13* (July 18, 2024), *available at* https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=202407-3235-016. The $40,000 annual estimate is based on the following calculations: $0 + $39,600 (costs for accountants and auditors at $330 for 120 hours) ≈ $40,000. Based on an analysis of Form TA-2 filings for the 2025 reporting year, the Commission estimates that 16 registered transfer agents would be covered by Rule 17ad-13(d)(2). These transfer agents would have to comply with Rule 17ad-13 as a result of the proposed rescission of Rules 17ad-4(b) and 17ad-13(d)(2). Occupational rates are calculated as described in *infra* note 533.

book, and transfer journal (or registrar journal if the transfer agent acts as an outside registrar) for each securities issue for which the transfer agent is authorized to act on behalf of the issuer, including all records, documents, and information that compose such master securityholder file, control book, or transfer journal (or registrar journal). The proposed amendments to Rule 17ad-6 would also remove existing requirements to make and keep current certain other records and information. For example, the Commission is proposing to remove paragraph (a)(2)(vi) of Rule 17ad-6, which requires registered transfer agents to make and keep routine items that have been in their possession for more than four business days. To the extent that the proposed amendments result in a net increase in the number of documents and records that transfer agents would be required to make and keep relative to the baseline, the expanded set of documents and records would provide more information to the transfer agents' ARAs to examine the transfer agents for compliance with transfer agent rules. The Commission's supervisory experience suggests that this effect falls primarily on smaller transfer agents; the effect on larger transfer agents would likely be minimal because they already keep and maintain most of the documents and records contemplated by the proposed amendments. To the extent that greater information helps ARAs better detect deficiencies in the transfer agents' activities and transfer agents to remedy such deficiencies, the proposed amendments may help to promote safe, efficient, prompt, and accurate settlement transactions, which would benefit issuers and investors.

The proposed amendments would, among other things, simplify and streamline recordkeeping requirements. For example, the Commission is proposing to amend Rule 17ad-6(a)(1) to require every registered transfer agent to make and keep current "records" rather than "a receipt, ticket, schedule, log or other record." Simpler and more streamlined recordkeeping requirements could reduce transfer agents' administrative burden, thereby freeing up time and effort that could be redirected towards improving the performance of their critical functions. To the extent that administrative burden currently constrains transfer agents' ability to devote resources to their critical functions, this reallocation may indirectly improve the performance of these functions. However, the Commission lacks data to assess the materiality of this indirect effect. Enhanced performance of transfer agents' critical functions would support the prompt and accurate clearance and settlement of securities transactions and strengthen investor protection, thereby benefiting issuers and investors.

Costs

Transfer agents would incur costs as a result of the proposed amendments to Rule 17ad-6. Section V.C.1 discusses the potential for transfer agents to pass on such costs to issuers and third parties.

To the extent that the proposed amendments to Rule 17ad-6 increase the number of documents and records that transfer agents would be required to make and keep current relative to the baseline, they would incur costs to do so. The magnitude of these costs would depend in part on the size and scope of the transfer agents' business activities. A transfer agent that provides a wide array of services to a large number of clients would likely be required to make and keep current many more documents and records than a transfer agent that provides a limited set of services to a small handful of clients. Thus, the former would likely incur greater costs than the latter to make and keep current additional documents and records. Alternatively, transfer agents could respond to the proposed amendments by restructuring their business activities to reduce the additional number of documents and records that they would be required to make and keep current. Transfer agents may choose to restructure their business activities if the associated costs are less than the cost savings associated with the reduction of documents and records that would have to be made and kept current.

The compliance costs related to the proposed amendments to Rule 17ad-6, which are jointly estimated with those associated with the proposed amendments to Rule 17ad-7, would impose on each transfer agent initial costs of $1,000 and annual costs of $3,100.[460]

f. Amendments to Rule 17ad-7

The Commission is proposing amendments to Rule 17ad-7 to, among other things, establish a single, uniform retention period of six years for most transfer agent records, streamline and modernize the rule's provisions governing electronic recordkeeping, and require transfer agents to turn over to the issuer or its designee certain records related to that issue within fifteen (15) calendar days of ceasing to perform transfer agent activities for that issue.[461]

Benefits

The proposed amendments to Rule 17ad-7 could benefit issuers and investors by supporting the prompt and accurate clearance and settlement of securities transactions and strengthening investor protections.

A number of the proposed amendments would expand the set of records that would be available for examination by the transfer agent's ARA. First, the proposed amendments to Rule 17ad-7(a) would expand the set of records that must be maintained to include all records required to be made or kept by a transfer agent under the Exchange Act. In contrast, existing Rule 17ad-7 requires the retention of a more limited set of records.[462] Second, proposed Rule 17ad-7(g) would expand the set of records that must be promptly provided to Commission or ARA representatives from records stored on electronic storage media or micrographic media (as

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460 The $1,000 initial estimate is based on the following calculations: $783.23 (bookkeeping, accounting, and auditing clerks at $167 for 4.69 hours) + $260.94 (costs for outside professionals of $260.94) ≈ $1,000. The $3,100 annual estimate is based on the following calculations: $2,348.02 (bookkeeping, accounting, and auditing clerks at $167 for 14.06 hours) + $782.81 (costs for outside professionals of $782.81) ≈ $3,100. Occupational rates are calculated as described in *infra* note 533. For additional details on estimates of burden hours and occupations involved, *see infra* Section VI. The burden hours associated with the proposed amendments to Rules 17ad-6 and 17ad-7 are estimated jointly, *see infra* Section VI.

461 *See* proposed Rule 17ad-7.

462 *See supra* Section III.H.2. The Commission is also proposing to delete paragraphs (b), (d), and (i) of Rule 17ad-7 because they would now be subsumed by amended paragraph (a).

required under Rule 17ad-7(f)(5)) to any record required to be maintained, retained, or preserved under this section or otherwise subject to examination under section 17(b) of the Exchange Act.[463] Third, proposed Rules 17ad-7(h)(1) and (2) would help ensure that transfer agent records stored on third-party servers or other storage mechanisms could be readily examined by Commission or other ARA representatives and that copies of such records would be promptly provided to such representatives.[464] Existing Rule 17ad-7 does not address transfer agent records stored on third-party servers or other storage mechanisms. By requiring the retention of a larger set of records that are available for examination relative to the baseline, the proposed amendments could increase the amount of information about a transfer agent's activities over the retention period, which could increase the likelihood of the Commission or another ARA identifying and having the transfer agent remedy deficiencies, thereby improving transfer agents' performance of their activities. Enhanced performance by transfer agents would support the prompt and accurate clearance and settlement of securities transactions and strengthen investor protection, thereby benefiting issuers and investors.

The proposed amendments to Rule 17ad-7(f) would, among other things, update the rule's electronic recordkeeping requirements to align with modern standards related to electronic records, information security, and audit trails. The proposed electronic recordkeeping requirements could help ensure that transfer agent records—such as records of securities ownership—are accurate and complete and maintained securely, which would facilitate the prompt and accurate clearance and settlement of securities transactions and strengthen investor protection. However, these benefits may be limited because, based on the Commission's

463 *See* proposed Rule 17ad-7(g).

464 *See* proposed Rule 17ad-7(h)(1) and (2).

supervisory experience, most transfer agents use electronic recordkeeping systems that largely comply with the proposed electronic recordkeeping requirements.[465]

The proposed amendments to Rule 17ad-7, in part, would simplify and streamline transfer agents' record retention requirements. First, the Commission is proposing to eliminate provisions related to micrographic media because micrographic media are no longer used by transfer agents today. Second, requirements related to a transfer agent's use of a third party for maintaining and preserving records (paragraphs (f)(6) and (g) of Rule 17ad-7) would be consolidated into a new paragraph (h)(1) of Rule 17ad-7, which would be simpler for transfer agents to follow. Third, proposed Rule 17ad-7(a) would, in part, eliminate the existing, multi-tiered approach to retention periods and differing "easily accessible" windows tied to specific subsets of records and replace these requirements with a retention period of not less than six years, the first two years of which in an easily accessible place. Also, prescriptive requirements to maintain duplicates and indexes or keep in escrow a copy of the physical and logical format of electronic storage (paragraphs (f)(2)(v) and (f)(5)(ii) of Rule 17ad-7) would be rescinded, allowing transfer agents greater flexibility in meeting the requirements of retaining readily producible and recoverable records. Simpler and more streamlined record retention requirements could reduce transfer agents' administrative burden, thereby freeing up time and effort that could be redirected towards improving the performance of their critical functions. Enhanced performance of transfer agents' critical functions would support the prompt and accurate clearance and settlement of securities transactions and strengthen investor protection, thereby benefiting issuers and investors.

Rule 17ad-7(h) provides that when a registered transfer agent ceases to perform transfer agent activities for an issue, the responsibility of such transfer agent under Rule 17ad-7 to retain

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465 As discussed in Section III.H.3, the proposed requirements are intended to, among other things, accommodate the types of electronic recordkeeping systems that are used by modern transfer agents that may have moved beyond the types of optical storage systems and micrographic media that were common when Rule 17ad-7 was adopted over two decades ago.

the records required to be made and kept current under Rule 17ad-6(a)(1), (6), (9), (10), and (11), (b) and (c) shall end upon delivery of such records to the successor transfer agent. The Commission proposes revising this provision to allow these records to be delivered to the issuer or the issuer's designee.[466] In addition, the Commission proposes to add a requirement for registered transfer agents to provide, or otherwise make available, to the issuer or the issuer's designee all records required to be made and kept current under Rule 17ad-6(a)(1), (6), (9), (10), and (11), (b) and (c) related to an issue within 15 calendar days of ceasing to perform transfer agent activities for that issue.[467] Finally, the Commission is proposing to renumber Rule 17ad-7(h) as Rule 17ad-7(i).

These proposed amendments may have salutary effects on investor protection and the clearance and settlement of securities transactions. As a preliminary matter, interruptions to the provision of transfer agent services can harm investors because such interruptions can, for example, delay the transfer of ownership, issuance of securities, processing of shareholder requests, and processing of payments. Such interruptions can also impede the prompt and accurate clearance and settlement of securities transactions given transfer agents' role in supporting these activities. The proposed amendments could help ensure the uninterrupted provision of transfer agent services because transfer agents would be required to deliver, provide, or otherwise make available to the issuer or its designee (such as a successor transfer agent) all relevant master securityholder files, transfer journals, control books, records of cancelled securities certificates, and other key records related to an issue within fifteen (15) calendar days of ceasing to perform transfer agent activities for that issue. In particular, the proposed amendments could help to prevent holdup problems that could arise, for instance, if the departing transfer agent unilaterally demands a termination fee payment from the issuer in exchange for the

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466 *See* proposed Rule 17ad-7(i).

467 *Id.*

handing over of securityholder records to the successor transfer agent.[468] The successor transfer agent could then commence its work and help ensure the uninterrupted provision of transfer agent services. Further, by specifying the issuer or the issuer's designee as the recipient of these records from the departing transfer agent, the proposed amendments would provide flexibility to the issuer in who should receive these records. Such flexibility could be beneficial if the departing transfer agent is ready to deliver these records, but the successor transfer agent has not been engaged. In such cases, the proposed amendments would help ensure that these records are delivered to the issuer or a non-transfer agent designee, who can subsequently transfer them to the successor transfer agent. The proposed amendments could help minimize the risk of losing records during a change in transfer agent, which in turn could help ensure the uninterrupted provision of transfer agent services.

Costs

The Commission recognizes that the proposed amendments to Rule 17ad-7 would impose compliance costs on transfer agents. First, proposed Rule 17ad-7(a) would increase the retention period for certain subsets of records and expand the set of records that must be maintained to include all records required to be made or kept by a transfer agent under the Exchange Act.[469] To comply with this rule, transfer agents would incur costs to retain the subset of records for a longer period than under the baseline. Transfer agents would also incur costs to retain records covered by the proposed rule that are not already retained under the baseline. Each transfer agent would incur initial costs of $480 and annual costs of $1,500 to comply with this rule.[470]

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468 *See* 2015 Concept Release, *supra* note 4, at 81978 and *supra* Section III.H.4.

469 *See supra* Section III.H.2.

470 As the Commission estimated previously, a transfer agent spends 500 hours per year to comply with Rules 17ad-6 and 17ad-7, with the work being done by internal compliance staff. *See* Securities and Exchange Commission, "Supporting Statement for the Paperwork Reduction Act Information Collection Submission for Rules 17ad-6 and 17ad-7" (Feb. 29, 2024), *available at* https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=202402-3235-015. To comply with proposed Rule 17ad-7(a), a transfer agent is estimated to spend an additional 0.5 percent of the previously estimated 500 hours, *i.e.*, 0.005 x 500 = 2.5 hours, with the work being done by internal compliance staff.

The Commission requests that commenters provide feedback on these costs. Second, transfer agents may have to update their internal systems or recordkeeping protocols to comply with the proposed amendments. Such costs could be mitigated because proposed Rule 17ad-7(f)(2) is technology neutral and accommodates the types of electronic recordkeeping systems that are used by modern transfer agents. Although the Commission understands that registered transfer agents have moved away from using micrographic media to store records, a transfer agent may choose to use micrographic media as long as the usage is in compliance with Rule 17ad-7 as proposed to be amended. Third, to comply with proposed Rule 17ad-7(g), transfer agents would incur costs to promptly provide to Commission or ARA representatives any records that have to be retained, but are not stored on electronic storage media or micrographic media. The magnitude of such costs likely would vary across transfer agents based on the extent to which a transfer agent uses electronic storage media, micrographic media, or more generally electronic recordkeeping systems to store and retrieve records. For example, a transfer agent that currently uses electronic recordkeeping systems to store and retrieve all its records likely would incur little or no additional costs to comply with proposed Rule 17ad-7(g). Fourth, to comply with the proposed requirement to make available certain records to the issuer or its designee within 15 calendar days of ceasing transfer agent activities,[471] departing transfer agents may incur costs related to data preparation, staff time, and legal review. If these costs exceed what transfer agents would incur under voluntary contractual arrangements, they represent compliance costs, weighed against the benefit of mitigating holdup problems. Fifth, to the extent that transfer agents choose to employ the services of third parties to comply with the proposed amendments to

The Commission estimates that 25 percent of this internal burden will be incurred initially, while the remaining 75 percent will be incurred annually. The \$480 initial estimate is based on the following calculations: \$483.75 (lawyers at \$774 for 0.625 hours) + \$0 (costs for outside professionals of \$0) ≈ \$480. The \$1,500 annual estimate is based on the following calculations: \$1,451.25 (lawyers at \$774 for 1.875 hours) + \$0 (costs for outside professionals of \$0) ≈ \$1,500. Occupational rates are calculated as described in *infra* note 533.

471 *See* proposed Rule 17ad-7(i).

Rule 17ad-7, the costs associated with the employment of these third parties would be part of the compliance costs incurred by transfer agents.

The compliance costs associated with the proposed amendments to Rule 17ad-7, which are jointly estimated with those associated with the proposed amendments to Rule 17ad-6, would impose on each transfer agent initial costs of $1,000 and annual costs of $3,100.[472]

To comply with proposed Rule 17ad-7(h)(1), transfer agents would obtain from their third-party service providers and file with the Commission or their other ARA a legally binding written agreement that covers terms stipulated in the proposed rule. Third-party service providers likely would incur costs to draft such written agreements. Each third-party service provider would incur initial costs of $1,000 to draft a legally binding agreement per transfer agent.[473] Pursuant to the exception in the proposed rule, third-party service providers could avoid these costs if they allow their transfer agent clients to have and maintain independent access to the kept records at all times. The Commission does not have data on the number of third-party service providers that provide electronic recordkeeping systems, servers or other storage mechanisms to transfer agents for record retention nor does the Commission have data on how many of such third-party service providers provide their clients with independent access to the kept records at all times. As such, the aggregate cost associated with the proposed written agreement requirement cannot currently be estimated. The Commission requests commenters provide feedback on these matters.

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472 *See supra* note 460 and *supra* Section V.C.4.e.

473 The $1,000 initial estimate is based on the following calculations: $1,008 (lawyers at $504 for 1 hour) + $504 (costs for outside professionals of $504) ≈ $1,000. We assume that the drafting of the written agreement is a one-time burden and the third-party service provider would not incur any annual recurring burdens thereafter. We further assume that lawyers (both in-house and outside) will draft the written agreement at the private sector hourly rate of $504 to reflect the fact that the third-party service providers do not operate primarily in the securities industry. Occupational rates are calculated as described in *infra* note 533.

g. Amendments to Rule 17ad-10

The Commission proposes amending Rule 17ad-10 to specify that the rule applies to both certificated and uncertificated securities equally, align the "prompt" posting timeframe to the modern settlement cycle,[474] and modernize the rule text by replacing references to physical processes, hard copy records, and mail with technology neutral terms and standards.

Benefits

The proposed amendments to Rule 17ad-10 may benefit investors by strengthening investor protection in the areas of overissuances and accurate ownership records. They could benefit issuers and investors by supporting the prompt and accurate clearance and settlement of securities transactions

Overissuances reduce the accuracy of ownership records and could prevent securityholders from receiving all appropriate corporate distributions and communications. Because overissuances can occur for both certificated and uncertificated securities, the associated risks of missed corporate distributions and communications can affect the holders of either type. However, existing Rule 17ad-10(g) applies to certificates and does not explicitly address uncertificated securities. The Commission is proposing Rule 17ad-10, in part, to address this gap. Specifically, proposed Rule 17ad-10(i) would specify that overissuance can occur for both certificated and uncertificated securities. Further, Rule 17ad-10(g) would be amended to provide that a registered transfer agent's requirement to buy in securities to cure an overissuance applies to both certificated and uncertificated securities. These clarifications would enhance investor protection by helping to ensure that transfer agents exert efforts to cure overissuances of not only certificated securities, but also uncertificated securities. This in turn would help reduce the risk that holders of uncertificated securities fail to receive all appropriate corporate distributions and communications. To the extent that transfer agents in practice do cure overissuances of both

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[474] *See* 17 CFR 240.15c6-1(a); *see also* proposed Rule 17ad-2.

certificated and uncertificated securities, the benefit associated with proposed Rule 17ad-10(i) and the proposed amendments to Rule 17ad-10(g) could be limited.

The Commission also is proposing to shorten the timing requirements for co-transfer agents to provide records of debits and credits to the recordkeeping transfer agent[475] and respond to inquiries regarding such records from the recordkeeping transfer agent.[476] Proposed Rule 17ad-10(c)(1) would reduce the amount of time by which co-transfer agents shall provide a record of debits and credits to the recordkeeping transfer agent following transfer of each security from two business days to one business day. Proposed Rule 17ad-10(d), would reduce the amount of time by which co-transfer agents shall respond to all inquiries from the recordkeeping transfer agent regarding such records from within five business days of receipt of an inquiry to within one business day of receipt of an inquiry. The proposed shortening of these timing requirements could facilitate the timely maintenance of accurate ownership records. This in turn would help reduce the risk that securityholders fail to receive all appropriate corporate distributions and communication, thereby strengthening investor protection. The magnitude of this benefit cannot be assessed because the Commission lacks data on the frequency with which existing timing requirements for co-transfer agents contribute to ownership record errors. The Commission requests commenters to provide feedback on this matter.

The proposed amendments to Rule 17ad-10(a)(2) would simplify and streamline recordkeeping transfer agents' obligation to post to the master securityholder file by standardizing posting deadlines. Specifically, Rule 17ad-10(a)(2), as proposed to be amended, would require all recordkeeping transfer agents to post position detail to the master securityholder file within the shorter of one business day or the time period specified by Rule

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475 *See* proposed Rule 17ad-10(c)(1).

476 *See* proposed Rule 17ad-10(d).

15c6-1(a) under the Exchange Act.[477] In contrast, existing Rule 17ad-10[478] sets forth posting deadlines that vary from 30 calendar days to five business days depending on the type of recordkeeping transfer agent. The proposed amendments could expedite the posting of position details to master securityholder files, relative to the baseline. Further, a single posting deadline could simplify recordkeeping transfer agents' workflows and improve their efficiency, which in turn could further expedite updates to the master securityholder files. Faster posting to the master securityholder files by recordkeeping transfer agents would support the prompt and accurate clearance and settlement of securities transactions and strengthen investor protection, thereby benefiting issuers and investors.

Costs

The Commission recognizes that the proposed amendments may impose compliance costs on transfer agents to the extent that updates to internal systems or protocols to cure overissuances are necessary to comply with the proposed amendments. These costs could be limited to the extent that transfer agents in practice are complying with Rule 17ad-10 to account for both certificated and uncertificated securities.

Other compliance costs could be mitigated by the technology currently employed by transfer agents. Transfer agents that serve as co-transfer agents might have to invest in more efficient systems to comply with the proposed timing requirements in Rules 17ad-10(c) and 17ad-10(d); however, because the Commission is replacing "dispatch" or "mail" with the technology-neutral term "provide," co-transfer agents may use existing electronic communication systems to meet the new standard, limiting incremental costs. Separately, recordkeeping transfer agents might have to invest in more efficient systems to comply with the proposed posting deadline. However, because manual, mail-dependent processes associated with

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477 However, all securities transferred, purchased, redeemed or issued prior to record date, but posted subsequent thereto, shall be posted as of the record date. *See* proposed Rule 17ad-10(a)(2)(i).

478 *See* Rule 17ad-10(a)(2)(i) through (iii).

the prompt posting of certificate detail have given way to near-instantaneous electronic communications and automated processes and workflows,[479] recordkeeping transfer agents likely already possess the operational capability to comply with the proposed posting deadline and would not need to change their systems. The Commission requests that commenters identify situations in which co-transfer agents and recordkeeping transfer agents would be unable to meet the proposed timing requirements and posting deadline, respectively. If such situations exist, the Commission further requests that commenters provide feedback on the number of co-transfer agents and recordkeeping transfer agents that may incur costs to acquire operational capability to meet their respective proposed requirements and the magnitude of such costs.

h. Amendments to Rule 17ad-12

The proposed amendments to Rule 17ad-12 would reframe the existing safeguarding rule as a comprehensive risk management rule.[480] Under the proposed amendments, transfer agents would be required to have written policies and procedures reasonably designed to ensure the safeguarding of funds and securities in their possession or control and to identify, measure, monitor, and mitigate any material operational and other risks associated with the transfer agent's activities. The proposed amendments also would require transfer agents to establish, maintain, and enforce a written business continuity plan and to hold issuer, securityholder, and other third-party funds in segregated bank accounts.

<u>Benefits</u>

The proposed amendments to Rule 17ad-12 would benefit issuers, investors, and securities markets. Absent the proposed amendments, the operation of market forces alone may not ensure that all transfer agents have comprehensive risk management and business continuity plans. Transfer agents may underinvest in comprehensive risk management and business continuity planning because the costs of inadequate risk management and business continuity

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479 *See supra* Section III.I.2.

480 *See supra* Section III.J.

planning (e.g., operational failures, investor losses, and systemic disruption) fall disproportionately on issuers, investors, and the broader market rather than on the transfer agents themselves. Transfer agents, issuers, and investors may overlook the benefits of comprehensive risk management and business continuity planning, as well as the costs of not having them for three reasons. First, transfer agents' risk management plans are generally not made public, limiting pressure from issuer clients and investors to improve these plans. Second, adverse events such as cybersecurity breaches and business disruptions are relatively rare and not necessarily made public when they occur. This may discourage adequate investment in risk management and business continuity planning by transfer agents. Third, findings from regulatory examinations are generally not shared publicly, providing limited guidance for improving business continuity plans across the transfer agent industry. Together, these conditions reduce market forces that would otherwise incentivize adequate investment in comprehensive risk management and business continuity planning. Risks to securities and funds in transfer agents' possession, control, or custody may stem not only from theft, loss, or destruction, but also from other sources such as misappropriation, unauthorized access, operational failures, cybersecurity breaches, and insolvency. The proposed comprehensive risk management plan and operational risk requirements may reduce the risk of losses to investors that may stem from a broad range of risks and may buttress the resilience of the national clearance and settlement system.

In addition, safeguarding and segregation requirements for financial intermediaries protect customers' securities and funds, including from losses related to the intermediary's proprietary business activities.[481] If transfer agents (other than those that are also registered as a broker-dealer or investment adviser) lend funds belonging to issuers, securityholders, or other

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481 *See, e.g., Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital and Segregation Requirements for Broker-Dealers*, Exchange Act Release No. 86175 (Jun. 21, 2019), 84 FR 43872, 44025 (Aug. 22, 2019) and *Financial Responsibility Rules for Broker-Dealers*, Exchange Act Release No. 70072 (July 30, 2013), 78 FR 51824, 51912 (Aug. 21, 2013).

third parties, this practice may inadvertently subject those entities to counterparty risk if borrowers fail to return the funds. The proposed segregation requirements are designed to safeguard these funds, limiting their accessibility by the transfer agent and thereby reducing counterparty risk faced by issuers, securityholders, and other third parties. If the transfer agent fails financially, safeguarding and segregation requirements may help ensure that the securities and funds of issuers, securityholders, and other third parties are returned to them. Thus, the proposed requirements may reduce the risk of inadvertent financial loss and instability of the market in times of stress.

The proposed business continuity plan requirement[482] would help to mitigate the potential adverse effects of business disruptions, thus benefiting issuers and investors. Absent the proposed requirement, business disruptions may put issuers' and investors' interests at risk if, for example, a transfer agent lacks the ability to process dividend or interest payments, is unable to receive or implement directions from issuers or investors or is unable to access and secure lists of registered securityholders or beneficial owners for a single or multiple issuers.

The proposed amendments to Rule 17ad-12 could have ancillary benefits for the broader securities markets. For example, consider a transfer agent that currently lacks sufficiently robust risk management and business continuity plans. If this transfer agent were to suffer a significant cybersecurity breach, operational failure, or a business disruption event that prevented it from transferring securities and maintaining the master securityholder file for several days, then the liquidity of those issuers, as well as the interests of the relevant securityholders, could be negatively affected. These effects could ripple across the securities markets if multiple transfer agents with inadequate risk management and business continuity plans suffer disruptions simultaneously. While the risk management systems, policies and procedures, and business continuity plan required under the proposed amendments would not be able to completely

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[482] *See* proposed Rule 17ad-12(c).

prevent such disruptions, they may decrease the transfer agent's recovery time and, hence, the disruption's impact on the market. These proposed amendments—by buttressing the national clearance and settlement system's resiliency—may bolster investor confidence and participation in securities markets thereby indirectly facilitating issuers' capital raising.

As discussed in Section V.B, the transfer agent industry is heterogeneous. The larger transfer agents likely already have risk management-related policies and procedures as well as business continuity plans in place. For the issuers and investors serviced by these transfer agents, the benefits of the proposed amendments may be limited. Issuers and investors serviced by transfer agents that currently lack or have insufficiently robust risk management-related policies and procedures and business continuity plans would largely benefit from the proposed amendments.

In general, the Commission cannot quantify the total benefits of the proposed amendments to Rule 17ad-12 because the Commission lacks data on certain factors relevant to such an analysis, such as investor preferences and the likelihood of operational risks, cybersecurity breaches, and business disruptions. For example, without knowing how risk averse issuers and investors are to transactions with transfer agents without robust policies and procedures and business continuity plans, the Commission cannot quantify the benefits they might derive from improvements in those policies, procedures, and business continuity plans. Similarly, it is difficult to estimate the probability of the types of risks and business disruptions addressed by the proposed amendments, which precludes estimating the ex-ante costs of inadequate plans under the economic baseline.

<u>Costs</u>

As with the benefits, costs of the proposed amendments to Rule 17ad-12 would be shared by transfer agents, issuers, and investors. The proposed amendments to Rule 17ad-12(b) require segregation of issuer, securityholder, and other third-party funds, restricting their use by the transfer agent and potentially raising the overall cost of transfer agent services. Specifically, in the absence of the proposed requirements, a transfer agent (other than one that is also registered as a broker-dealer or investment adviser) may be able to generate revenue by lending out issuer, securityholder, and other third-party funds. The proposed requirements would foreclose this revenue source and the transfer agent may choose to recoup the forgone revenue by raising the fees on services provided to issuers, securityholders, and other third parties. In addition, transfer agents would incur the one-time and ongoing costs associated with establishing, maintaining, and enforcing written policies and procedures related to safeguarding and risk management; developing and maintaining the risk management plan, segregating all issuer, securityholder, and other third-party funds; and establishing, maintaining, and enforcing a business continuity plan. However, some of those costs may ultimately be passed through to issuer clients and investors.[483]

As an important caveat, it is difficult to estimate the costs incurred by transfer agents to comply with the proposed amendments to Rule 17ad-12 because of the variations in (i) existing risk management systems, policies and procedures related to safeguarding and risk management, and business continuity plans, and (ii) the extent to which such systems, policies and procedures, and plans would need to be revised to be compliant with the proposed rule. Transfer agents whose current risk management systems and business continuity plans are closely aligned with the requirements of the proposed amendments would likely incur lower initial compliance costs, while all transfer agents would incur ongoing costs pertaining to the annual testing, review, and update of their business continuity plan. In addition, the initial and ongoing costs imposed by the proposed amendments would vary significantly among firms depending on the complexity of the transfer agent's operations, such as number of issues and individual accounts, number of employees, number of offices, number and types of issuers, types of transfer agent services provided, other business activities or lines of business which may affect the transfer agent's business, and the extent of reliance on third-party service providers (e.g., to provide

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483 *See supra* Section V.C.1.

recordkeeping or processing services).[484] The policies and procedures approach under the proposed amendments to Rule 17ad-12(a) should allow transfer agents flexibility to tailor their safeguarding arrangements and risk management systems to the specific risks their businesses face at the minimum possible cost.

The compliance costs associated with the proposed amendments to Rule 17ad-12 would impose on each transfer agent initial costs of $7,900 and annual costs of $2,000.[485]

i. Amendments to Rule 17ad-17

The Commission is proposing a number of amendments to Rule 17ad-17.[486] First, proposed Rule 17ad-17(b)(3) would establish a new defined term "inactive securityholder," that would include a securityholder for whom the transfer agent, broker, or dealer has not observed any account activity for a period of 18 months. Second, proposed Rule 17ad-17(a)(3) would require a recordkeeping transfer agent or carrying broker-dealer to provide no less than two written notifications to each inactive securityholder, among other things. Third, the definition of a lost securityholder under Rule 17ad-17(b)(2) would be amended such that a securityholder could become a lost securityholder whenever an item of correspondence that was sent to the securityholder has been returned as undeliverable, regardless of whether the address where the item was sent was contained in the transfer agent's master securityholder file or customer security account records of the broker or dealer. The proposed revision reflects that some securityholders may correspond using means and addresses, including electronic methods, that may not always be contained in the transfer agent's master securityholder file or customer security account records of the broker or dealer. Fourth, Rules 17ad-17(c)(1) and (c)(3) that

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484 *See supra* Section III.B.7.

485 The $8,400 initial estimate is based on the following calculations: $5,940 (accountants and auditors at $330 for 18 hours) + $1,980 (costs for outside professionals of $1,980) ≈ $7,900. The $2,000 annual estimate is based on the following calculations: $1,485 (accountants and auditors at $330 for 4.5 hours) + $495 (costs for outside professionals of $495) ≈ $2,000. Occupational rates are calculated as described in *infra* note 533. For additional details on estimates of burden hours and occupations involved, *see infra* Section VI.

486 *See* Rule 17ad-17.

relate to unresponsive payees would be amended to reference electronic means for sending payments. These proposed revisions reflect that some securityholders may receive payments through electronic methods. Fifth, the Commission is proposing to remove the reference to Rule 17ad-7(i) in Rule 17ad-17(d) and instead reference Rule 17ad-7(a) as proposed to be amended.[487] With this change, records that are required to be maintained pursuant to Rule 17ad-17(d) would be retained for a period of not less than six years, the first two years of which in an easily accessible place.

Benefits

The proposed amendments to Rules 17ad-17(a)-(c) would bolster investor protection by addressing the adoption of inactivity standards in certain states, the use of methods of correspondence beyond physical mail and the use of electronic payments.

The definition of an inactive securityholder in proposed Rule 17ad-17(b)(3) and the associated notification requirement in proposed Rule 17ad-17(a)(3) could benefit securityholders by reducing the risk that they lose ownership of their investment property through states' application of their inactivity standards. To the extent that securityholders are better able to retain ownership of their investment property as a result of the proposed amendments, they could avoid incurring costs associated with premature remittance and liquidation of such property that could occur in the absence of the proposed amendments. Premature liquidation of securities could eliminate future market value appreciation and payments (such as dividends), which would be an opportunity cost for securityholders. Further, premature liquidation of securities could trigger unexpected tax liabilities and associated payments for securityholders. Under proposed Rule 17ad-17(a)(3), such costs could be avoided if an inactive securityholder is notified by the recordkeeping transfer agent or carrying broker-dealer and shows activity in the account prior to the remittance of funds or securities to the state escheatment authority pursuant to a potential

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[487] *See supra* Section III.H and note 252.

dormancy standard, thereby advancing the protection of investors against escheatment of their assets.

As discussed in Section III.K, states vary in terms of their dormancy standards. Some states use the RPO standard—upon which is based the definition of a lost securityholder under existing Rule 17ad-17(b)(2)—while others use an inactivity standard. The benefit discussed above likely will be greater for securityholders in states with an inactivity standard. For securityholders in states whose dormancy standards are aligned with the lost securityholder standard of existing Rule 17ad-17(b)(2), the benefits associated with the proposed amendment would be limited, if any.

Under existing Rule 17ad-17(b)(2), a securityholder who uses methods of correspondence other than physical mail and loses contact with the recordkeeping transfer agent or carrying broker-dealer would not be considered a lost securityholder if physical mail continues to be delivered to the address on record. The proposed amendment to Rule 17ad-17(b)(2) would strengthen investor protection by expanding the definition of a lost securityholder to include securityholders who correspond using methods other than physical mail. To the extent that loss of contact via a non-physical mail method of correspondence is observed more quickly than via physical mail, the securityholder could be contacted sooner by the recordkeeping transfer agent or carrying broker-dealer, thereby helping to mitigate the risk of undelivered physical mail (such as corporate communications and checks) and potentially triggering escheatment and premature liquidation of investment property under the RPO standard.

Under existing Rule 17ad-17(c)(3), a securityholder who receives payments from the issuer electronically would not be considered an unresponsive payee and would not receive entitled payments if electronic payments sent to the securityholder were rejected and returned as undeliverable to the paying agent. The notification requirement of existing Rule 17ad-17(c)(1) addresses only unnegotiated checks. The proposed amendments to Rules 17ad-17(c) would strengthen investor protection by expanding the definition of an unresponsive payee and the notification requirement for such unresponsive payee to address electronic payments. Should a securityholder who chooses to receive electronic payments fail to do so because these payments were rejected and returned as undeliverable to the paying agent, the proposed amendments would help ensure that the securityholder receives these payments, thereby advancing the protection of investors against lost payments.

The proposed amendment to Rule 17ad-17(d) would increase the retention period of records required to be maintained pursuant to this rule from three years (under existing Rule 17ad-7(i)) to six years (under Rule 17ad-7(a) as proposed to be amended). The proposed amendment could increase the amount of information about the efforts of recordkeeping transfer agents and carrying broker-dealers to search for lost securityholders and paying agents to notify unresponsive payees, which could increase the likelihood of the Commission or another ARA identifying and having these registrants remedy deficiencies, thereby improving these registrants' search and notification activities. Improvements in these activities could help securityholders retain ownership of their investment property and receive the checks to which they are entitled, thereby strengthening investor protection.

Costs

The proposed amendment to Rule 17ad-17 would impose costs on transfer agents, broker-dealers, and paying agents. Recordkeeping transfer agents and carrying broker-dealers would incur costs to comply with the notification requirement of proposed Rule 17ad-17(a)(3). Each such entity would incur initial costs of $7,500 and annual costs of $840.[488]

Paying agents would incur costs under Rule 17ad-17(c)(1) to provide written notification to securityholders that meet the amended definition of an unresponsive payee when they

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488 The $7,500 initial estimate is based on the following calculations: $6,763.50 (bookkeeping, accounting, and auditing clerks at $167 for 40.5 hours) + $751.50 (costs for outside professionals of $751.50) ≈ $7,500. The $840 annual estimate is based on the following calculations: $751.50 (bookkeeping, accounting, and auditing clerks at $167 for 4.5 hours) + $83.50 (costs for external services of $83.50) ≈ $840. Occupational rates are calculated as described in *infra* note 533. For additional details on estimates of burden hours and occupations involved, *see infra* Section VI.

otherwise would not under the baseline (i.e., securityholders who receive payments electronically). This proposed requirement would impose annual costs of $670 on each of these entities.[489]

To comply with the proposed amendment to Rule 17ad-17(b)(2), recordkeeping transfer agents and carrying broker-dealers may incur costs to extend their systems for monitoring undeliverable physical mail to cover items of correspondence sent using non-physical mail methods to securityholders and returned as undeliverable (e.g., undelivered email). Larger and more sophisticated recordkeeping transfer agents and carrying broker-dealers may already have systems that monitor the delivery status of items of correspondence sent via both physical mail and non-physical mail methods. Such entities may incur very limited, if any, costs to update their systems to comply with the proposed amendment. Recordkeeping transfer agents and carrying broker-dealers that are smaller may operate systems that monitor for undeliverable physical mail only. These entities may incur costs to extend their systems to monitor the delivery status of items of correspondence sent via non-physical mail methods. The Commission requests commenters provide feedback on the number of transfer agents that may incur such costs and the magnitude of such costs.

Recordkeeping transfer agents and carrying broker-dealers would incur costs to conduct the required database searches for securityholders that meet the amended definition of a lost securityholder when they otherwise would not under the baseline (i.e., securityholders who correspond using non-physical mail methods and have lost contact with the recordkeeping transfer agent or carrying broker-dealer). These searches would be in addition to the searches for securityholders that meet the definition of a lost securityholder under existing Rule 17ad-

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489 The $670 annual estimate is based on the following calculations: $601.20 (bookkeeping, accounting, and auditing clerks at $167 for 3.6 hours) + $66.80 (costs for external services of $66.80) ≈ $670. Occupational rates are calculated as described in *infra* note 533. For additional details on estimates of burden hours and occupations involved, *see infra* Section VI.

17(b)(2). The estimated annual cost associated with one database search is $17.[490] Estimating the aggregate annual costs associated with database searches for these additional securityholders requires the total number of such searches annually. The Commission is requesting comment on the cost of database searches, especially data that would support quantification of (i) the annual costs associated with one database search; (ii) the annual number of database searches for securityholders that meet the proposed definition when they otherwise would not under the baseline; and (iii) aggregate annual costs associated with these database searches.

To comply with Rule 17ad-17(d), recordkeeping transfer agents, carrying broker-dealers, and paying agents would incur costs to create written procedures that describe their methodology for complying with the proposed amendments to the rule. Each such entity would incur initial costs of $15,000 and annual costs of $3,900.[491]

5. Benefits and Costs of the Proposed New Rules

a. Proposed Rule 17ad-30: Compliance

Proposed Rule 17ad-30 would require every registered transfer agent to establish, maintain, and enforce written policies and procedures reasonably designed to (i) achieve compliance with the federal securities laws and regulations thereunder applicable to the transfer agent and (ii) identify and remediate instances of non-compliance with the policies and procedures in a timely manner.[492] The proposed rule would also require that the policies and procedures be reviewed and approved by the transfer agent's board of directors or similar

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490 As the Commission estimated previously, one database search creates a burden of 5 minutes (or approximately 0.083 hours) and an associated recordkeeping burden of 0.002 hours for a total burden of 0.083 + 0.002 = 0.085 hours. In addition, the Commission estimated that a transfer agent or broker-dealer would pay third-party database providers $3 to conduct one search. *See* SEC, *Supporting Statement for the Paperwork Reduction Act Information Collection Submission for Rule 17ad-17* (Aug. 29, 2025), *available at* https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=202506-3235-007. The $17 annual estimate for each database search is based on the following calculations: $14.20 (bookkeeping, accounting, and auditing clerks at $167 for 0.085 hours) + $3 (costs for outside professionals of $3) ≈ $17.

491 The $15,000 initial estimate is based on the following calculations: $13,932 (lawyers at $774 for 18 hours) + $1,548 (costs for outside professionals of $1,548) ≈ $15,000. The $3,900 annual estimate is based on the following calculations: $3,483 (lawyers at $774 for 4.5 hours) + $387 (costs for external services of $387) ≈ $3,900. Occupational rates are calculated as described in *infra* note 533. For additional details on estimates of burden hours and occupations involved, *see infra* Section VI.

492 *See* proposed Rule 17ad-30(a).

governing body at least every 12 months or following material changes to either the transfer agent's operations or the federal securities laws and rules and regulations described in paragraph (a)(1) of this section.[493]

Benefits

The proposed rule would facilitate prompt and accurate clearance and settlement of securities transactions and strengthen investor protection. Proposed Rule 17ad-30(a)(1) would establish a uniform baseline compliance requirement for all registered transfer agents, while at the same time provide individual transfer agents with the flexibility to develop and implement written policies and procedures based on their specific business model, services, risks, and other characteristics. Such flexibility would help accommodate the various business models transfer agents may have while at the same time advancing the Commission's investor protection goals and facilitating the safe and efficient functioning of the national clearance and settlement system. By requiring transfer agents to identify and remediate instances of non-compliance in a timely manner, proposed Rule 17ad-30(a)(2) would help ensure that compliance issues are addressed promptly before they can disrupt the prompt and accurate processing of securities transactions or otherwise harm investors, issuers, or the broader securities markets. Proposed Rule 17ad-30(b) would require board review and approval of compliance policies and procedures, thereby helping to ensure that transfer agent governing bodies remain engaged in and accountable for the transfer agent's compliance efforts. This in turn could help ensure that the transfer agent's compliance program evolves as needed to address changes in the transfer agent's business, applicable rules and regulations, and the broader securities market. An adaptive compliance program could support transfer agents in performing their critical functions within the national clearance and settlement system. To the extent that the proposed rule helps ensure that transfer agents adequately perform their critical functions within the national clearance and settlement system,

493 *See* proposed Rule 17ad-30(b).

securities transactions would be cleared and settled more promptly and accurately and investors would be better protected.

Costs

The proposed rule would impose initial costs of approximately $31,000, and annual costs of approximately $7,700 on each transfer agent.[494] These costs may be attenuated for four reasons. First, as discussed in the economic baseline, some transfer agents are also registered as broker-dealers or investment advisers.[495] Other transfer agents may be banking entities, such as insured depository institutions subject to the Federal Deposit Insurance Act and other prudential requirements.[496] These transfer agents would likely already have written policies and procedures addressing regulatory compliance in those capacities and would revise them to also cover their transfer agent business, rather than establish *de novo* policies and procedures specifically addressing their transfer agent business. To the extent that these transfer agents choose to revise their existing policies and procedures, the compliance costs associated with the proposed rule likely would be lower than estimated and reported above. Second, among those entities that operate solely as transfer agents, there may be entities that already have written policies and procedures addressing regulatory compliance. For example, larger transfer agents already may have created such written policies and procedures to assist in managing their operations. As another example, those transfer agents that see enhanced regulatory compliance as a source of improved performance and thus competitive advantage relative to their peers also may have written policies and procedures addressing regulatory compliance. These transfer agents would

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494 The $31,000 initial estimate is based on the following calculations: $23,220 (lawyers at $774 for 30 hours) + $7,740 (costs for outside professionals of $7,740) ≈ $31,000. The $7,700 annual estimate is based on the following calculations: $5,805 (lawyers at $774 for 7.5 hours) + $1,935 (costs for outside professionals of $1,935) ≈ $7,700. Occupational rates are calculated as described in *infra* note 533. These estimates represent the average burden across transfer agents. For additional details on estimates of burden hours and occupations involved, *see infra* Section VI.

495 *See supra* Section V.B.4.

496 *See, e.g.*, ICI Letter, Letter from J. Steven Duncan, President, American Funds Service Company, dated Apr. 15, 2016 ("American Funds Letter"), *available at* https://www.sec.gov/comments/s7-27-15/s72715-50.pdf, Vanguard Letter, and ABA Letter.

likely make the necessary revisions to their existing policies and procedures, if any, to comply with the proposed rule, rather than establish *de novo* policies and procedures. To the extent that these transfer agents choose to revise their existing policies and procedures, the compliance costs associated with the proposed rule likely would be lower than estimated and reported above. Third, the compliance costs are scaled to a transfer agent's activities. For example, transfer agents with operations that are limited in scale and complexity would establish written policies and procedures commensurate with the nature of such operations. For such transfer agents, the compliance costs associated with the proposed rule could be lower than estimated and reported above. Fourth, to the extent transfer agents have acted consistent with existing staff statements that are similar to the proposed amendments, their individualized costs as realized may be reduced from the overall estimated costs associated with the proposed amendments.[497]

b. Proposed Rule 17ad-31: Restrictive Legends

The Commission is proposing new Rule 17ad-31 to establish requirements for transfer agents regarding the placement and removal of restrictive legends and to help prevent transfer agents from facilitating violations of Section 5 of the Securities Act of 1933. The proposed rule would require transfer agents to: (1) maintain and rely upon a current list of authorized issuer employees on whose instructions the transfer agent is authorized to act regarding the placement and removal of restrictive legends; and (2) refrain from facilitating any unregistered securities transaction unless the transfer agent has a reasonable basis to believe that the transaction would not violate, or is not part of a chain of transactions that would violate, Section 5(a) of the Securities Act of 1933. The proposed rule would also provide a non-exclusive safe harbor for transfer agents seeking to establish such a reasonable basis prior to facilitating an unregistered securities transaction.[498]

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497 *See* SEC Transfer Agents, *available at* https://www.sec.gov/about/divisions-offices/division-trading-markets/transfer-agents.

498 *See* proposed Rule 17ad-31.

Benefits

As discussed in Section IV.B, because transfer agents are often the party responsible for affixing, tracking, and removing restrictive legends, they help to prevent unregistered securities distributions that violate Section 5 of the Securities Act of 1933.[499] The removal of restrictive legends absent proper authorization facilitates the illegal distribution of securities. Investors risk losing their funds if they unknowingly purchase such securities. However, there is no existing requirement that transfer agents develop a reasonable basis for removing restrictive legends. Proposed Rule 17ad-31(c) would benefit investors, issuers, and the securities markets more generally, by providing transfer agents with two clearly defined methods for developing a reasonable basis.[500]

Insofar as transfer agents are not already forming a reasonable basis for removing restrictive legends consistent with the two methods defined in the proposed rule, the proposed rule would help to prevent the illegal transfer or distribution of securities, which in turn would help reduce the risk of investor and issuer losses, thereby strengthening investor protection.

To the extent that the proposed rule reduces the risk of investor losses from purchasing illegally distributed securities, investors may have greater confidence in and may be more willing to participate in securities markets. Increased investor participation in securities markets could bolster demand for legally distributed securities and facilitate capital raising, thereby benefiting issuers.

In addition, the absence of an existing requirement creates legal risk and uncertainty for transfer agents—and therefore imposes costs on transfer agents. Proposed rule 17ad-31(c) would help to mitigate transfer agents' legal risk and compliance uncertainty, which could reduce transfer agents' costs. The Commission has designed these methods to ensure that the reduction in compliance uncertainty does not weaken the substantive standards transfer agents must meet

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499 *See* Securities Act of 1933 Section 5, 15 U.S.C. 77e.

500 *See* proposed Rule 17ad-31(c)(2) and proposed Rule 17ad-31(c)(3).

before removing restrictive legends. These proposed provisions[501] would provide legal clarity to transfer agents as to how they should establish reasonable basis for removing a restrictive legend, which could reduce the need for legal advice and associated legal costs. The availability of two methods for developing a reasonable basis required would provide appropriate flexibility to transfer agents while still ensuring adequate safeguards.

<u>Costs</u>

Overall, the proposed rule may result in higher costs to transfer agents seeking to provide transfer agent services to issuers. Transfer agents would incur direct costs to comply with proposed Rule 17ad-31. The Commission expects that each transfer agent may bear recordkeeping cost of $6,600 initially, and $1,300[502] on an annual basis.

In addition, transfer agents would bear costs associated with developing a reasonable basis required under proposed Rule 17ad-31(b). Under proposed Rules 17ad-31(c)(1) and (c)(2), a transfer agent may establish the required reasonable basis by obtaining and reviewing an opinion of counsel that meets certain requirements.[503] A transfer agent that chooses to obtain an opinion of counsel under these proposed rules would incur annual costs of $7,000.[504] Because

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501 *Id.*

502 The $6,600 initial estimate is based on the following calculations: $4,920 (general and operations managers at $656 for 7.5 hours) + $1,640 (costs for outside professionals of $1,640) ≈ $6,600. The $1,300 annual estimate is based on the following calculations: $984 (general and operations managers at $656 for 1.5 hours) + $328 (costs for outside professionals of $328) ≈ $1,300. Occupational rates are calculated as described in *infra* note 533. For additional details on estimates of burden hours and occupations involved, *see infra* Section VI.

503 *See* proposed Rule 17ad-31(c)(2).

504 The $7,000 annual estimate is based on the following calculations: $6,966 (costs for outside professionals of $6,966) ≈ $7,000. Occupational rates are calculated as described in *infra* note 533. The Commission assumed that the transfer agent would obtain opinion letters from an outside counsel as part of its regular, day-to-day business operations and thus would not incur initial costs to establish *de novo* arrangements for obtaining such opinion letters. In deriving the estimate for annual costs, the Commission assumed that a transfer agent would receive an average of three requests a year to remove restrictive legends and would hire an outside counsel to provide opinion letters. For each request an outside counsel would spend 3 hours to perform the work required by proposed Rule 17ad-31(c)(2). The total time spent by the outside counsel = 3 hours per request x 3 requests = 9 hours. Thus, the costs for outside professional = $774 (hourly rate for a lawyer) x 9 hours = $6,966. The estimated number of transfer agents that would choose to comply with the proposed rule = 327 (total number of registered transfer agents as of June 30, 2026) – 10 (estimated number of transfer agents that would comply with proposed Rules 17ad-31(c)(3) and (d), *see infra* note 506) = 317.

the cost of obtaining such an opinion can be affected by market conditions, including the availability and capacity of qualified attorneys, the cost of securing an opinion of counsel may fluctuate depending on the supply of legal professionals able to provide this specialized analysis. As discussed in Section V.B.10, the Commission's regulatory experience indicates that (i) transfer agents' reliance on opinion letters as the basis for removing restrictive legends is considered a best practice and (ii) such opinion letters can come from either the issuer's in-house counsel or outside counsel. A transfer agent that has been relying on opinion letters issued by its issuer clients' outside counsel and chooses to obtain an opinion of counsel pursuant to these proposed rules would likely not incur any incremental costs associated with the proposed rule.

Alternatively, a transfer agent may establish the required reasonable basis by making its own determination that the transaction may be conducted pursuant to a specific exemption from registration under proposed Rule 17ad-31(c)(3).[505] A transfer agent that chooses to comply with proposed Rule 17ad-31(c)(3) would also incur costs to comply with the documentation requirements of proposed Rule 17ad-31(d). As discussed in Section IV.B.4.b, some transfer agents, particularly larger transfer agents with experienced legal and compliance staff, may prefer to conduct their own analysis rather than rely on opinions from outside counsel. A transfer agent that chooses to make its own determination under proposed Rule 17ad-31(c)(3) would incur annual costs of $7,000.[506] A transfer agent that chooses to comply with proposed

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505 *See* proposed Rule 17ad-31(c)(3).

506 The $7,000 annual estimate is based on the following calculations: $6,966 (lawyers at $774) for 9 hours) ≈ $7,000. Occupational rates are calculated as described in *infra* note 533. The Commission assumed a transfer agent that chooses to comply with proposed Rules 17ad-31(c)(3) and (d) would use its existing legal and compliance staff to perform the work required by these proposed rules. Thus, such a transfer agent would not incur initial costs to recruit and train such staff. In deriving the estimate for annual costs, the Commission assumed that a transfer agent would receive an average of three requests a year to remove restrictive legends. Further, for each request, the transfer agent's legal and compliance staff would spend 3 hours to perform the work required by proposed Rules 17ad-31(c)(2) and (d). The total time spent by the legal and compliance staff = 3 hours per request x 3 requests = 9 hours. As reported in Table 7 "Market Share of the Largest Transfer Agents" (*see supra* Section V.B.4), the 10 largest transfer agents as of 2025 accounted for the vast majority of transfer agent activity measured in various ways. The Commission assumed that the volume of transfer agent activity handled by these transfer agents would allow them to generate sufficient revenue to support the legal and compliance staff that would perform the work required by proposed Rules 17ad-31(c)(3) and (d). Accordingly, the estimated number of transfer agents that would comply with proposed Rules 17ad-31(c)(3) and (d) = 10.

Rules 17ad-31(c)(3) and (d) could potentially use documentation provided by their issuer clients, which could mitigate the transfer agent's costs associated with these proposed rules.

A transfer agent that chooses to obtain an opinion of counsel would incur total quantifiable compliance costs of $6,600 initially, and $8,300 annually thereafter.[507] A transfer agent that chooses to make its own determination would incur total quantifiable compliance costs of $6,600 initially, and $8,300 annually thereafter.[508]

The Commission is requesting comment on the cost of these provisions, especially data that would enable quantification of: (i) the number of transfer agents that would likely choose to comply with proposed Rules 17ad-31(c)(1) and (c)(2) and (ii) the number of transfer agents that would likely choose to comply with proposed Rules 17ad-31(c)(3). Additionally, the Commission is requesting comment, especially data that would support quantification of: (i) the number of transfer agents that would use internal staff to comply with proposed Rule 17ad-31(d) and (ii) the number of transfer agents that would employ third-party service providers to comply with proposed Rule 17ad-31(d).

Additionally, the proposed rule may cause transfer agents to spend more time performing due diligence of issuers and transactions, which may increase compliance costs, slow down the speed of transactions, and increase processing time.

6. Aggregate Monetized Benefits and Costs

Throughout this economic analysis, we have estimated monetized benefits and costs per affected entity/filing. In this section, we present aggregate measures of these monetized effects. These totals include only benefits and costs that are monetized in the economic analysis and thus do not encompass all of the proposed amendments and rules' benefits and costs.

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507 Initial compliance costs = $6,600 (recordkeeping). Annual compliance costs = $1,300 (recordkeeping) + $7,000 (opinion of counsel) = $8,300. *See supra* notes 502 and 504.

508 Initial compliance costs = $6,600 (recordkeeping). Annual compliance costs = $1,300 (recordkeeping) + $7,000 (own determination) = $8,300. *See supra* notes 502 and 506.

a. Initial and Annual Aggregate Monetized Benefits and Costs

Table 17 reports the costs that are monetized in this economic analysis, aggregated across all affected entities and, where applicable, instances of filing each year. Because it was not practicable to monetize the benefits of the proposed amendments and rules, we do not report aggregate monetized benefits. Benefits are discussed qualitatively above. To aggregate these monetized effects we use estimates of the number of affected parties/filings[509] and burdens under the Paperwork Reduction Act in Section VI. Proposed Rule 17ad-31(c) would provide transfer agents with two methods for developing the reasonable basis required under proposed Rule 17ad-31(b). Under proposed Rules 17ad-31(c)(1) and (c)(2), a transfer agent may do so by obtaining and reviewing an opinion of counsel that meets certain requirements.[510] Alternatively, a transfer agent may establish the required reasonable basis by making its own determination that the transaction may be conducted pursuant to a specific exemption from registration under proposed Rule 17ad-31(c)(3).[511] A transfer agent that chooses to comply with proposed Rule 17ad-31(c)(3) would also incur costs to comply with the documentation requirements of proposed Rule 17ad-31(d). As discussed in Section IV.B.4.b, some transfer agents, particularly larger transfer agents with experienced legal and compliance staff, may prefer to conduct their own analysis rather than rely on opinions from outside counsel. We assumed that the 10 largest transfer agents would use internal legal and compliance staff to perform the work required by proposed Rules 17ad-31(c)(3) and (d). Accordingly, the estimated number of transfer agents that would comply with proposed Rules 17ad-31(c)(3) and (d) is 10.[512] We assumed that all other transfer agents, i.e., 317, would choose to comply with Proposed Rules 17ad-31(c)(1) and (c)(2).[513]

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509 *See supra* Section V.B.

510 *See* proposed Rule 17ad-31(c)(2).

511 *See* proposed Rule 17ad-31(c)(3).

512 *See supra* note 506.

513 *See supra* note 504.

We estimate that the total aggregate initial monetized cost is $78,132,960 and the total aggregate annual monetized cost is $27,776,470.

Table 17: Aggregate Monetized Costs (2026 Dollars)

Requirement	Initial Cost Per Affected Entity/ Filing (A)	Annual Cost Per Affected Entity/ Filing (B)	Estimated Number of Affected Entities/ Filings (C)	Aggregate Initial Cost (D) [(A) x (C)]	Aggregate Annual Cost (E) [(B) x (C)]
Form TA-1	n/a	$1,500[a]	342[b]	n/a	$513,000
Form TA-2	n/a	$3,900[c]	327[b]	n/a	$1,275,300
Rule 17ac2-2	n/a	$1,500[d]	2[b]	n/a	$3,000
Rule 17ad-2	$34,000[e]	$8,500[e]	327[b]	$11,118,000	$2,779,500
Rule 17ad-3	n/a	$670[f]	5[b]	n/a	$3,350
Rules 17ad-6 and 17ad-7	$1,000[g]	$3,100[g]	327[b]	$327,000	$1,013,700
Rule 17ad-7 (additional records)	$480[h]	$1,500[h]	327[b]	$156,960	$490,500
Rule 17ad-12	$7,900[i]	$2,000[i]	327[b]	$2,583,300	$654,000
Rule 17ad-13 (small transfer agents)	n/a	$40,000[j]	16[j]	n/a	$640,000
Rule 17ad-17(a)(3)	$7,500[k]	$840[k]	305[b]	$2,287,500	$256,200
Rule 17ad-17 (c)(1)	n/a	$670[l]	3,106[b]	n/a	$2,081,020
Rules 17ad-17(d)	$15,000[m]	$3,900[m]	3,291[b]	$49,365,000	$12,834,900
Rule 17ad-30	$31,000[n]	$7,700[n]	327[b]	$10,137,000	$2,517,900
Rule 17ad-31 (opinion of counsel)	$6,600[o]	$8,300[o]	317[p]	$2,092,200	$2,631,100
Rule 17ad-31 (own determination)	$6,600[q]	$8,300[q]	10[r]	$66,000	$83,000
Total				$78,132,960	$27,776,470

Notes:

[a] *See supra* note 428.

[b] *See infra* Section VI.

[c] *See supra* note 430.

[d] *See supra* note 424.

[e] *See supra* note 443.

[f] *See supra* note 444.

[g] *See supra* note 460.

[h] *See supra* note 470.

[i] *See supra* note 485.

[j] *See supra* note 459.
[k] *See* supra note 488
[l] *See* supra note 489.
[m] *See* supra note 491.
[n] *See supra* note 494.
[o] *See supra* note 507.
[p] *See supra* note 504.
[q] *See supra* note 508.
[r] *See supra* note 506.

b. Present Values and Annualized Values of Aggregate Monetized Benefits and Costs

Consistent with the requirements of Executive Order 12866, the Commission reports estimated total monetized benefits and costs for all affected entities in two additional ways specified in OMB Circular A-4.[514] The two presentations are intended to address the fact that the various benefits and costs of the proposed amendments and rules would not accrue at the same point in time; rather, benefits and costs that accrue sooner are generally more valuable than those that occur later in time.[515]

We report (1) the present values of expected benefits and costs that are monetized in our Economic Analysis, aggregated across all affected entities, over a 10-year time horizon, starting in 2026, as well as (2) the annualized values over the same time horizon that are derived from the present values. This time horizon represents the period over which the principal benefits and

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514 *See* E.O. No. 12866 (Sept. 30, 1993), 58 FR 51735, 51741 (Oct. 4, 1993) (requiring agencies to provide an analysis of benefits, costs, and regulatory alternatives to OIRA for significant regulatory actions); OMB, CIRCULAR A-4, at 31-34, 45 (Sept. 17, 2003) (providing guidance to agencies regarding compliance with E.O. 12866); *see also* E.O. No. 14215 (Feb. 18, 2025), 90 FR 10447, 10448 (Feb. 24, 2025) (requiring independent agencies to comply with E.O. No. 12866). In addition, E.O. 14192 requires agencies to provide their best approximation of the total costs or savings associated with each new regulation or repealed regulation consistent with the analyses required by E.O. 12866. *See* E.O. No. 14192 (Jan. 31, 2025), 90 FR 9065, 9066 (Feb. 6, 2025). Although Circular A-4 applies to only significant regulatory actions under section 3(f) of E.O. 12866 and OIRA has determined this rulemaking is not significant, we are providing these additional analyses in this release to promote transparency and comparability of aggregate monetized benefits and costs across our rulemakings. *See infra* Section IX. For purposes of approximating the total cost savings and costs under E.O. 14192, the Commission uses the annualized monetized benefits and costs using a real discount rate of 7 percent. *See* Table 19 and accompanying discussion.

515 *See* CIRCULAR A-4, at 32.

costs that are monetized in the Economic Analysis are expected to accrue.[516] The present values and annualized values account for the timing of benefits and costs through discounting, which is a procedure that accounts for the time value of money.[517]

Table 18 reports the present values of the aggregate monetized costs from Table 17, combining one-time and recurring monetized costs. The analysis uses annual real discount rates of 3 percent and 7 percent over a 10-year time horizon, starting in 2026.[518] We estimate that the present value of total monetized costs is $318,599,704 using a 3 percent discount rate and $279,935,938 using a 7 percent discount rate. As discussed above, we are not able to monetize benefits, and as a result we cannot calculate a present value for total monetized benefits.

Table 18: Present Value of Aggregate Monetized Benefits and Costs over 10 years from 2026 to 2035 (2026 Dollars)

Estimated Effects[a]	**3% real discount rate**	**7% real discount rate**
Benefits	n/a	n/a
Costs	$318,599,704	$279,935,938

Notes:

[a] For each discount rate, the present value calculations are based on these assumptions: benefits of the proposal are not monetizable, aggregate initial costs are $ 78,132,960, and aggregate annual costs are $27,776,470 per year (*see* Table 17), and that (i) all one-time monetized implementation costs are incurred immediately and not discounted; and (ii) recurring annual monetized costs begin to accrue in the year in which affected entities first comply. In (ii), we assume that monetized costs occur in a steady stream, and we use a mid-year discount rate.

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516 *See id.* at 31 (stating that "[t]he ending point should be far enough in the future to encompass all the significant benefits and costs likely to result from the rule"). For the purposes of this analysis, we assume the effective date of the proposed amendments and rules, as well as the start year for the analysis's time horizon, is the present year. The analysis uses calendar years and accounts for the compliance periods included in the release (*see* note b in Table 18).

517 *See id.* at 32 ("The Rationale for Discounting") & 45 ("Treatment of Benefits and Costs over Time"); *See also* OIRA, REGULATORY IMPACT ANALYSIS: A PRIMER, at 11 (Aug. 15, 2011), *available at* https://www.reginfo.gov/public/jsp/Utilities/circular-a-4_regulatory-impact-analysis-a-primer.pdf ("To provide an accurate assessment of benefits and costs that occur at different points in time or over different time horizons, an agency should use discounting. Agencies should provide benefit and cost estimates using both 3 percent and 7 percent annual discount rates expressed as a present value as well as annualized."); HARVEY S. ROSEN & TED GAYER, PUBLIC FINANCE 151 (8th ed. 2008) (defining present value as "the value today of a given amount of money to be paid or received in the future").

518 This approach is consistent with OMB Circular A-4. *See* CIRCULAR A-4, at 31-34 (stating that, "[f]or regulatory analysis, [agencies] should provide estimates of net benefits using both 3 percent and 7 percent" discount rates and discussing why those rates are reasonable default rates). Also, we use a mid-year discount rate. *See* OMB, CIRCULAR A-94, at 21-22 (Oct. 19, 1992) (stating that, "When costs and benefits occur in a steady stream, applying mid-year discount factors is more appropriate.").

Table 19 reports annualized aggregate monetized benefits and costs using real discount rates of 3 percent and 7 percent over a 10-year horizon.[519] The lump sum present values of aggregate monetized benefits and costs reported in Table 18 are converted in Table 19 into a constant stream of annualized benefits and costs over a 10-year time horizon, starting in 2026.[520] Annualized benefits and costs may differ from an aggregation of the recurring monetized annual benefits and costs discussed earlier in the Economic Analysis because they incorporate the timing of benefits and costs, through discounting, and combine one-time and recurring benefits and costs.[521] We estimate that annualized total monetized costs are $36,801,659 per year using a 3 percent discount rate and $38,530,810 per year using a 7 percent discount rate. As discussed above, we are not able to monetize benefits, and as a result we cannot calculate annualized total monetized benefits. Because the annualized costs are discounted and include both initial and annual costs, they should not be compared directly to the aggregate annual monetized costs in Table 17.

Table 19: Annualized Aggregate Monetized Benefits and Costs over 10 years from 2026 to 2035 (2026 Dollars)

Estimated Effects[a]	3% real discount rate	7% real discount rate
Benefits	n/a	n/a
Costs	$36,801,659	$38,530,810

Notes:

[a] For each discount rate, the annualized values are calculated by dividing the corresponding present values in Table 18 by the sum of discount factors over the time horizon. The discount factor in year *t* of the time horizon is equal to $1/(1 + discount\ rate)^{(t-0.5)}$.

519 This approach is consistent with the recommended treatment of benefits and costs over time in Circular A-4. *See id.* at 45 ("You should present annualized benefits and costs using real discount rates of 3 and 7 percent").

520 For each discount rate, the annualized monetized benefits (costs, respectively) in Table 19 represent the constant annual stream of benefits (costs, respectively) whose present value over the time horizon equates the corresponding present value in Table 18. *See* note b, Table 19 for additional calculation details.

521 The annualized benefits and costs present these values over the 10-year time horizon, starting in the present year even as recurring annual benefits and costs begin to accrue at a later date due to compliance periods.

D. Efficiency, Competition, and Capital Formation

1. Competition

This section discusses the Commission's consideration of whether the proposed rulemaking will promote competition, and in particular how the proposal may have anticompetitive effects, the differential effects of the proposal on different groups of transfer agents, and the ways in which elements of the proposal may enhance competition.

a. Anticompetitive Effects of Amendments that Increase Compliance Burdens

The compliance burden associated with certain proposed rules and amendments may reduce competition. The proposal likely would impose compliance burdens on registered transfer agents.[522] Some registered transfer agents may be unable to bear the combined burdens of the proposed rules and rule amendments and may choose to exit the transfer agent industry. Alternatively, registered transfer agents may choose to combine with other registered transfer agents through mergers or acquisitions if they believe that the economies of scale flowing from such combinations could help offset the compliance burdens. Other registered transfer agents may choose to restructure their business activities by scaling back these activities across their entire clientele or avoiding serving certain clients. The compliance burdens associated with the proposed rules and rule amendments also might act as a barrier to potential new entrants into the transfer agent industry. To the extent that exits and mergers and acquisitions occur, the provision of transfer agent services is scaled back or withheld from certain clients, and potential entrants refrain from entering the transfer agent industry, the number of registered transfer agents may fall and competition between them could be reduced. A less competitive transfer agent industry could see incumbent registered transfer agents increasing fees charged to clients, reducing the quantity and quality of services provided to clients, or both. Further, a less competitive transfer agent industry could make it easier for incumbent registered transfer agents

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[522] *See supra* section V.C.

to shift a bigger portion of their costs to their clients. These anticompetitive effects could be particularly severe in segments of the market that are served by a limited number of transfer agents.

Similarly, the proposed disclosures might impose a burden on competition for smaller transfer agents to the extent that they impose relatively fixed costs, which could represent a higher percentage of revenue for smaller transfer agents. Beyond the cost of completing and submitting the proposed disclosures, some transfer agents may be unable or unwilling to make the disclosures, and those transfer agents could consider exiting the market for transfer agent services. In addition to the direct compliance costs quantified above, reputational costs and direct burdens of disclosures, including those regarding conflicts of interest, subcontracting relationships, organizational structure and affiliates, books and records requirements, issues serviced, and others may impose significant and, possibly, prohibitive costs on some transfer agents. Such costs could lead to fewer transfer agents competing for business in the U.S. market.

The deleterious effects on competition that may result from the proposal might be limited for a number of reasons. For example, registered transfer agents would establish, maintain, and enforce written policies and procedures reasonably designed to ensure compliance with Rules 17ad-2(a) and 17ad-12(a) as proposed to be amended herein, and Rule 17ad-30. As discussed earlier,[523] the flexibility afforded by a policies and procedures approach may encourage transfer agents to deploy new technologies and practices that may reduce their costs. Second, as discussed in Section V.C there are cost mitigation measures that registered transfer agents could use to reduce compliance costs. Additionally, if a reduction in competition is driven in part by firms that are, for example, low in transparency, poor at regulatory compliance, or unable to assure operational resilience, the overall quality of transfer agent services may improve. This competitive cost could then be offset by corresponding benefits to capital formation or efficiency

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523 *See supra* Section V.C.2.

due to improved investor protection, more effective clearance and settlement, or more efficient matching between issuers and transfer agents, to the extent the remaining transfer agents have or increase capacity to accept new clients.

b. Effects on Competition Among Different Groups of Transfer Agents

Certain proposed rules may affect competition among different groups of transfer agents. For example, the costs of proposed disclosure, custody and conduct, and compliance requirements may have a differential impact on transfer agents already registered with the Commission as broker-dealers, registered investment advisers, or registered investment companies, or banking entities already subject to the supervision of prudential regulators, and those that are not. Such dually registered transfer agents may already have a compliance infrastructure with respect to their activities in other markets, potentially reducing incremental compliance burdens from the proposal compared to those without. On the other hand, smaller transfer agents with simpler operations are likely to face lower total compliance burdens, resulting in lower incremental costs imposed by the proposal given comparable initial compliance infrastructure, which may nevertheless be proportionally higher than larger but similarly complex transfer agents, placing the smaller ones at a competitive disadvantage. These effects may result in a less favorable competitive position especially for large or complex transfer agents that are not dually registered or otherwise currently required to have in place the particular compliance and safeguarding infrastructure contemplated by the proposal. However, larger transfer agents may be able to partially offset higher absolute compliance costs through economies of scale, mitigating competitive disadvantages due to the proposal relative to smaller transfer agents with lower total compliance costs, but not relative to similarly sized transfer agents with existing compliance infrastructure.

2. Capital Formation

This section discusses the Commission's consideration of whether the proposed rulemaking will promote capital formation, and in particular the effects of some of the proposed amendments on capital formation through strengthened investor protections as well as the potential effects of the proposed requirements on access to transfer agent services and securities markets by small issuers.

a. Strengthened Investor Protections

As discussed earlier, a number of proposed rules and amendments would strengthen investor protections.[524] For example, amending Rule 17ad-12 to, among other things, require transfer agents to have comprehensive risk management plans and business continuity plans in place would improve the protection of investor funds and data and their ability to access and trade assets when disruptive events occur. With greater investor protection, investors may increase their participation in the U.S. securities markets. Increased participation in the U.S. securities markets in turn could promote capital formation by helping issuers raise more capital and encouraging would-be issuers to seek capital by tapping the U.S. securities markets.

b. Access to Transfer Agent Services and Securities Markets by Small Issuers

The proposed provisions related to custody and conduct, such as proposed Rule 17ad-31, are likely to increase the costs to transfer agents of servicing issuers, particularly issuers with which the transfer agent has had no prior transactions, more opaque issuers, and issuers with institutional clientele more likely to rely on private party litigation to address harm caused by a transfer agent's failure to satisfy its obligations under the proposed rules. These proposed provisions may also limit the ability of transfer agents to facilitate certain transactions, which may decrease the potential range of issuers and transactions that some transfer agents may intermediate. If these effects result in transfer agents refraining from servicing certain issuers, and those issuers are otherwise unable to retain transfer agent services, the proposed rule may come at a net cost to those issuers and would place them at a disadvantage relative to larger, more sophisticated competitors. To the extent that these issuers do not raise capital in the

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524 *See supra* Section V.C.

securities markets as a result of these effects, adverse effects on market participation and market quality may follow. Similarly, if the proposed disclosure requirements lead to fewer active transfer agents in the market facilitating clearance and settlement, these proposed requirements may result in issuers becoming less able to find and retain transfer agents or increase the cost of transfer agent services for issuers.

However, as noted in the economic baseline, many or most transfer agents serve at least some small issuers, including a majority of the top five transfer agents by issuers served. If the costs of the proposed amendments result in reduced competition in the transfer agent industry and many smaller transfer agents exit the market, small issuers would nevertheless be likely to be able to receive transfer agent services, albeit from larger and more sophisticated transfer agents. Notwithstanding the observation that large, and even the largest, transfer agents frequently provide services for smaller issuers, due to an unfavorable risk/reward calculation, they may not serve the smallest accounts, a pattern seen in other parts of the financial services industry such as money managers. These smallest issuers may have difficulty replacing smaller, exiting transfer agents currently serving them. However, small issuers that would most likely be unable to obtain transfer agent services as a result of proposed Rule 17ad-31 are those that engage in transactions that fail to meet a heightened due diligence standard for transfer agents of issuers. Finally, the potential reductions in capital formation in some securities may be accompanied by investor protection benefits discussed above.

3. Efficiency

This section discusses the Commission's consideration of whether the proposed rulemaking will promote efficiency, and in particular the proposal's effects on the efficiency of the clearance and settlement of securities transactions, the efficiency of the market for transfer agent services, and potential follow-on effects on the efficiency of securities markets more broadly.

a. Efficiency of Clearance and Settlement

Certain proposed rules and amendments may improve the efficiency of the clearance and settlement of securities transactions. For example, proposed amendments to Rule 17ad-12 may improve clearance and settlement efficiency by helping to ensure the uninterrupted provision of transfer agent services.[525] As another example, the proposed rescission of Rule 17ad-4 may promote clearance and settlement efficiency by ensuring that the processing of additional categories of transactions (i.e., transactions in LPs, DRIPs, Fund Shares, and transactions handled by small registered transfer agents) meet minimum performance standards for turnaround as specified in Rule 17ad-2 as proposed to be amended.[526] Certain proposed rules and amendments, may result in additional compliance costs of processing transactions or increase the processing time, slowing down transactions. For example, proposed Rule 17ad-31 could result in additional cost and time spent processing the removal of restrictive legends, delaying potential transactions involving those securities.[527] This need not be inefficient if the resulting expense and slowing of certain transactions help to prevent unregistered securities distributions.

b. Efficiency in the Market for Transfer Agent Services

The proposal may also enhance transparency and improve informational and allocative efficiency in the market for transfer agent services. The proposed disclosure requirements for transfer agents may reduce information asymmetries between transfer agents and issuers, particularly their less sophisticated issuer clients. To the extent that adverse selection costs are present in the market for transfer agent services, issuers and investors may become better informed and higher quality transfer agents may enter the market, improving market quality. To the extent that issuers consider disclosures under amended Rules 17ac2-1 and 17ac2-2

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525 *See supra* Sections V.C.4.h and V.C.5.c.

526 *See supra* Section V.C.4.b.

527 *See supra* Section V.C.5.b.

informative in selecting a transfer agent, the proposed amendments to Forms TA-1 and TA-2 may help market participants make more informed transfer agent choices. To the degree that the proposed disclosure requirements may increase information regarding risks and conflicts of interest, they may improve informational efficiency and quality-based competition among transfer agents.

Under the baseline, transfer agents with informational advantages over issuers may be able to extract information rents from issuers through, for example, charging higher fees, subcontracting, or price discrimination. The proposed disclosure requirements are designed to reduce these pre-existing information rents by improving issuers' ability to assess transfer agent quality and costs. To the extent that the proposed disclosure requirements succeed in informing issuers about the quality of transfer agent services and inform investors and issuers about the potential conflicts arising out of transfer agents' business structures, they may reduce the informational advantage of transfer agents and may decrease the profitability of their operations. As a result, these proposed disclosure requirements may reduce the incentives of some transfer agents to remain operational and the willingness of transfer agents to service certain types of issuers. This result need not be inefficient, insofar as these issuers can be serviced by other transfer agents or exits and restrictions reflect correction of market distortions such as those arising from information asymmetries.

The proposal's enhanced disclosures may improve access to information, and may attract new, potentially higher quality, entrants into the market for transfer agent service providers due to increased ability to signal relative quality or to fill the gap created by lower quality transfer agents exiting the market. This effect, however, could be limited by the costs the enhanced disclosures impose on potential new entrants to the transfer agent marketplace to the extent these costs operate as a barrier to entry. Enhanced disclosures may, therefore, improve the average quality of transfer agents in the market by deterring low-quality entrants and incentivizing quality-based competition, which could improve the ability of issuers to retain high-quality transfer agent services and enhance the efficiency of the capital allocation.

c. Efficiency in Securities Markets

The proposal's effects on the efficiency of clearance and settlement and on investor protections may have downstream effects on efficiency in securities markets. Specifically, more robust transfer agent operations may reduce the likelihood of settlement disruptions. For example, Rule 17ad-12 as proposed to be amended may reduce the risk of disruptions related to the commingling of securities and funds or cybersecurity or other risks and proposed Rule 17ad-31 may protect investors from illegal distribution of securities, together protecting issuers from certain clearance and settlement failures by transfer agents. As referenced above, less sophisticated investors may value counterparty protections and smaller issuers may have less bargaining power in the market for transfer agent services. In such a setting, the proposal may enhance the quality of transfer agent services provided, may increase the amount of due diligence that transfer agents perform on transactions, and may protect investors from settlement disruption, loss of funds and securities, illegal distribution of securities, and failures in transfer agent activities generally. As a result, the proposal may attract less sophisticated investors into securities markets and have the potential to increase the efficiency of capital allocation by some investors.

Proposed Rule 17ad-30 may strengthen compliance with federal securities laws and Commission rules, facilitating prompt and accurate clearance and settlement of securities transactions and enhancing investor protections. To that extent, the proposed rule may increase the willingness of some investors to participate in capital markets.

E. Reasonable Alternatives

1. Alternative to Proposed Form TA-1 Disclosure Requirements

a. Confidential Reporting of Organizational Chart

An alternative to requiring transfer agents to disclose their organizational structures publicly in Form TA-1 would be to permit confidential reporting to the Commission. Confidential reporting could reduce concerns about revealing proprietary information, lessen potential competitive disadvantages for smaller or less diversified transfer agents, and mitigate reputational, competitive, or legal risks associated with such public disclosure. However, confidential reporting would limit the ability of issuers and investors to identify conflicts of interest, assess governance and operational risks, and compare transfer agents on an informed basis, thereby reducing the proposal's intended benefits of enhanced transparency and improved selection of transfer agents. In addition, limiting disclosure to the Commission would not meaningfully reduce compliance burdens, because transfer agents would still incur the costs of preparing and updating organizational structure information. In light of these concerns, the proposed approach is preferable to the alternative.

2. Alternatives to Proposed Form TA-2 Disclosure Requirements

a. Granular Disclosure of Technologies Employed

The Commission considered requiring more detailed disclosure concerning the use of physical certificates, distributed ledger technology, and recordkeeping systems used. This could be accomplished by requiring that the attached list of issues serviced indicates for each security during the reporting period: whether physical certificates were used; whether the master securityholder file was maintained using distributed ledger technology; and the name(s) of any recordkeeping system or technology used to maintain the security's master securityholder file. This information would provide the Commission, other ARAs, issuers, third-party users of transfer agent services, and other transfer agents better insight into how physical certificates, distributed ledger technology, and recordkeeping systems or technologies are being used and their ability to track the characteristics of securities for which transfer agent services are provided using physical certificates, distributed ledger technology, and recordkeeping systems or technologies. However, the alternative could result in significant initial costs to transfer agents to build the infrastructure necessary to track and report at the security level. They could also face significant ongoing costs to implement the tracking and report the results for each filing of Form TA-2. The Commission considers that in this case, the balance of costs and the value of the information that would be disclosed favors the proposed approach.

b. Limit New Disclosures to Tokenized Securities and Distributed Ledger Technology

The Commission considered limiting new disclosures to tokenized securities as a category in Questions 5, 6, and 7; the number of master securityholder files maintained using distributed ledger technology; and the names of any blockchains used for maintaining master securityholder files during the reporting period. This would result in lower compliance costs imposed on transfer agents relative to the proposal. These alternative proposed disclosures may enhance the ability of issuers to understand and compare the businesses of various transfer agents insofar as they involve tokenized securities, distributed ledger technology, and blockchains. However, as discussed in Section II.D, the Commission considers disaggregated information concerning service provision by security type and distributions sufficiently valuable to its oversight and policymaking processes to justify those disclosures. Similarly, information concerning employees, contractors, service providers, and activity types would be sufficiently valuable to regulators in overseeing the industry, issuer clients, and investors to justify the associated compliance costs. Accordingly, the proposed approach is preferable to this alternative.

c. Limited Disclosures by Small Transfer Agents

The Commission considered requiring small transfer agents, i.e., those that received fewer than 1,000 items for transfer in the reporting period and did not maintain master securityholder files for more than 1,000 individual securityholder accounts as of December 31 of the reporting period, to report only a subset of the proposed items. Under this alternative, small transfer agents would be required to report only aggregate numbers for DRS, DRP, and DPP accounts and the new tokenized security and distributed ledger technology disclosures, rather than the proposal's requirement to separately report DRS, DRP, and DPP account numbers for several security types.[528] This alternative could substantially reduce disclosure costs for small transfer agents. However, the Commission and other ARAs would lack information that would support regulatory oversight, such as what types of securities are served by small transfer agents. Issuers, third-party users of transfer agent services, and other transfer agents might also be disadvantaged by not having this information. Further, generally available and affordable recordkeeping technology should help small transfer agents to comply with the proposed Form TA-2 disclosure requirements without facing unreasonable costs. Accordingly, the proposed approach is preferable to this alternative.

3. Alternative to Proposed Amendments to Rule 17ad-9

a. Principles-based Approach to Data Collected in Position Detail

The Commission considered the alternative of providing principles-based requirements of components of position detail in Rules 17ad-9(a)(3)-(4). Specifically, the Commission considered requiring under Rule 17ad-9(a)(3) only the information reasonably necessary to accurately identify the specific securityholders to the exclusion of other securityholders. As another alternative to proposed Rule 17ad-9(a)(3), the Commission considered requiring that the transfer agent collect some unique identifying information that can be tied to an individual's name and address, which could include, for example, the name and physical mailing address or some other unique identifier. As an alternative to proposed Rule 17ad-9(a)(4), the Commission considered omitting the physical mailing address as a minimum requirement and instead

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528 *See supra* Section II.D.

requiring a principles-based approach that would require the collection of only the information reasonably necessary to establish contact with the securityholder.

Such principles-based rules would enable transfer agents to fulfill the requirements using whatever means and information they find most applicable, convenient, and cost-efficient while enabling the unique identification of securityholders and establishment and maintenance of contact with them. Principles-based rules might also enable flexibility to adapt if changing technology or broader business practices result in a further shift away from names and mailing addresses as key information relevant to the performance of transfer agent functions. Such developments could include, for example, more prevalent use of pseudonymous wallet addresses as identifying information or email addresses more fully displacing physical mailing addresses as the relevant and preferred means to ensure delivery of communications to an intended recipient.

Establishing a uniform minimum standard of data inclusion in position detail would better enable a consistent minimum standard ensuring unique identification and ability to contact securityholders, while enabling transfer agents to exceed such minimums as best enables their preferred processes.

The Commission acknowledges that the costs and benefits of this alternative could vary among transfer agents based on, among other factors, their size, existing processes and technology, types of securities and customer accounts served. Additionally, the Commission acknowledges that the aggregate costs and benefits will vary based on the number of new entrants. The Commission invites comment on this alternative.

4. Alternatives to Proposed Amendments to Rule 17ad-2

a. Prescriptive Performance Standards for Turnaround and Processing Applicable Items

The Commission considered the alternative of providing prescriptive performance standards for the turnaround and processing of applicable items in Rules 17ad-2(a) and 17ad-2(b). This alternative would simplify compliance by providing transfer agents with bright-line benchmarks with which to comply, reducing any need for, and any associated costs of, interpretive discretion. Prescriptive performance standards could reduce interpretive burdens and provide the Commission and other ARAs with a clearer metric for assessing compliance. Transfer agents, particularly smaller entities, would not need to devote resources to drafting, maintaining, and updating written policies and procedures. This could lower compliance costs, especially for firms with limited legal or compliance staff.

However, the alternative raises a number of concerns. First, a prescriptive approach may not accommodate the diversity of transfer agent business models, operational structures, and technological capabilities. Without the flexibility to tailor compliance approaches, some transfer agents may be forced to adopt inefficient or ill-suited practices simply to meet the performance standards. Second, written policies and procedures provide transfer agents with a framework for continuous improvement and adaptation. The alternative may hinder transfer agents' ability to adapt to evolving technologies and market practices. Third, written policies and procedures help ensure consistent, reliable performance and facilitate early identification and remediation of issues. Absent written policies and procedures, transfer agents may be more likely to experience operational lapses or repeated failures. In light of these concerns, the proposed approach is preferable to this alternative.

b. Three Business Day Deadline for Written Notification

The Commission considered an alternative to proposed Rule 17ad-2(e)(2) whereby transfer agents would be required to notify presentors of items rejected by the transfer agents within three business days, rather than within one business day as proposed. This alternative would be less burdensome for transfer agents by providing additional time to determine the reasons for rejection, prepare written notifications, and review materials for accuracy. Smaller transfer agents or those experiencing elevated volumes of transfer requests may experience reduced operational strain under this approach.

However, extending the notification period may delay presentors' ability to correct defects and resubmit items, thereby prolonging the overall turnaround process. These delays could, in turn, increase the risk of settlement disruptions and lengthen the period during which investors remain exposed to market risk associated with delayed settlement. To the extent that delayed notification impedes timely turnaround or processing of items, this alternative could limit the proposal's intended benefits regarding efficiency, transparency, and investor protection.

The proposed one business day requirement better supports prompt and accurate clearance and settlement of securities transactions, particularly given current T+1 settlement cycles and is preferable to this alternative.

5. Alternative to Proposed Amendment to Rule 17ad-3

a. Rescinding Rule 17ad-3

The Commission considered the alternative of rescinding Rule 17ad-3 entirely rather than amending the threshold in paragraph (b) of the rule. The alternative may generate cost savings for transfer agents because they would no longer incur costs to comply with the rule's requirements. In particular, the rescission of Rule 17ad-3(b) would mean that a transfer agent that fails to meet certain performance standards for two consecutive months would not be required to notify the chief executive officers of affected issuers. Further, transfer agents that fail to meet performance standards set forth in the rule could continue to take on new issues or provide new services for existing issuer clients, while they address performance failures. The ability to simultaneously expand and address performance failures would be particularly beneficial to smaller transfer agents and new entrants to the industry. Thus, the alternative could foster competition provided that transfer agents that would otherwise be affected by Rule 17ad-3 could expeditiously address their performance failures and return to compliance with the turnaround and processing performance standards.

However, this alternative has certain costs. First, under this alternative, issuers may choose to employ other methods to receive early warning about performance failures by their transfer agents, which could entail additional costs. Second, the lack of early warning could hinder issuers' ability to expedite the resolution of such failures with their transfer agents. Third, the alternative may limit an underperforming transfer agent's incentive to expeditiously address performance failures and also limit the incentives of all transfer agents to deploy sufficient resources to avoid performance failures. The Commission acknowledges that the costs and benefits of this alternative could vary based on the size of the transfer agent and the number of new entrants. The Commission invites comment on this alternative.

6. Alternatives to Proposed Amendments to Rules 17ad-7 and 17ad-10

a. Provision of Both Paper and Electronic Copies of Records in Rule 17ad-7

Proposed Rule 17ad-7(g) would require transfer agents to provide promptly upon demand from the representatives of the Commission or other ARA staff a legible, true, complete, and current copy of any retained record in a reasonably usable electronic format .[529] The Commission considered the alternative of requiring both paper and electronic copies of records to be provided. This alternative would offer redundancy and potentially greater assurance of record accessibility in the event of a technological failure or data corruption. However, this approach would impose significant operational burdens and costs on transfer agents, especially when a high volume of records is requested by the representatives of the Commission or another ARA. The proposed approach is preferable to the alternative because it reflects modern business practices (thereby avoiding additional compliance costs), leverages the reliability and accessibility of electronic systems, and ensures that records are readily available for inspection or audit without mandating duplicative processes.

b. Alternative Timing Requirements for Communications Between Co-Transfer Agents and Recordkeeping Transfer Agents

As an alternative, the Commission considered aligning the timing requirements in paragraphs (c)(1) and (d) of Rule 17ad-10 with the proposed timing requirements in Rules 17ad-2(a) and 17ad-10(a)(2)(i) as amended, rather than proposing just a one business day timing

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529 *See* proposed Rule 17ad-7(g).

requirement for paragraphs (c)(1) and (d) of Rule 17ad-10. The alternative would have the advantage of maintaining alignment of the timing of communications between co-transfer agents and recordkeeping transfer agents with the standard securities settlement cycle should it change as well as with Rules 17ad-2 and 17ad-10, thereby providing flexibility to accommodate future changes in the settlement period without further rulemaking. Such an approach could reduce the risk of regulatory misalignment if the settlement cycle is shortened or otherwise modified, and might offer operational efficiencies for transfer agents that already synchronize their processes with the settlement cycle. However, the alternative may jeopardize the accuracy of securityholder records and weaken investor protection. Co-transfer agents may not have sufficient time to accurately provide records of credits and debits to or address inquiries regarding such records from the recordkeeping transfer agent. Inaccuracies in such records or responses could in turn compromise the accuracy of an issuer's securityholder records and prevent securityholders from receiving all appropriate corporate distributions and communication. In light of this concern, the alternative is rejected in favor of the proposed approach, which strikes an appropriate balance between timeliness and accuracy in communications between co-transfer agents and recordkeeping transfer agents.

7. Alternatives to Proposed Amendments to Rule 17ad-12

a. Prescriptive, Minimum-Standards Framework

One alternative considered by the Commission was to propose prescriptive minimum requirements (instead of the principles-based risk management standards as proposed)—for example, by mandating specific cybersecurity controls, fixed oversight processes for vendors, required redundancies for business continuity, and explicit internal control checklists. A prescriptive framework may provide greater certainty to transfer agents and reduce interpretive burdens by offering concrete, uniform benchmarks for compliance. Such an approach could also streamline oversight by reducing the need for ARAs to evaluate the reasonableness of risk management policies and procedures in light of each transfer agent's individualized operations.

Nonetheless, this alternative would impose substantial inflexibility, possibly requiring some transfer agents to adopt controls unnecessary for their size or risk profile while failing to accommodate operational diversity across the industry. If transfer agents were to adopt controls unnecessary for their size or risk profile, they likely would incur additional compliance costs without realizing any benefits in terms of improved risk management. Moreover, a prescriptive rule that includes references to specific technologies may become quickly outdated as technology and risks evolve. Thus, the proposed principles-based approach in Rule 17ad-12 is preferable to the alternative.

b. Segregation Requirement Limited to Issuer Funds Only

Under this alternative, Rule 17ad-12(b) would require only segregation of issuer funds, allowing securityholder and other customer funds to remain commingled with the transfer agent's operating accounts. For transfer agents serving a large number of securityholders and other customers, this alternative could reduce administrative complexity and lower compliance burdens by reducing the number of accounts a transfer agent must establish, monitor, and reconcile. In addition, the alternative may reduce operational complexity for transfer agents that maintain high volumes of small value transactions by securityholders and other customers. Despite these advantages, the disadvantages of this alternative are significant. Securityholder funds and other customer funds would remain vulnerable to loss, misuse, operational failure, and delays in recovery should a transfer agent encounter financial distress, experience internal control failures, or suffer a cybersecurity event. Because securityholder funds often relate to dividend payments, redemptions, or other distributions owed directly to individual investors, failing to segregate these funds may expose investors to heightened risk of loss or delay. This alternative also may create inconsistent recovery expectations across categories of customers, potentially undermining investor confidence and creating confusion regarding the obligations owed to different types of customers. In light of the above, the comprehensive segregation requirement in the proposed rule better aligns with the safeguarding and resiliency objectives of Rule 17ad-12.

c. Partial Business Continuity Plan Requirements

Under this alternative, the Commission would require transfer agents to comply with proposed Rule 17ad-12(c)(i)-(iii) but exclude the requirement that business continuity plans be tested, reviewed, and updated no less frequently than annually. This alternative would reduce compliance burdens, particularly for smaller transfer agents that may lack the resources to undertake regular testing, review, and updating of their business continuity plans. However, the alternative would leave transfer agents with weaker preparedness for disruptions because the business continuity plan would not account for changes in a transfer agent's business and operating environment, including technological advancements. This concern may be particularly significant for those transfer agents that are growing their businesses and taking on a wider range of risks as a result. Accordingly, the proposed approach is preferable because it better aligns with the need for timely recovery and resumption of core transfer agent activities and provides more robust protection to issuers, investors, and the broader national clearance and settlement system.

8. Alternatives to Proposed Amendments to Rule 17ad-17

a. Permit Escheatment After Partial Completion of Federal Search Requirements

As an alternative to the proposed amendment to Rule 17ad-17, the Commission considered allowing transfer agents and broker-dealers to remit, release, or otherwise provide funds or securities to the states after they have completed the first of two database searches required by Rule 17ad-17(a)(1).[530] The alternative has a few advantages. First, it may lower compliance costs and administrative burdens for transfer agents compared to conducting two database searches as required by Rule 17ad-17(a)(1). Second, it balances federal and state

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530 Rule 17ad-17(a)(1) requires a transfer agent or broker-dealer to conduct two database searches to locate a lost securityholder. *See* Rule 17ad-17(a)(1).

interests by requiring some federal search efforts before escheatment, but not the full process. Third, states could receive unclaimed property sooner, potentially benefiting state unclaimed property programs. However, the alternative raises two concerns. Investor protection would be weakened because securityholders may lose access to their property before the two database searches required by Rule 17ad-17(a)(1) are made. The alternative could increase the likelihood of legal disputes wherein securityholders might challenge states' escheatment decisions if not all federal requirements are met or securityholders may take legal actions against transfer agents for not completing the two database searches. Legal disputes would increase uncertainty regarding the status of securityholders' property and impose legal costs for securityholders, states, and transfer agents. In light of these concerns, the proposed approach is preferable to this alternative.

b. Allow for a Waiver

This alternative would retain the proposed amendment to Rule 17ad-17, but allow transfer agents to apply for a waiver from the Commission pursuant to which they would comply instead with their relevant state's escheatment laws (assuming the Commission finds the state law provides at least equivalent investor protections compared to Rule 17ad-17). This alternative has three advantages. First, it could help strengthen investor protection by ensuring that only those transfer agents operating in states whose escheatment laws provide equivalent (or stronger) investor protections than Rule 17ad-17 receive a waiver. Second, the alternative would provide flexibility to the extent that transfer agents already complying with certain states' laws could continue their related activities, provided the state law provides investor protections equivalent to or stronger than those afforded by Rule 17ad-17. Third, the alternative could encourage innovation because transfer agents and broker-dealers might develop new approaches to reunite owners with property, potentially fostering best practices. However, the alternative has certain costs. First, the waiver process likely would require significant Commission resources to evaluate and monitor state escheatment laws. Second, the waiver process might introduce delays and uncertainty for both transfer agents and securityholders. During the Commission's review of a waiver request, there might be inconsistent application of Rule 17ad-17, potentially weakening investor protection. The Commission acknowledges that the costs and benefits of this alternative could vary depending on the nature of the waiver. The Commission invites comment on this alternative.

c. Using All Available Contact Information

The Commission considered requiring transfer agents and broker-dealers to make at least two attempts to reestablish contact with a lost securityholder using all reasonably available contact information, including phone numbers, email addresses, digital wallet addresses, and physical mailing addresses in lieu of requiring transfer agents and broker-dealers to perform database searches under existing Rule 17ad-17(a)(1). The alternative has a number of advantages. First, the alternative could increase the likelihood of successfully reaching securityholders by requiring at least two attempts to reestablish contact using multiple communication channels, including via the use of channels other than physical address, which may be more carefully monitored by securityholders. Second, the alternative would more closely align with the amended definition of lost securityholder, under which a securityholder could become a lost securityholder whenever an item of correspondence that was sent to the securityholder has been returned as undeliverable, regardless of whether the address where the item was sent was contained in the transfer agent's master securityholder file or customer security account records of the broker or dealer. Third, the alternative may be more durable if technological changes render the use of physical mailing addresses and related database searches less relevant or effective for reestablishing contact with lost securityholders. Fourth, the alternative could reduce compliance burdens to the extent that transfer agents and broker-dealers build systems to comply with the alternative and choose to extend such systems to also comply with the notification requirement of proposed Rule 17ad-17(a)(3), rather than build *de novo* systems solely for complying with proposed Rule 17ad-17(a)(3). Fifth, the "reasonably available" standard could help ensure that contact with a lost securityholder is reestablished, while providing transfer agents and broker-dealers the flexibility to choose the most appropriate communication channels. This flexibility may also support the development of new capabilities by transfer agents and broker-dealers, such as transferring tokenized securities that are transacted on blockchain networks, without requiring the collection of a physical address prior to enabling transfer. However, the alternative could pose certain challenges. First, aspects of the alternative might hamper consistent compliance among transfer agents and broker-dealers. The application of the "reasonably available" standard may vary across transfer agents and broker-dealers. Some registrants maintain extensive digital contact information, while others may not. In addition, registrants may interpret and comply with the "at least two attempts" requirement differently. Some may treat this requirement as prescriptive and make only two attempts to reestablish contact, while others may choose to make more than two attempts. Some registrants in the latter group may choose to seek legal advice as to how many attempts beyond the two minimum are sufficient to satisfy their compliance obligations. The lack of uniformity in compliance could lead to varying degrees of success in contacting lost securityholders across transfer agents and broker-dealers and consequently, disparate levels of investor protection. Second, to the extent that messages from a transfer agent or broker-dealer are inadvertently treated by the lost securityholder as nuisance messages (e.g., mistaken for junk email or text messages) and thus ignored, the alternative may not meaningfully increase the likelihood of reestablishing contact with the lost securityholder relative to the baseline. The Commission acknowledges that the costs and benefits of this alternative could vary depending on the operational capability of transfer agents and broker-dealers, the contact information collection practices of transfer agents and broker-dealers, and the response of securityholders to outreach via different communication channels, among other things. The Commission invites comment on this alternative.

9. Alternative to Proposed Rule 17ad-30

In formulating proposed Rule 17ad-30, the Commission could have proposed exempting transfer agents dually registered as registered investment companies, registered investment advisers, broker-dealers, and banking entities from the scope of the proposed rule. The alternative would eliminate the compliance burdens associated with the proposed rule for such dual registrants. However, the Commission is concerned that the alternative would create or foster inconsistency across transfer agents, which in turn may jeopardize investor protection, impede clearance and settlement, and generate broader negative effects for the securities markets. The proposed approach is preferable because it would apply a uniform baseline compliance requirement for all registered transfer agents and avoid regulatory inconsistencies. At the same time, the proposed policies and procedures approach would provide dual registrants the flexibility to determine the most efficient compliance methodologies given their dual registration status and help mitigate compliance duplication.

10. Alternative to Proposed Rule 17ad-31

a. Annual Issuer Certification of Authorized Representatives

Under this alternative, a transfer agent could rely on an annual certification from the issuer identifying authorized representatives, rather than maintaining a current list of authorized representatives as proposed. The alternative could lower compliance burdens for issuers and transfer agents by limiting ongoing verification obligations and eliminating the need to track incremental changes throughout the year. However, the disadvantages outweigh these potential reductions in compliance burdens. Relying on a static annual certification introduces substantial risk that a transfer agent would act on outdated or revoked authorizations, increasing the likelihood of prohibited activities such as improper issuances or unauthorized legend removals. An outdated certified list may delay the legal distribution of securities if the instruction to do so comes from a recently authorized issuer representative who is not found on that list. The alternative is less preferable to the proposed approach because the alternative would not provide the timely, transaction-specific safeguards necessary to prevent misuse of issuer authority, support legal distribution of securities, and could undermine investor protection, particularly in fast-moving environments where authorized representatives change frequently.

F. Request for Comment

The Commission is requesting comment regarding the economic analysis set forth here. To the extent possible, the Commission requests that market participants and other commenters provide supporting data and analysis with respect to the benefits, costs, and effects on competition, efficiency, and capital formation of adopting the proposed amendments or any reasonable alternatives. In addition, the Commission asks commenters to consider the following questions:

141. What additional qualitative or quantitative information should the Commission consider as part of the baseline for its economic analysis of the proposal?

142. What additional considerations can the Commission use to estimate the costs and benefits of implementing the proposal?

143. Is it likely that certain potential benefits associated with the proposal will not accrue to certain groups of transfer agents because of the nature of their activities or because of new conditions or restrictions the proposal would impose on these activities? Why or why not? Are there other benefits or costs associated with the proposal that will impact certain groups of transfer agents differently than other groups?

144. Has the Commission considered all relevant aspects of the proposal? Has the Commission accurately described the costs and benefits of the proposal? Why or why not? Please identify any other benefits associated with the proposal that the Commission has not identified. Please identify any other costs associated with the proposal that the Commission has not identified. If possible, please provide quantification or data that would support quantification of such effects.

145. The Commission requests comment on the discussed reasonable alternatives, including the relative costs and benefits and effects on efficiency, competition, and capital formation compared to the proposed rule.

146. Are there any additional reasonable alternatives that the Commission should consider? If so, please identify such alternatives and any economic effects associated with such alternatives. If possible, please provide quantification or data that would support quantification of such effects.

147. What quantitative or qualitative information is there concerning sensitivities of issuers and third parties to fees, how transfer agents take these sensitivities into account when setting fees, and the extent to which transfer agents prefer to keep fees constant?

148. In connection with the amended definition of master securityholder file in proposed Rule 17ad-9, specifying that it must be maintained in electronic form, how many transfer agents currently maintain master securityholder files in paper form? What is the estimated magnitude of migration costs, including data migration, systems development, and staff training?

149. In connection with the amended definition of recordkeeping transfer agent in proposed Rule 17ad-9, how many transfer agents maintain a master securityholder file jointly with another transfer agent? What is the estimated magnitude of transition costs to maintenance of such master securityholder file by a single recordkeeping transfer agent?

150. In connection with the amended definition of record difference in proposed Rule 17ad-9, how frequently would transfer agents likely discover record differences stemming from discrepancies between the transfer journal and the master securityholder file over a one-year period? Would such record differences be more difficult to resolve than existing ones, such that transfer agents would be required to file additional Rule 17ad-11 aged record difference reports? If possible, please provide quantification or data that would support quantification of the number of additional Rule 17ad-11 aged record difference reports and the costs they may incur.

151. In connection with the proposed amendments to Rules 17ad-2(a) and 17ad-2(b), how many transfer agents may incur costs to acquire the operational capability to

turnaround and process all routine items received during a month within the timeframes specified in these amended rules? What would be the magnitude of such costs? If possible, please provide quantification or data that would support quantification of the number of transfer agents and the costs they may incur.

152. In connection with the proposed amendments to Rules 17ad-2(c) and 17ad-2(d), how many transfer agents may incur costs to build a system that monitors when their performance triggers the proposed three percent notification threshold for turnaround and processing, respectively. What would be the magnitude of such costs? If possible, please provide quantification or data that would support quantification of the number of transfer agents and the costs they may incur.

153. Would the proposed amendments to Rules 17ad-2(c) and 17ad-2(d) increase, decrease, or leave unchanged the number of notices that transfer agents have to prepare and file with the Commission and other ARAs? What would be the change in compliance costs associated with an increase or decrease in the number of notice filings? Would smaller transfer agents be more or less likely to see an increase in notice filings than larger transfer agents? If possible, please provide quantification or data that would support quantification of the change in the number of notice filings and the associated costs, as well as the type and number of likely filers.

154. In connection with proposed Rule 17ad-2(e)(2), is the one business day notification deadline operationally achievable for transfer agents of varying sizes and technological sophistication? If possible, please provide quantification or data that would support quantification of the feasibility of the proposed deadline and the costs of potentially accelerated processing that may arise as a result of the proposed deadline.

155. Would Rule 17ad-3's limitations on expansion provisions trigger more, less, or remain unchanged in light of the proposed amendments to Rule 17ad-2(c) and (d) and the proposed amendment to Rule 17ad-3(b)? Would smaller transfer agents be more or less

likely to trigger these provisions than larger transfer agents? If possible, please provide quantification or data that would support quantification of the frequency with which the provisions trigger as a result of the proposed amendments, as well as the type and number of transfer agents likely to trigger the provisions.

156. In connection with the proposed rescission of Rule 17ad-4, how many transfer agents are covered by Rules 17ad-4(a) and 17ad-4(b)? How many transfer agents are exempt from Rule 17ad-13 pursuant to the exemption in paragraph (d)(2) of that rule? If possible, please provide quantification or data that would support quantification of transfer agents covered by Rules 17ad-4(a), 17ad-4(b), and 17ad-13(d)(2).

157. Would the proposed amendments to Rule 17ad-6 result in a net increase or decrease in the number of documents and records that transfer agents would be required to make and keep current? What would be the magnitude of this change? Is the change in the number of documents and records more likely to fall on certain types of transfer agents but not others? Would small and large transfer agents see different changes in the number of documents and records that have to be made and kept current? If possible, please provide quantification or data that would support quantification of the net change in documents and records and affected transfer agents.

158. What factors currently constrain transfer agents' ability to perform their critical functions in the national clearance and settlement system? Would administrative burden associated with existing Rule 17ad-6 be one such factor? If so, would the proposed amendments to the rule reduce transfer agents' administrative burden?

159. Would transfer agents incur costs to comply with proposed Rule 17ad-7(a)? If so, would these be initial costs, annual costs, or both? Are the Commission's estimated initial and annual costs in connection with this proposed rule accurate? If not, please explain why. If possible, please provide quantification or data that would support quantification of these costs.

160. In connection with proposed Rule 17ad-7(h)(1), what is the number of third-party service providers that provide electronic recordkeeping systems, servers or other storage mechanisms to transfer agents for record retention? How many of these third-party service providers provide their clients with independent access to the kept records at all times? What is the aggregate cost associated with the proposed written agreement requirement? If possible, please provide quantification or data that would support quantification of the number of affected third-party service providers, the number of such providers that provide independent access to kept records, and the aggregate cost associated with the proposed written agreement requirement.

161. In connection with the proposed amendments to Rule 17ad-10(a)(2), are there situations in which recordkeeping transfer agents would be unable to post position detail to the master securityholder file within the shorter of one business day or the time period specified by Rule 15c6-1(a) under the Exchange Act? If such situations exist, how many recordkeeping transfer agents may incur costs to acquire the operational capability to comply with the proposed posting deadline? What would be the magnitude of such costs? If possible, please provide quantification or data that would support quantification of the number of recordkeeping transfer agents and the costs they may incur.

162. In connection with the proposed amendments to Rules 17ad-10(c) and 17ad-10(d), are there situations in which co-transfer agents would be unable to comply with the proposed timing requirements? If such situations exist, how many co-transfer agents may incur costs to acquire the operational capability to comply with these requirements? What would be the magnitude of such costs? If possible, please provide quantification or data that would support quantification of the number of co-transfer agents and the costs they may incur.

163. What is the frequency with which existing timing requirements for co-transfer agents contribute to ownership record errors? Would proposed Rules 17ad-10(c)(1) and

17ad-10(d) help to reduce this frequency? If so, by how much? If possible, please provide quantification or data that would support quantification of the frequency and the reduction in the frequency because of the proposed rules.

164. In connection with the proposed amendments to Rule 17ad-10, how many transfer agents currently cure overissuances of certificated securities only? How many transfer agents currently cure overissuances of both certificated and uncertificated securities? If possible, please provide quantification or data that would support quantification of these two groups of transfer agents.

165. In connection with the proposed amendments to Rule 17ad-12, how many transfer agents currently lack or have insufficiently robust risk management-related polices and procedures and business continuity plans? If possible, please provide quantification or data that would support quantification of this group of transfer agents.

166. In connection with the proposed amendments to Rule 17ad-12, please provide quantification or data that would support quantification of investor preferences for robust safeguarding and risk management policies and procedures, segregation of funds, and business continuity planning; the likelihood of operational risks, cybersecurity breaches, and business disruptions; and any other factors that affect the total benefits of the proposed amendments to the rule.

167. In connection with the proposed amendments to Rule 17ad-12, how many transfer agents currently maintain issuer, securityholder, and other customer funds in bank accounts designated as “for the benefit of” accounts separate from any other bank accounts of the transfer agents? How many transfer agents currently maintain segregation of third-party funds on a client-by-client basis? Which approach is costlier to implement? If possible, please provide quantification or data that would support quantification of these two sets of transfer agents and the costs of each segregation approach.

168. In connection with the definition of a lost securityholder as proposed to be amended, how many transfer agents may incur costs to extend their systems to monitor the delivery status of items of correspondence sent via non-physical mail methods? What would be the magnitude of such costs? If possible, please provide quantification or data that would support quantification of the number of transfer agents and the costs they may incur.

169. In connection with the definition of a lost securityholder as proposed to be amended, what would be the annual costs associated with one database search? Is the Commission's estimate accurate? If not, should the estimate be higher or lower? What would be the annual number of database searches for securityholders that meet the proposed definition when they otherwise would not under the baseline? What would be the aggregate annual costs associated with these database searches? If possible, please provide quantification or data that would support quantification of these items.

170. In connection with the baseline information concerning Rule 17ad-17, how many database searches are performed and accounts remitted to states for escheatment by carrying broker-dealers? If not available in national aggregate, how many might a typical carrying broker-dealer expect to perform annually in total or in relation to the number of securities accounts customers hold with them?

171. Will proposed Rule 17ad-31 give rise to potential incremental liability and litigation costs for transfer agents, notwithstanding the flexibility to obtain an opinion of counsel under proposed Rules 17ad-31(c)(1) and (c)(2)? If so, what would be the magnitude of such litigation costs? If possible, please provide quantification or data that would support quantification of such costs.

172. In connection with proposed Rule 17ad-31, how many requests to remove a restrictive legend would a transfer agent receive in a year on average? If possible, please

provide quantification or data that would support quantification of the average number of legend removal requests received by a transfer agent in a year.

173. In connection with proposed Rule 17ad-31, how many transfer agents currently rely on opinion letters as the basis for removing restrictive legends? Of the opinion letters provided for the removal of restrictive legends, what percentage of these letters are provided by (i) transfer agents' in-house counsel and (ii) outside counsel? If possible, please provide quantification or data that would support quantification of the transfer agents relying on opinion letters, the percentage of opinion letters provided by transfer agents' in-house counsel and the percentage of opinion letters provided by outside counsel.

174. In connection with proposed Rule 17ad-31, how many transfer agents currently rely on methods other than opinion letters to establish the basis for removing restrictive legends? Please describe these non-opinion letter methods and provide a ranking of their relative popularity. Is one of these methods similar to the method described in paragraph (c)(3) of proposed Rule 17ad-31? What percentage of each method's usage involves transfer agents providing supporting documentation similar to or satisfying the requirements set forth in paragraph (d) of proposed Rule 17ad-31? If possible, please provide quantification or data that would support quantification of the transfer agents that rely on each of these non-opinion letter methods and the percentage of each method's usage that involved transfer agents providing supporting documentation similar to or satisfying the requirements set forth in paragraph (d) of proposed Rule 17ad-31?

175. In connection with proposed Rule 17ad-31(c), how many transfer agents would likely choose to comply with proposed Rules 17ad-31(c)(1) and (c)(2) and how many transfer agents would likely choose to comply with Rule 17ad-31(c)(3)? What characteristics of a transfer agent—such as its size—would lead it to choose one compliance approach over the other? If possible, please provide quantification or data

that would support quantification of these two sets of transfer agents. In connection with proposed Rule 17ad-31(d), how many transfer agents would use internal staff to comply with this provision and how many transfer agents would employ third-party service providers to comply with this provision?

VI. Paperwork Reduction Act

A. Summary of the Collection of Information

Certain provisions of the proposed rules contain "collection of information" requirements within the meaning of the Paperwork Reduction Act of 1995 ("PRA").[531] We are submitting the proposed collections of information to the Office of Management and Budget ("OMB") for review in accordance with the PRA.[532] The hours and costs associated with preparing and filing the forms constitute reporting and cost burdens imposed by each collection of information. An agency may not conduct or sponsor, and a person is not required to comply with, a collection of information unless it displays a currently valid OMB control number. Compliance with the information collections is mandatory. Responses to the information collections are not kept confidential and there is no mandatory retention period for information disclosed. The titles for the affected collections of information are:

- Rule 17ac2-1 (Form TA-1) (OMB Control No. 3235-0084)
- Rule 17ac2-2 (Form TA-2) (OMB Control No. 3235-0037)
- Rule 17ad-2(c), (d), and (h) (OMB Control No. 3235-0130)
- Rule 17ad-3(b) (OMB Control No. 3235-0473)
- Rule 17ad-4(b) and (c) (OMB Control No. 3235-0341)
- Rule 17ad-6 (OMB Control No. 3235-0291)
- Rule 17ad-7 (OMB Control No. 3235-0291)

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531 44 U.S.C. 3502.

532 44 U.S.C. 3507.

- Rule 17ad-17 (OMB Control No. 3235-0469)

We adopted the existing forms and rules, pursuant to the Exchange Act. As discussed further below, Rules 17ac2-1, 17ac2-2, 17ad-2, 17ad-3, 17ad-6 and 17ad-7, 17ad-12, 17ad-17 and proposed Rules 17ad-30 and 17ad-31 each contain collections of information affected by proposed amendments and rules. The collections in each of these proposed amendments and rules are mandatory. Respondents under these rules are registered transfer agents, of which there are 327 as of June 30, 2026.

B. Amendments to Forms TA-1, TA-2 and Rules 17ac2-1, 17ac2-2, 17ad-2, 17ad-3, 17ad-6, 17ad-7, 17ad-12, 17ad-17, 17ad-30, and 17ad-31.

Rule 17ac2-1 and Form TA-1 require transfer agents to register with the Commission and provide certain information that serves as a basis for the Commission to determine whether it should accelerate, deny or postpone such registration. The Commission's proposal to adjust the effective date of the TA-1 application from 30 to 45 days does not affect or otherwise change the existing reporting burden.

The information collection required under Rule 17ac2-2 and submitted via Form TA-2 is required to provide information regarding the business conducted by a transfer agent, to evaluate compliance, and to inform Commission transfer agent policymaking. The new requirement to amend Rule 17ac2-2 may marginally increase the reporting burden for some limited number of transfer agents, as it would require a transfer agent to amend its Form TA-2 if it learns that information was *materially* inaccurate, misleading, etc. *at the time of filing.* The Commission preliminarily believes this would be an uncommon occurrence and that approximately two transfer agents would need to amend their Form TA-2 on an annual basis.

Under Rules 17ad-2(c) and (d), a registered transfer agent must file a notice within ten days after the end of any month in which it fails to meet the minimum performance standards set forth in Rules 17ad-2(a) and (b). The Commission's proposed amendments change the threshold for the filing of the notice; however, the proposed amendments do not materially affect the reporting burden in terms of time or costs. Under Rule 17ad-3(b), any registered transfer agent which for each of two consecutive months fails to turnaround or process at least 75% of all items within the prescribed time specified in the Rules shall be subject to the limitation set forth in Rule 17ad-3(a). The Commission's proposed amendment to Rule 17ad-3(b) raises the turnaround and processing threshold from 75% to 95% of all items. The proposed threshold increase may modestly affect the reporting burdens. The rescission of Rule 17ad-4 marginally reduces registered transfer agents reporting burdens under the PRA – this rule has not historically created significant time and costs burdens for transfer agents. The proposed amendments to Rules 17ad-6 and 17ad-7 do not, in practice, materially change the reporting burden for those rules, which require registered transfer agents to make and keep current certain records sufficient to determine the nature of the business conducted by a transfer agent and to monitor and evaluate transfer agents' compliance with Commission rules. Most registered transfer agents that are required to comply with Rules 17ad-6 and 17ad-7 already employ the use of modern electronic and digital media or systems for their recordkeeping.

Proposed Rule 17ad-12 would require every transfer agent to adopt written policies and procedures to ensure that all securities and funds controlled by a transfer agent are protected against risks and also to identify and mitigate operational, cybersecurity, and other risks posed by or associated with the transfer agent's business, activities, and operations.

The proposed amendments to Rule 17ad-17 would (i) change the existing recordkeeping requirement to comport with proposed Rule 17ad-7(a); (ii) require recordkeeping transfer agents and broker-dealers that maintain securityholder accounts to provide two inactivity notices to securityholders whose accounts are deemed inactive under Rule 17ad-17(b)(3); and (iii) require paying agents to provide two notices to unresponsive payees under Rule 17ad-17(c)(3).

Newly proposed rules 17ad-30 and 17ad-31 would require registered transfer agents to, respectively, (i) implement and maintain written policies and procedures that are reasonably designed to achieve compliance with the federal securities laws; and (ii) implement controls to ensure only authorized issuer representatives can instruct a transfer agent to remove a restrictive legend or otherwise execute a securities transaction.

C. Summary of the Estimated Burden of the Proposed Amendments on the Collections of Information

The following table summarizes the estimated Paperwork Burden Associated with the Proposed New Rules and Amendments:

PRA Table 1: Estimated Paperwork Burden Associated with the Proposed New Rules and Amendments

Proposed Requirements and Effects	Affected Forms	Estimated Burden Per Response	Number of Affected Responses
Form TA-1 • Addition of Question 3(f). Website Address. • Rescinding Questions 6 and 7 adding proposed Questions 6(a) and (b) and 7. • Amending Question 8 to include additional options for identifying the registrant's corporate structure. • Proposed Schedule A: Business Affiliates of the Registrant • Technical changes to headings and amendments to the instructions. • Amendment of Questions 11 and 12 which concern the TA's signature and attached documents.	Form TA-1	2 Hours	342 (327 existing transfer agents + 15 new registrants)
Rule 17ac2-2 • Form TA-2 must be amended within 60 days if the transfer agent discovers that any information was materially inaccurate, misleading, or incomplete at the time of filing.	Form TA-2	2 Hours	2 Filings
Form TA-2 • Form TA-2 updated to include new requirements to provide: (1) the number of employees engaged in transfer agent functions and activities	Form TA-2	5 Hours	327 Filings

Proposed Requirements and Effects	Affected Forms	Estimated Burden Per Response	Number of Affected Responses
incidental thereto during the reporting period; (2) the number of issues serviced by the registrant for which physical certificates were in use during the reporting period; (3) the number of issues for which the registrant maintained the master securityholder file using distributed ledger technology during the reporting period; and (4) the types of service providers used by the registrant during the reporting period using a check-the-box format along with the name of the service provider(s) using a fill-in-the-blank format. • Amendment of Question 5 regarding the number of individual securityholder accounts by security type • Amendment of Question 6, regarding the number of issues by service and security type. • Addition of Question 6(b) regarding number of issues by tokenization model and security type • Amendment of Question 7, which concerns receipts and distributions to securityholders. • Amendment of Question 9 concerning turnaround and processing • Amendment of Question 13 which concerns the attached documents.			
Rule 17ad-2 • Requires written policies and procedures concerning turnaround and processing of applicable items; • Notice requirement for rejected items; notice must be		55 Hours	327 Respondents

Proposed Requirements and Effects	Affected Forms	Estimated Burden Per Response	Number of Affected Responses
provided within one business day.			
17ad-3 • Requires a transfer agent to provide notice to issuers if it fails to turnaround or process 95% of all applicable items.		4 Hours	5 Respondents
Rule 17ad-6 and 7 • Requires keeping and maintaining a transfer journal (or registrar journal if the transfer agent acts as an outside registrar) and a control book and master securityholder file if the transfer agent is a recordkeeping transfer agent, and records related to turnaround, processing, appointment, termination, and non-routine items; Requires transfer agents that use a third party for recordkeeping to obtain from such third party and file with the Commission and its ARA a legally binding written agreement signed by as duly authorized representatives of the third party, unless the transfer agent has and maintains at all times independent access to such records.		25 Hours	327 Respondents
Rule 17ad-12 • Requires transfer agents to adopt written policies and procedures regarding the safeguarding of securities and funds and other risks • Requires transfer agents to establish, maintain, and enforce a written business continuity plan		30 Hours	327 Respondents
Rule 17ad-17(a)(3)		50 Hours	305 (152 Record Keeping Transfer

Proposed Requirements and Effects	**Affected Forms**	**Estimated Burden Per Response**	**Number of Affected Responses**
• Requires recordkeeping transfer agents and broker-dealers that maintain accounts that include accounts of inactive securityholders to provide not less than two written notifications to each inactive securityholder stating that such inactive securityholder has not been active in its account.			Agents and 153 Broker-Dealers)
Rule 17ad-17(c)(1) • Requires paying agents to provide notice to unresponsive payees.		4 Hours	3106 (Paying Agents)
Rule 17ad-17(d) • Requires written procedures that describe the transfer agent's, broker's, dealer's, or paying agent's methodology for complying with Rule 17ad-17.		25 Hours	3291 Respondents (Transfer Agents, Broker-Dealers and Paying Agents)
Rule 17ad-30 • Requires transfer agents to adopt written compliance policies and procedures		50 Hours	327 Respondents
Rule 17ad-31 • Requires transfer agents to maintain and keep list of issuer employees authorized to provide instructions and documents related to such authorizations. • Requires transfer agents to refrain from facilitating any transaction unless it has a reasonable basis to believe that doing so will not violate Section 5 of the Securities Act of 1933.		12 Hours	327 Respondents

D. Initial and Ongoing Burden Estimates

The foregoing burden estimates for the rules, as proposed to be amended, consist of initial *and* ongoing or annualized time and cost burdens. The following table includes estimates for what burden share will accrue initially, upon the amended and proposed rules becoming effective as compared with the rules' annualized time and costs burdens.

PRA Table 2: Estimated Initial and Annual Aggregate Burden Estimates*

Collection of Information	Initial Burden Estimates (Hours)	Annual Burden Estimates (Hours)	Initial Burden Estimates (%) (X)	Annual Burden Estimates (%) (Y)
Form TA-1	0	684	0%	100%
Form TA-2	0	1,640	0%	100%
Rule 17ac2-2	0	2	0%	100%
Rule 17ad-2	44	11	80%	20%
Rule 17ad-3	0	20	0%	100%
Rules 17ad-6 and 7	6	18	25%	75%
Rule 17ad-12	24	6	80%	20%
Rule 17ad-17(a)(3)	45	5	90%	10%
Rule 17ad-17(c)(1)	0	4	0%	100%
Rule 17ad-17(d)	20	5	80%	20%
Rule 17ad-30	40	10	80%	20%
Rule 17ad-31	10	2	83%	17%

*All figures rounded to the nearest whole number.

E. Incremental and Aggregate Burden and Cost Estimate

Below we estimate the incremental and aggregate changes in paperwork burden because of the proposed amendments. These estimates represent the average burden for all respondents, both large and small. In deriving our estimates, we recognize that the burdens will likely vary among individual respondents based on several factors, including the nature of their business. For example, large institutional transfer agents provide services to thousands of issuers and process billions of dollars of transactions qualifying as payment agent activity. Conversely, some smaller transfer agents may only service a single, small issuer.

We calculated the additional burden estimates by multiplying the estimated additional burden per form by the estimated number of responses per form. That additional burden is then added to the existing burden per form. For purposes of the PRA, the burden is to be allocated between internal burden hours and outside professional costs. The table below sets forth the percentage estimates we typically use for the burden allocation for each collection of information and the estimated burden allocation for the proposed new collection of information. We also base our estimates of the average cost of retaining outside professionals using the methodology set forth by the Occupational Employment and Wage Statistics (OEWS) program of the Bureau of Labor Statistics (BLS) for Securities, Commodity Contracts, and Other Financial Investments and Related Activities.[533]

PRA Table 3: Estimated Burden Allocation for the Affected Collections of Information

Collection of Information	Internal	Outside Professionals
Rule 17ac2-1 (Form TA-1)	75%	25%
Rule 17ac2-2 (Form TA-2), Rule 17ad-17	90%	10%
Rule 17ad-2, Rule 17ad-3, Rules 17ad-6 and 17ad-7, Rule 17ad-12, Rule 17ad-30, and Rule 17ad-31	75%	25%

533 To calculate the occupational hourly rates used in this release, the Commission uses occupational mean hourly wage data from the OEWS program of the BLS for "Securities, Commodity Contracts, and Other Financial Investments and Related Activities" (NAICS 523). *See Occupational Employment and Wage Statistics*, U.S. Bureau of Labor Statistics, https://www.bls.gov/oes/; *see also Standard Occupational Classification*, U.S. Bureau of Labor Statistics, https://www.bls.gov/soc/ (describing occupational classification system used by BLS); Exec. Off. of the President, Off. of Mgmt. & Budget, North American Industry Classification System (2022), *available at* https://www.census.gov/naics/reference_files_tools/2022_NAICS_Manual.pdf (describing the industry classification system used by BLS and other agencies). The mean hourly wage for each occupation is adjusted for changes in the seasonally adjusted employment cost index for private wages and salaries between the data reference period and when the data are released by BLS. *See Employment Cost Index*, U.S. Bureau of Labor Statistics, https://www.bls.gov/eci/. The adjusted mean hourly wage is then multiplied by a factor that accounts for nonwage costs borne by employers, such as bonuses, benefits, and overhead. This factor is calculated as an average over the 10 most recently available years of data of the ratio of the Bureau of Economic Analysis's annual gross output data for the NAICS 23 to total annual wages across all occupations for NAICS 23 in the OEWS data. *See Gross Output by Industry*, U.S. Bureau of Economic Analysis, https://www.bea.gov/data/industries/gross-output-by-industry; *Occupational Employment and Wage Statistics*, U.S. Bureau of Labor Statistics, *supra*. The final product is the occupational hourly rate. *See generally* Updated Methodology for Calculating Occupational Hourly Rates (Dec. 19, 2025), *available at* https://www.sec.gov/files/method-occupational-hourly-rates.pdf.

The following tables summarize the requested paperwork burden, including the estimate total reporting burdens and costs, under the proposed amendments.

PRA Table 4: Calculation of the Incremental Change in Burden Estimates of Current Responses Resulting from the Proposed Amendments*

Collection of Information	Number of Estimated Affected Information Collections, Notices/ Disclosures (A)	Burden Hour Increase Per Response (B)		Change in Burden Hours (C) = (A) x (B)	Change in Company Hours (D) = (C) x 0.90 or 0.75	Change in Professional Hours (E) = (C) x 0.10 or 0.25	Change in Professional Costs (F) = (E) x OEWS Estimate
Form TA-1	342 (327 + 15) Filings	2 hours	684	513	171	42.75	$33,089 (Lawyers 23-1011)
Form TA-2	327 Filings	5 Hours	1,635	1,472	164	16.4	$12,697 (Lawyers 23-1011)
Rule 17ac2-2	2 Filings	2 hours	4	3.6	0.4	0	$0 (Lawyers 23-1011)
Rule 17ad-2	327 Respondents	55 hours		17,985	13,489	4,496	$3,480,097.50 (Lawyers 23-1011)
Rule 17ad-3	5 Respondents	4 hours		20	15	5	$825 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)
Rules 17ad-6 and 17ad-7	327 Respondents	25 hours		8,175	6,131.25	2,043.75	$341,306.25 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)
Rule 17ad-12	327 Respondents	30 hours		9,810	7,358	1840	$607,200.00 (Accountants and Auditors 13-2011)

Rule 17ad-17(a)(3)	305 Respondents	50 hours		15,100	11,325	1,510	$249,150.00 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)
Rule 17ad-17 (c)(1)	3106 Respondents	4 hours		12,424	9,318	1,242	$204,996.00 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)
Rule 17ad-17(d)	3291 Respondents	25 hours		82,275	61,706	8,228	$6,368,085.00 (Lawyers 23-1011)
Rule 17ad-30	327 Respondents	50 hours		16,350	12,262.5	4,087.5	$3,163,725.00 (Lawyers 23-1011)
Rule 17ad-31	327 Respondents	20 hours	6,540	5,886	654	164	$107,584.00 (General and Operations Managers 11-1021)

*Figures reflected in the table rounded to closest whole number.

PRA Table 5: Requested Paperwork Burden under the Proposed Amendments

	Current Burden			**Program Change**			**Requested Change in Burden**		
Form or Rule	**Current Annual Responses (A)**	**Current Burden Hours (B)**	**Current Cost Burden (C)**	**Number of Affected Responses (D)**	**Change in Company Hours (E)**	**Change in Professional Costs (F)**	**Annual Responses (G) =(A)**	**Burden Hours (H)= (B)+(E)**	**Cost burden (I) =(C)+(F)**
Form TA-1	209 (196 Amendments/13 filers)	450	$176,040.00	342	513	$33,089.00 (Lawyers 23-1011)	209	42.75	$33,089 (Lawyers 23-1011)
Form TA-2	315	1359	$395,051.80	2	164	$12,697.00 (Lawyers 23-1011)	315	16.4	$12,697 (Lawyers 23-1011)
Rule 17ac2-2	0	0	$0	327	0.4	$0 (Lawyers 23-1011)	0	0	$0 (Lawyers 23-1011)

Rule 17ad-2	3	0.5	$0	327	13,489	$3,480,097.50 (Lawyers 23-1011)	3	13,489.5	$3,480,097.50 (Lawyers 23-1011)
Rule 17ad-3	1	4	$0	5	16	$668 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)	1	20	$668.00 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)
Rules 17ad-6 and 17ad-7	315	500	$50,242,500.00	327	6,131	$1,023,918.75 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)	315	6,631	$51,266,418.00 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)
Rule 17ad-12	0	0	$0	327	7,358	$2,727,975.00 (Accountants and Auditors 13-2011)	0	1,840	$607,200.00 (Accountants and Auditors 13-2011)
Rule 17ad-17(a)(3)	0	0	$0	305	11,325	$249,150.00 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)	0	11,325	$249,150.00 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)
Rule 17ad-17(c)(1)	0	0	$0	3106	9,318	$204,996.00 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)	0	9,318	$204,996.00 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)
Rule 17ad-17(d)	0	0	$0	3290	61,706	$6,368,085.00 (Lawyers 23-1011)	0	61,706	$6,368,085.00 (Lawyers 23-1011)
Rule 17ad-30	0	0	$0	327	4,088	$3,163,725.00 (Lawyers 23-1011)	0	4,088	$3,163,725.00 (Lawyers 23-1011)
Rule 17ad-31	0	0	$0	327	654	$107,584.00 (General and Operations Managers 11-1021)	0	164	$107,584.00 (General and Operations Managers 11-1021)

PRA Table 6: Requested Initial Paperwork Burden under the Proposed Amendments*

Form or Rule	Cost burden (I)	Initial Monetized Benefits and Costs Per Response (%) (X)	Initial Requested Change in Burden (C) = (I) x (X)

Form TA-1	$33,089.00 (Lawyers 23-1011)	100%	$33,089.00
Form TA-2	$12,697.00 (Lawyers 23-1011)	0%	$0
Rule 17ac2-2	$0 (Lawyers 23-1011)	0%	$0
Rule 17ad-2	$3,480,097.50 (Lawyers 23-1011)	80%	$2,784,078.00
Rule 17ad-3	$668.00 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)	0%	$0
Rules 17ad-6 and 17ad-7	$50,578,700.00 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)	25%	$12,644,675.00
Rule 17ad-12	$607,200.00 (Accountants and Auditors 13-2011)	0%	$0
Rule 17ad-17(a)(3)	$249,150.00 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)	90%	$249,150.00
Rule 17ad-17(c)(1)	$204,996.00 (Bookkeeping, Accounting, and Auditing Clerks 43-3031)	0%	$0
Rule 17ad-17(d)	$6,368,085.00 (Lawyers 23-1011)	80%	$5,094,468.00
Rule 17ad-30	$3,050,400.00 (Lawyers 23-1011)	80%	$2,432,582.00
Rule 17ad-31	$107,584.00 (General and Operations Managers 11-1021)	83%	$89,294.72

*Values in table rounded to whole number.

F. Request for Comment

We request comment on whether these estimates are reasonable. Pursuant to 44 U.S.C. 3506(c)(2)(B), the Commission solicits comments in order to: (1) evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information will have practical utility; (2) evaluate the accuracy of the Commission's estimate of the burden of the proposed collection of information; (3) determine whether there are ways to enhance the quality, utility, and clarity of the information to be collected; and (4) determine whether there are ways to minimize the burden of the collection of information on those who are to respond, including through the use of automated collection techniques or other forms of information technology.

Persons wishing to submit comments on the collection of information requirements of the proposed amendments should direct them to the OMB Desk Officer for the Securities and Exchange Commission, MBX.OMB.OIRA.SEC_desk_officer@omb.eop.gov, and should send a copy to Vanessa A. Countryman, Secretary, Securities and Exchange Commission, using any of the methods in the ADDRESSES section, with reference to File No. S7-2026-30. OMB is required to make a decision concerning the collections of information between 30 and 60 days after publication of this release; therefore, a comment to OMB is best assured of having its full effect if OMB receives it within 30 days after publication of this release. Requests for materials submitted to OMB by the Commission with regard to these collections of information should be in writing, refer to File No. S7-2026-30, and be submitted to the Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC, 20549-2736. OMB is required to make a decision concerning the collections of information between 30 and 60 days after publication of this release. Consequently, a comment to OMB is best assured of having its full effect if OMB receives it within 30 days of publication.

VII. Initial Regulatory Flexibility Act Analysis

Section 3(a) of the Regulatory Flexibility Act of 1980 (''RFA'') requires the Commission to undertake an initial regulatory flexibility analysis of the impact of the proposed rule amendments on small entities unless the Commission certifies that the rule, if adopted, would not have a significant economic impact on a substantial number of small entities.[534] This Initial Regulatory Flexibility Act Analysis (''IRFA'') has been prepared, and been made available for public comment.

1. Reasons for, and Objectives of the Proposed Actions

The Commission is proposing to amend Forms TA-1 and TA-2 to require transfer agents to disclose additional information regarding the transfer agent's corporate organizational structure, significant service providers, recordkeeping, and handling of securities and funds. The proposed amendments to Forms TA-1 and TA-2 will enhance the Commission's understanding of transfer agent operations, risk management, and compliance practices.

The Commission is also proposing to amend Exchange Act Rule 17ac2-1 to align the effective date for registration specified in the rule—30 days after filing of the Form TA-1—with Section 17A(c)(2) of the Exchange Act, which specifies that registration shall become effective 45 days after filing. The proposed amendment to Exchange Act Rule 17ac2-1 will harmonize the effective date for transfer agent registration with the statutory requirement.

The Commission is also proposing to amend Exchange Act Rules 17ad-1, 17ad-2, 17ad-3, 17ad-6, 17ad-7, 17ad-9, 17ad-10, 17ad-12, and 17ad-17 to modernize and streamline the regulatory framework governing transfer agents. These amendments will ensure that the rules governing transfers agents apply equally to both certificated and uncertificated securities, and that they reflect the technological advancements and changes in industry practices that have taken place over the years. These amendments will enhance the efficiency, accuracy, and

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534 5 U.S.C. 605(b).

transparency of transfer agent operations, while also strengthening compliance and risk management practices. By updating the rules to reflect current industry standards and practices, the amendments will promote a more robust and reliable transfer agent system that supports the integrity of the securities markets.

The Commission is also proposing to rescind Rule 17ad-4, which provides exemptions from certain requirements for transfer agents that service limited partnerships, redeemable securities of investment companies, and dividend reinvestment plans, as well as small transfer agents. Rescinding this rule will apply uniform requirements to all registered transfer agents, regardless of their size or the type of securities they service.

The Commission is also proposing Exchange Act Rule 17ad-30 to strengthen a compliance framework which will include requirements to develop compliance policies and procedures and Exchange Act Rule 17ad-31 to refrain from improperly removing restrictive legends. These proposed rules will strengthen the compliance framework for registered transfer agents, enhance investor protection, and facilitate the safe and efficient functioning of the national clearance and settlement system. The proposed rules aim to address concerns related to transfer agents' compliance with federal securities laws and removal of restrictive legends. These new proposed rules will establish a uniform baseline compliance requirement and help to prevent transfer agents from facilitating violations of securities laws, ultimately promoting investor protection and maintaining the integrity of the securities markets.

2. Legal Basis

The Commission proposes new rules and amendments to existing rules governing registered transfer agents and transfer agent registration and annual reporting forms pursuant to authority set forth in the Exchange Act, particularly Sections 2,[535] 3,[536] 17,[537] 17A,[538] and 23(a).[539]

3. Small Entities Subject to the Proposed Rule and Proposed Rule Amendments

Paragraph (h) of Exchange Act Rule 0-10 provides that, for purposes of Commission rulemaking and as applicable to the proposed new rules and amendments to existing rules governing registered transfer agents, a small entity includes, when used with reference to a transfer agent, a transfer agent that (i) received less than 500 items for transfer and less than 500 items for processing during the preceding six months (or in the time that it has been in business, if shorter), (ii) transferred items only of issuers that would be deemed "small businesses" or "small organizations" as defined in this section, (iii) maintained master shareholder files that in the aggregate contained less than 1,000 shareholder accounts or was the named transfer agent for less than 1,000 shareholder accounts at all times during the preceding fiscal year (or in the time that it has been in business, if shorter, and (iv) is not affiliated with any person (other than a natural person) that is not a small business or small organization under this section.[540] Commission staff estimates that, as of June 30, 2026, there are 327 registered transfer agents[541] and 143 transfer agents that may meet the definition of small entity.[542]

4. Projected Reporting, Recordkeeping, and Other Compliance Requirements

If adopted, the proposed amendments would apply to small entities to the same extent as other entities, irrespective of size. Therefore, we expect that the nature of any benefits and costs

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535 15 U.S.C. 78b.

536 15 U.S.C. 78c.

537 15 U.S.C. 78q(a).

538 15 U.S.C. 78q-1.

539 15 U.S.C. 78w(a).

540 *See* 17 CFR 240.0-10(h).

541 *See* Table 4, *infra* Section V.B.4.

542 *See* Table 6, *infra* Section V.B.4.

associated with the proposed amendments to be similar for large and small entities. Accordingly, we refer to the discussion of the proposed amendments' economic effects on all affected parties, including small entities, in Section V. above. Consistent with that discussion, we anticipate that the economic benefits and costs likely could vary widely among small entities based on a number of factors, such as the nature and conduct of their businesses, which makes it difficult to project the economic impact on small entities with precision. As a general matter, however, we recognize that the costs of the proposed amendments borne by the affected entities could have a proportionally greater effect on small entities, as they may be less able to bear such costs relative to larger entities. Compliance with the proposed amendments may require the use of professional skills, including legal skills. We request comment on how the proposed disclosure amendments would affect small entities.

5. Duplicative, Overlapping, or Conflicting Federal Rules

The Commission believes that no federal rules supplicate, overlap or conflict with the proposed new rules and amendments to existing rules governing registered transfer agents and transfer agent registration and annual reporting forms.

6. Significant Alternatives

The RFA requires that the Commission include in its regulatory flexibility analysis a description of any significant alternatives to the proposed rule which would accomplish the stated objectives of applicable statutes and which would minimize any significant economic impact of the proposed rule on small entities.[543] Pursuant to Section 3(a) of the RFA, the Commission's initial regulatory flexibility analysis must consider certain types of alternatives, including: (a) the establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (b) the clarification, consolidation, or simplification of the compliance and reporting requirements under the rule for small entities;

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543 5 U.S.C. 603(c).

(c) the use of performance rather than design standards; and (d) an exemption from coverage of the rule, or any part of thereof, for such small entities.[544]

The Commission considered alternatives to the proposed amendments to Form TA-2 that would accomplish the stated objectives of the amendment without disproportionately burdening transfer agents that are small entities, including limiting certain disclosure requirements. For example, the Commission considered an alternative that transfer agents would be required to report only aggregate numbers of individual securityholder accounts, rather than the proposal's requirement to separately report account numbers for several security types. However, the Commission determined that while this alternative could reduce disclosure costs for small transfer agents, the Commission would lose valuable information provided by this disclosure requirement and regulatory oversight as to what types of securities are served by small transfer agents. Further, because all registered transfer agents regardless of size are required to file an annual report with the Commission on Form TA-2, generally available and affordable recordkeeping technology should help small transfer agents comply with the proposed disclosure requirements on Form TA-2 without unreasonable costs.

The Commission also considered alternatives to the proposed Rule 17ad-12 that would accomplish the stated objectives of the new rule without disproportionately burdening transfer agents that are small entities. For example, the Commission considered exempting small transfer agents from the requirement in proposed Rule 17ad-12(c)(iv) that business continuity plans be tested, reviewed, and updated no less frequently than annually. However, the Commission determined that while this would reduce compliance burdens for small transfer agents, it would also leave transfer agents with weaker preparedness for disruptions. Further, maintaining this requirement for small transfer agents would better align with the need for timely recovery and

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[544] *Id.*

resumption of core transfer agent activities and provide more robust protection to issuers, investors, and the broader national clearance and settlement system.

7. Request for Comment

The Commission encourages written comments on matters discussed in the IRFA. In particular, the Commission seeks comment on the number of small entities that would be affected by the proposed new rules and amendments to existing rules governing registered transfer agents and transfer agent registration and annual reporting forms, and whether the effect(s) on small entities would be economically significant. Commenters are asked to describe the nature of any effect(s) the proposed new rules and amendments to existing rules governing registered transfer agents and transfer agent registration and annual reporting forms may have on small entities, and to provide empirical data to support their views.

VIII. Congressional Review Act

For purposes of Subtitle E of the Small Business Regulatory Enforcement Fairness Act of 1996 (also known as the Congressional Review Act),[545] the Commission must seek OMB's determination as to whether a final regulation constitutes a "major rule." Under the Congressional Review Act, a rule is considered "major" where, if adopted, it results in or is likely to result in:

- An annual effect on the economy of $100 million or more;
- A major increase in costs or prices for consumers or individual industries; or
- Significant adverse effects on competition, investment, or innovation.[546]

To help inform OMB's determination as to whether any final rule that results from the proposal would be a "major rule," the Commission solicits comment and data on:

- The potential effect on the U.S. economy on an annual basis;

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545 *See* 5 U.S.C. chapter 8.

546 *See* 5 U.S.C. 804(2) (defining "major rule").

- Any potential increase in costs or prices for consumers or individual industries; and
- Any potential effect on competition, investment, or innovation.

Commenters are requested to provide empirical data and other factual support for their views to the extent possible, to inform OMB's determination regarding whether any final rule following this proposal is likely to be a "major rule" for the purposes of the Congressional Review Act.

IX. Other Matters

OMB has determined that this action is not a significant regulatory action under Executive Order 12866 and therefore it was not subject to Executive Order 12866 review.

Statutory Authority

The Commission is proposing new rules and amendments to existing rules governing registered transfer agents and transfer agent registration and annual reporting forms under the Commission's rulemaking authority in the Exchange Act, particularly Section 2, 15 U.S.C. 78b, Section 3, 15 U.S.C. 78c, Section 17, 15 U.S.C. 78q, Section 17A, 15 U.S.C. 78q-1, and Section 23(a), 15 U.S.C. 78w(a).

List of Subjects in 17 CFR Parts 240 and 249b

Reporting and recordkeeping requirements, Securities.

Text of the Amendment

In accordance with the foregoing, title 17, chapter II of the Code of Federal Regulations is proposed to be amended as follows:

PART 240 —GENERAL RULES AND REGULATIONS, SECURITIES EXCHANGE ACT OF 1934

1. The authority citation for part 240 continues to read in part as follows:

Authority: 15 U.S.C. 77c, 77d, 77g, 77j, 77s, 77z-2, 77z-3, 77eee, 77ggg, 77nnn, 77sss, 77ttt, 78c, 78c-3, 78c-5, 78d, 78e, 78f, 78g, 78i, 78j, 78j-1, 78k, 78k-1, 78l, 78m, 78n, 78n-1, 78o, 78o-4, 78o-10, 78p, 78q, 78q-1, 78s, 78u-5, 78w, 78x, 78dd, 78ll, 78mm, 80a-20, 80a-23, 80a-29, 80a-37, 80b-3, 80b-4, 80b-11, and 7201 et seq., and 8302; 7 U.S.C. 2(c)(2)(E); 12 U.S.C. 5221(e)(3); 18 U.S.C. 1350; Pub. L. 111-203, 939A, 124 Stat. 1376 (2010); and Pub. L. 112-106, sec. 503 and 602, 126 Stat. 326 (2012), unless otherwise noted.

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2. Amend § 240.17Ac2-1 in paragraphs (a) and (b) by removing the word "thirtieth" and adding in its place "forty-fifth".
3. Amend § 240.17Ac2-2 by revising the sectional numbering and paragraph (a) to read as follows:

§ 240.17ac2-2 Annual reporting requirement for registered transfer agents.

(a) Every transfer agent registered on December 31 must file a report covering the reporting period on Form TA-2 (§ 249b.102 of this chapter) by March 31 following the end of the reporting period. Form TA-2 must be completed in accordance with the instructions contained in the Form. If a transfer agent discovers that any of the information reported on Form TA-2 was materially inaccurate, misleading, or incomplete at the time of filing, the transfer agent shall correct such information by filing an amendment to Form TA-2 pursuant to the instructions on the form within sixty days following the date on which the transfer agent discovered that such information was materially inaccurate, misleading, or incomplete. A transfer agent may file an amendment at any time; however, in order to be timely filed, all required portions of the form must be completed and filed in accordance with this section and the instructions to the form by the date the form is required to be filed with the Commission.

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4. Amend § 240.17Ad-1 by:

a. Revising the undesignated paragraph;

b. Revising the sectional numbering;

c. Revising paragraph (a)(1) and paragraph (g); and

d. In paragraph (i)(2), removing the word "certificate" and add in its place the word "security".

The revisions read as follows:

§ 240.17ad-1 Definitions

As used in this section and §§ 240.17ad-2, 240.17ad-3, 240.17Ad-5, 240.17ad-6, 240.17ad-7, 240.17ad-9, 240.17ad-10, 240.17ad-12, 240.17ad-30, and 240.17ad-31:

(a)

(1) The term *item* means:

(i) A certificate or certificates of the same issue of securities covered by one ticket (or, if there is no ticket, presented by one presentor) presented for transfer, or an instruction to a transfer agent which holds securities registered in the name of the presentor to transfer or to make available all or a portion of those securities;

(ii) Each line on a "deposit shipment control list" or a "withdrawal shipment control list" submitted by a registered clearing agency;

(iii) In the case of an outside registrar, each certificate to be countersigned;

(iv) a transfer instruction submitted to the transfer agent through a deposit or withdrawal at custodian or functionally similar service operated by a central securities depository; or

(v) any other transfer instruction submitted to the transfer agent, or to an electronic system controlled, operated, or enabled by the transfer agent, to be accomplished without the physical issuance of certificates.

* * * * *

(g) The *receipt* of an item or a written inquiry or request occurs on the business day when the item or written inquiry or request arrives at any premises at which the transfer agent performs transfer agent functions or, in the case of an item or written inquiry or request submitted in electronic form, the business day when the item or written inquiry or request is received by the transfer agent. If an item or written inquiry or request is received on a non-business day, receipt occurs on the next business day.

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5. Amend § 240.17Ad-2 by revising the sectional numbering and paragraphs (a), (b), (c), (d), (e), and (h) to read as follows:

§ 240.17ad-2 Turnaround, processing, and forwarding of items.

(a) Every registered transfer agent (except when acting as an outside registrar) shall establish, maintain, and enforce written policies and procedures reasonably designed to ensure that the transfer agent turns around all routine items received for transfer within the shorter of one business day or the time period specified by Rule 15c6-1(a) under the Exchange Act.

(b) Every registered transfer agent acting as an outside registrar shall establish, maintain, and enforce written policies and procedures reasonably designed to ensure that the transfer agent processes all items received:

(1) by the opening of business on the next business day, in the case of items received at or before noon on a business day, and

(2) by noon of the next business day, in the case of items received after noon on a business day. For the purposes of paragraphs (b) and (d) of this section, "items received" shall not include any item enumerated in § 240.17Ad-1(i) (5), (6), (7), or (8) or any item which is not accompanied by a debit or cancelled certificate. For the purposes of this paragraph, items received on a day not a business day shall be deemed to have been received before noon on the next business day.

(c) Any registered transfer agent which fails to turn around more than three (3) percent of routine items received within the time specified in paragraph (a) of this section with respect to any month shall, within ten business days following the end of such month, file with the Commission and the transfer agent's appropriate regulatory agency, if it is not the Commission, a written notice in accordance with paragraph (h) of this section. Such notice shall state the number of routine items and the number of non-routine items received for transfer during the month, the number of routine items which the registered transfer agent failed to turn around within the time specified in paragraph (a) of this section, the percentage that such routine items represent of all routine items received during the month, the reasons for such failure, the steps which have been taken, are being taken or will be taken to prevent a future failure and the number of routine items, aged in increments of one business day, which as of the close of business on the last business day of the month have been in its possession for more than four business days and have not been turned around.

(d) Any registered transfer agent which fails to process more than three (3) percent of items received within the time specified in paragraph (b) of this section with respect to any month shall, within ten business days following the end of such month, file with the Commission and the transfer agent's appropriate regulatory agency, if it is not the Commission, a written notice in accordance with paragraph (h) of this section. Such notice shall state the number of items received for processing during the month, the number of items which the registered transfer agent failed to process in accordance with the time specified in paragraph (b) of this section, the percentage that such items represent of all items received during the month, the reasons for such failure and the steps which have been taken, are being taken or will be taken to prevent a future failure and the number of items which as of the close of business on the last business day of the month have been in the transfer agent's possession for more than the time allowed for processing and have not been processed.

(e)

(1) All routine items not turned around within the time specified in paragraph (a) of this section and all items not processed within the periods specified in paragraph (b) of this section shall be turned around promptly, and all nonroutine items shall receive diligent and continuous attention and shall be turned around as soon as possible.

(2) Within one business day of the day of receipt of any item that is rejected by the transfer agent, every registered transfer agent shall provide a written notification to the presentor identifying each rejected item, the reasons for rejection, and the specific actions the presentor must undertake for the item to be accepted by the transfer agent and for processing or turnaround to be completed.

* * * * *

(h) Any notice required by this section or any report required by § 240.17ad-11 or § 240.17ad-13, or any written agreement required by § 240.17ad-7(h), shall be filed as follows:

(1) Any information required to be filed with the Commission shall be filed to the following dedicated email address, TransferAgentFiling@sec.gov.

(2) Any information required to be filed with the Office of the Comptroller of the Currency shall be filed to the following dedicated email address, RTAFiling@occ.treas.gov.

(3) Any information required to be filed with the Board of Governors of the Federal Reserve System shall be filed to the following dedicated email address, [to be determined].

(4) Any information required to be filed with the Federal Deposit Insurance Corporation shall be filed to the following dedicated email address, [to be determined].

* * * * *

6. Amend § 240.17Ad-3 by revising the sectional numbering and paragraph (b) to read as follows:

§ 240.17ad-3 Limitations on expansion.

* * * * *

(b) Any registered transfer agent which for each of two consecutive months fails to turn around at least 95% of all routine items within the time specified in § 240.17ad-2(a) or to process at least 95% of all items within the time specified in § 240.17ad-2(b) shall be subject to the limitations imposed by paragraph (a) of this section and further shall, within twenty business days after the close of the second such month, send to the chief executive officer of each issuer for which such registered transfer agent acts a copy of the written notice filed pursuant to § 240.17ad-2 (c) or (d) with respect to the second such month.

* * * * *

7. Revise the sectional numbering and remove and reserve § 240.17Ad-4 as follows:

§ 240.17ad-4 [Reserved].

* * * * *

8. Revise the sectional numbering and § 240.17Ad-6 as follows:

§ 240.17ad-6 Recordkeeping.

(a) Every registered transfer agent shall make and keep current the following:

(1) Records sufficient to show the business day each routine item and each non-routine item is (i) received by the transfer agent, (ii) made available or turned around, and (iii) if applicable, rejected by the transfer agent;

(2) Records sufficient to show for each month:

(i) The number of routine items received;

(ii) The number of routine items received during the month that were turned around within the shorter of one business day or the time period specified by Rule 15c6-1(a);

(iii) The number of routine items received during the month that were not turned around within the shorter of one business day or the time period specified by Rule 15c6-1(a);

(iv) The number of non-routine items received during the month;

(v) The number of non-routine items received during the month that were turned around within the following time periods: within five business days, within six to 10 business days, within 11 to 15 business days, within 16 to 20 business days, and in more than 20 business days;

(vi) Reserved.

(vii) The number of non-routine items in such registered transfer agent's possession as of the close of business on the last business day of each month;

(viii) The number of items received during the month that were rejected by the transfer agent; and

(ix) The number of items received during the month that were rejected by the transfer agent for which written notification to the presentor was provided within one business day of receipt as required by Rule 17ad-2(c).

(3) With respect to items for which the registered transfer agent acts as an outside registrar:

(i) Records sufficient to show the date and time:

(A) Each item is (1) received from the presenting transfer agent and (2) made available to the presenting transfer agent;

(B) Each written or oral notice of refusal to perform the registrar function is made available to the presenting transfer agent (and the substance of the notice); and

(ii) Records sufficient to show for each month:

(A) The number of items received;

(B) The number of items processed within the time specified in § 240.17ad-2(b); and

(C) The number of items not processed within the time specified in § 240.17ad-2(b);

(4) A record of calculations demonstrating the registered transfer agent's monitoring of its performance under § 240.17ad-2 (a) and (b);

(5) A copy of any written notice filed pursuant to § 240.17ad-2;

(6) Any written inquiry or request, including those not subject to the requirements of § 240.17Ad-5, concerning an item, showing the date received; a copy of any written response to an inquiry or request, showing the date dispatched or mailed to the presentor; if no response to an inquiry or request was made, the date the certificate involved was made available to the presentor; or, in the case of an inquiry or request under § 240.17Ad-5(a) responded to by telephone, a telephone log or memorandum showing the date and substance of any telephone response to the inquiry;

(7) A log, journal, schedule or other record showing the number of inquiries subject to § 240.17Ad-5 (a), (b), (c) and (d) received during each month but not responded to within the required time frames and the number of such inquiries pending as of the close of business on the last business day of each month;

(8) Records, including but not limited to documents, resolutions, contracts, appointments, or other writings, and any supporting documents, concerning the appointment and the termination of such appointment of such registered transfer agent to act in any capacity for any issue on behalf of the issuer, on behalf of itself as the issuer or on behalf of any person who was engaged by the issuer to act on behalf of the issuer;

(9) Any record of an active (i.e., unreleased) stop order, notice of adverse claim or any other restriction on transfer;

(10) A transfer journal (or registrar journal if the transfer agent acts as an outside registrar), and a control book and master securityholder file (if the transfer agent is a recordkeeping transfer agent) for each securities issue for which the transfer agent is authorized to act on behalf of the issuer, including all records, documents, and information that compose such control book, transfer journal (or registrar journal), and master securityholder file; and

(11) Any records, documents, or other information upon which the transfer agent bases its determination that an item received for transfer was not routine, including any records, documents, or other information upon which the transfer agent bases its determination that an item was received in connection with a reorganization, tender offer, exchange, redemption, liquidation, conversion or the sale of securities registered pursuant to the Securities Act of 1933 and, accordingly, was not routine under § 240.17ad-1(i) (5) or (8).

(b) Every registered transfer agent which, under the terms of its agency, maintains securityholder records for an issue or which acts as a registrar for an issue shall, with respect to such issue, obtain from the issuer or its transfer agent and retain documentation setting forth the authorized securities for that issue and the total securities for that issue that are issued and outstanding pursuant to issuer authorization.

(c) Every registered transfer agent which, under the terms of its agency, maintains securityholder records for an issue shall, with respect to such issue, retain each cancelled registered bond, debenture, share, warrant or right, other registered evidence of indebtedness, or other certificate of ownership and all accompanying documentation, except legal papers returned to the presentor.

* * * * *

9. Revise the sectional numbering and § 240.17Ad-7 as follows:

§ 240.17ad-7 Record retention.

(a) Unless otherwise specified in this section, all records required to be made or kept under this Title, shall be maintained for a period of not less than six years, the first two years in an easily accessible place.

(b) Reserved.

(c) The records required by § 240.17ad-6(a) (8), (9) and (10) and (b) shall be maintained in an easily accessible place during the continuance of the transfer agency and shall be maintained for one year after termination of the transfer agency.

(d) Reserved.

(e) Every registered transfer agent shall maintain in an easily accessible place:

(1) All records required under § 240.17f-2(d) until at least three years after the termination of employment of those persons required by § 240.17f-2 to be fingerprinted; and

(2) All records required pursuant to § 240.17f-2(e).

(f) Subject to the conditions set forth in this section, the records required to be maintained pursuant to § 240.17ad-6, may be maintained, retained, or preserved using an electronic recordkeeping system for the time required by § 240.17ad-7. Records stored electronically in accordance with this paragraph may serve as a substitute for hard copy records.

(1) For purposes of this section:

(i) The term electronic recordkeeping system means a system designed to maintain, retain, or preserve records in a digital format.

(ii) Reserved.

(iii) Reserved.

(2) A registered transfer agent using an electronic recordkeeping system must:

(i) Implement reasonable controls to ensure the integrity, accessibility, reproducibility, redundancy, and continuity of records maintained, retained, or preserved using the electronic recordkeeping system, including, but not limited to, controls that:

(A) protect records from unauthorized changes or destruction, including safeguards to detect and prevent unauthorized alteration or loss of records;

(B) provide indexing and retrieval capabilities sufficient to allow immediate production of documents in both a human-readable format and in a reasonably usable electronic format;

(C) create an audit trail that tracks access, modification, and deletion of records, including the identity of the user and the date and time of the action or attempted actions, that is maintained, retained, and preserved using the same controls and for the same time period required by this section for the underlying records; and

(D) provide means to recover altered, damaged, or lost records resulting from any cause.

(g) A registered transfer agent, with respect to any record required to be maintained, retained, or preserved under this section or otherwise subject to examination under section 17(b) of the Exchange Act, must provide promptly upon demand from representatives of the Commission or the transfer agent's appropriate regulatory agency a legible, true, complete, and current copy of such record in a reasonably usable electronic format.

(h)

(1) Unless it has and maintains at all times independent access to such records, a registered transfer agent that uses a third party, including but not limited to an outside service

bureau, another registered transfer agent, or the issuer, to maintain, retain, or preserve some or all of the records required to be maintained, retained, or preserved under this chapter, including by using an electronic recordkeeping system or by using servers or other storage mechanisms that are owned or operated by the third party, must obtain from such third party and file with the Commission and its appropriate regulatory agency, if not the Commission, a legally binding written agreement signed by a duly authorized person of the third party stating that:

> "With respect to any records maintained, retained, or preserved on behalf of [Name of Transfer Agent], [Name of Third Party] hereby acknowledges that such records are subject at any time, to examination by representatives of the Commission or the appropriate regulatory agency for such registered transfer agent if it is not the Commission. Promptly upon request of representatives of the Commission or the appropriate regulatory agency, [Name of Third Party] will permit examination of such records during regular business hours and will furnish to the Commission or appropriate regulatory agency legible, true, complete, and current copies of any records so requested."
>
> (2) A registered transfer agent that uses a third party to maintain, retain, or preserve some or all of the records required to be maintained, retained, or preserved under this chapter, has independent access to such records if it can regularly access the records without the need of any intervention by the third party and through such access is able to:

(i) Permit examination of the records at any time by representatives of the Commission or its appropriate regulatory agency; and

(ii) Promptly furnish to the Commission or its appropriate regulatory agency a legible, true, complete, and current copy of such records.

(3) Agreement with a third party to maintain, retain, or preserve records shall not relieve a registered transfer agent from the responsibility to maintain, retain, or preserve records as required under this chapter.

(i) Within fifteen (15) calendar days of ceasing to perform transfer agent functions for an issue, a registered transfer agent must deliver, provide, or otherwise make available to the issuer or the issuer's designee all records required to be made and kept current under § 240.17ad-6(a)(1), (6), (9), (10) and (11), (b) and (c) related to that issue. When a registered transfer agent ceases to perform transfer agent functions for an issue, the responsibility of such transfer agent under § 240.17ad-7 to retain the records required to be made and kept current under § 240.17ad-6(a)(1), (6), (9), (10) and (11), (b) and (c) shall end upon the delivery of such records to the issuer or the issuer's designee, such as a successor transfer agent.

(j) Reserved.

(k) Every registered transfer agent shall maintain in an easily accessible place:

(1) The written policies and procedures required to be adopted and implemented pursuant to § 248.30(a)(1) of this chapter for no less than three years after the termination of the use of the policies and procedures;

(2) The written documentation of any detected unauthorized access to or use of customer information, as well as any response to, and recovery from such unauthorized access to or use of customer information required by § 248.30(a)(3) of this chapter for no less than three years from the date when the records were made;

(3) The written documentation of any investigation and determination made regarding whether notification is required pursuant to § 248.30(a)(4) of this chapter, including the basis for any determination made, any written documentation from the United States Attorney General related to a delay in notice, as well as a copy of any notice transmitted following such determination, for no less than three years from the date when the records were made;

(4) The written policies and procedures required to be adopted and implemented pursuant to § 248.30(a)(5)(i) of this chapter until three years after the termination of the use of the policies and procedures;

(5) The written documentation of any contract or agreement entered into pursuant to § 248.30(a)(5) of this chapter until three years after the termination of such contract or agreement; and

(6) The written policies and procedures required to be adopted and implemented pursuant to § 248.30(b)(2) of this chapter for no less than three years after the termination of the use of the policies and procedures.

* * * * *

10. Amend § 240.17Ad-9 by:

a. Revising the sectional numbering;

b. Revising introductory undesignated paragraph;

c. Revising paragraphs (a), (b), (d), (g), and (h);

d. In paragraphs (e) and (f), removing the word “certificate” and adding in its place the word “position”; and

e. Adding new paragraphs (m), (n), and (o).

The revisions and additions read as follows:

§ 240.17ad-9 Definitions.

As used in this section and §§ 240.17ad-10, 240.17ad-11, 240.17ad-12 and 240.17ad-13:

(a) *Position detail* includes, at a minimum, all of the following:

(1) The certificate number for certificated securities and, for all securities, an applicable unique identifier for the security;

(2) The number of shares for equity securities or the principal dollar amount for debt securities;

(3) The securityholder's full name and any other relevant identifying, titling, or formatting information necessary to accurately identify the specific securityholder to the exclusion of other securityholders;

(4) Contact information for the registered securityholder sufficient to enable the transfer agent to effectively deliver securityholder communications, dividends and other payments, legal notices, and other communications, including at a minimum a physical mailing address;

(5) The issue date of the security;

(6) The cancellation date of the security;

(7) In the case of redeemable securities of investment companies, an appropriate description of each debit and credit (i.e., designation indicating purchase, redemption, or transfer); and

(8) Any other identifying information about securities and securityholders the transfer agent reasonably deems necessary to its recordkeeping, operations, or for the efficient and effective research of record differences.

(b) *Master securityholder file* is the official list of individual securityholder accounts maintained by a registered transfer agent. The master securityholder file shall be maintained in electronic form and may consist of multiple linked files or systems. The specific technology, systems, or files that compose the master securityholder file are within the transfer agent's discretion, provided the transfer agent maintains at all times exclusive control over the master securityholder file.

* * * * *

(d) A *control book* is the record or other document that shows the total number of shares (in the case of equity securities) or the principal dollar amount (in the case of debt securities) of an issuer's authorized, issued, and outstanding securities.

* * * *

(g) A *record difference* occurs when:

(1) The total number of shares or total principal dollar amount of securities in the master securityholder file does not equal the number of shares or principal dollar amount in the control book;

(2) The security transferred or redeemed contains position detail different from the position detail currently on the master securityholder file, which difference cannot be immediately resolved; or

(3) Position detail in the master securityholder file is inconsistent with the history of transactions in the transfer journal.

(h) A *recordkeeping transfer agent* is the registered transfer agent that maintains and updates the master securityholder file for an issue of securities. There can be only one recordkeeping transfer agent for a given issue of securities.

* * * * *

(m) The term *authorized securities* means the maximum number of shares of equity securities or principal amount of debt securities or number of units if relating to any other type of security that can be issued by an issuer as authorized in the issuer's certificate of incorporation, charter, bond indenture, or similar governing document.

(n) A *transfer journal* is a record of all issuances, cancellations, transfers, distributions of cash or securities, additions and cancellations of position detail, and other information necessary to enable the transfer agent to track and document changes in security ownership, the movement of securities, and other changes,

(o) *Presentor* means the registered securityholder, the entitlement holder, and their authorized agents.

* * * * *

11. Amend § 240.17Ad-10 by:

a. Revising the sectional numbering;

b. In the section heading, removing the word "certificate" and adding in its place the word "position" and removing the words "physical over-issuance" and adding in their place the word "overissuance";

c. In paragraphs (a)(1), (a)(3), (f), and (h), removing the word "certificate" and adding in its place the word "position";

d. Revising paragraph (a)(2);

e. Revising paragraph (c)(1);

f. In paragraph (c)(2), removing the word "mail" and adding in its place the word "provide";

g. Revising paragraph (d);

h. Revising paragraph (f);

i. Revising paragraph (g);

j. Adding new paragraph (i).

The revisions and additions read as follows:

§ 240.17ad-10 Prompt posting of position detail to master securityholder files, maintenance of accurate securityholder files, communications between co-transfer agents and recordkeeping transfer agents, maintenance of current control book, retention of position detail and "buy-in" of overissuance.

(a) * * *

(2) As used in this paragraph, the term promptly means the following number of days after issuance, purchase, transfer, or redemption of a security:

(i) The shorter of one business day or the time period specified by Rule 15c6-1(a) under the Exchange Act, provided, however, that all securities transferred, purchased, redeemed or issued prior to record date, but posted subsequent thereto, shall be posted as of the record date.

* * * * *

(c)

(1) Within one business day following transfer of each security, every co-transfer agent shall provide to the recordkeeping transfer agent a record of debits and credits for every security transferred or issued.

* * * * *

(d) Every co-transfer agent shall respond within one business day of receipt to all inquiries from the recordkeeping transfer agent regarding records required to be provided by the co-transfer agent pursuant to § 240.17ad-10(c).

* * * * *

(f) Every recordkeeping transfer agent shall retain a record of all position detail deleted from the master securityholder file for a period of six years from the date of deletion.

(g)

(1) A registered transfer agent, in the event of any actual overissuance that such transfer agent caused and of which it has knowledge, shall, within 60 days of the discovery of such overissuance, buy in securities equal to the number of shares in the case of equity securities or the principal dollar amount in the case of debt securities. During the sixty-day period, the registered transfer agent shall devote diligent attention to resolving the overissuance and recovering the securities. This paragraph requires a buy-in only by the transfer agent that erroneously issued the securities giving rise to the overissuance, and applies only to those overissuances created by transfers or issuances subsequent to September 30, 1983.

(2) If a transfer agent obtains a letter from the party holding the overissued securities that confirms that the overissued securities will be returned to the transfer agent not later than thirty days after the expiration of the sixty-day period, the transfer agent need not buy in securities by the sixtieth day. If, however, the securities are not returned to the transfer agent within the additional thirty-day period, the transfer agent immediately must execute the buy-in in accordance with paragraph (g)(1) of this section.

(3) If the securities involved are covered by a surety bond indemnifying the transfer agent for all expenses incurred as a result of actual overissuance, the transfer agent need not buy in the securities. The transfer agent, however, shall devote diligent attention to resolving the overissuance and recovering the securities.

(4) For purposes of this paragraph, discovery of the overissuance occurs when the transfer agent identifies the erroneously issued securities and the registered securityholder(s).

* * * *

(i) For purposes of this section, the term "overissuance" shall mean an out-of-balance condition wherein the securities issued and outstanding exceed the securities authorized and outstanding, as reflected in the transfer agent's control book.

* * * * *

12. Amend § 240.17Ad-11 sectional heading to read as follows:

§ 240.17ad-11 Reports regarding aged record differences, buy-ins and failure to post position detail to master securityholder and subsidiary files.

* * * * *

13. Revise the sectional numbering and § 240.17Ad-12 to read as follows:

§ 240.17ad-12 Comprehensive risk management.

(a) Every registered transfer agent shall establish, maintain, and enforce written policies and procedures reasonably designed to:

(1) Ensure that all securities and funds in the transfer agent's possession, control, or custody are protected at all times against the risk of theft, loss, misappropriation, misuse, damage, destruction, and improper or unauthorized access; and

(2) Identify, measure, monitor, and mitigate any material custody, operational, cybersecurity, and other risks posed by or associated with the transfer agent's business, activities, and operations.

(b) All issuer, securityholder, and other third-party funds held by a registered transfer agent shall be maintained in a bank account designated as a "for the benefit of" account which shall be separate from any other bank account of the registered transfer agent.

(c) Every registered transfer agent shall establish, maintain, and enforce a written business continuity plan that (i) identifies and addresses events that pose a significant risk of disrupting the transfer agent's operations; (ii) ensures the timely recovery of the transfer agent's records; (iii) enables the timely resumption of the transfer agent's operations and fulfillment of its responsibilities and obligations; and (iv) is tested, reviewed, and updated no less frequently than annually.

* * * * *

14. Amend Section 240.17Ad-13 by:

(a) Revising the sectional numbering and

(b) Removing and reserving paragraph (d)(2).

The revisions read as follows:

§ 240.17ad-13 Annual study and evaluation of internal accounting control.

(d) * * *

(2) Reserved.

* * * * *

15. Amend Section 240.17Ad-17 by:

(a) Revising the sectional numbering and section heading;

(b) Adding paragraph (a)(3);

(c) Redesignating existing paragraph (a)(3) as (a)(4) and revising the paragraph;

(d) Revising paragraph (b)(2);

(e) Adding paragraph (b)(3);

(f) Revising paragraph (c)(1);

(g) Revising paragraph (c)(2);

(h) Revising paragraph (c)(3); and

(i) Revising paragraph (d).

The revisions and additions read as follows:

§ 240.17ad-17 Lost securityholders, inactive securityholders, and unresponsive payees.

(a) * * *

(3) Every recordkeeping transfer agent whose master securityholder file includes accounts of inactive securityholders and every broker or dealer that has customer security accounts that include accounts of inactive securityholders shall exercise reasonable care to notify such securityholders. In exercising reasonable care to notify such securityholders, each such recordkeeping transfer agent and broker or dealer shall provide not less than two written notifications to each inactive securityholder stating that such inactive securityholder has not been active in its account. The notifications should further state that some jurisdictions may consider inactive accounts to be unclaimed or abandoned property subject to escheatment and describe the steps a securityholder may take to show activity in the account. Such notifications must be provided no later than six (6) months after the securityholder became an inactive securityholder and no later than six (6) months after providing the first notification. Such notifications need not be provided if the securityholder ceases to be an inactive securityholder prior to the notifications being provided. Such notifications may be sent by any method reasonably expected to reach the inactive securityholder.

(4) A transfer agent, broker, or dealer need not conduct the searches set forth in paragraph (a)(1) of this section for a lost securityholder or provide the written notifications to an inactive securityholder as set forth in paragraph (a)(3) of this section if:

* * *

(b) * * *

(2) *Lost securityholder* means a securityholder:

(i) To whom an item of correspondence that was sent to the securityholder has been returned as undeliverable; provided, however, that if such item is re-sent within one month to the lost securityholder, the transfer agent, broker, or dealer may deem the securityholder to be a lost securityholder as of the day the resent item is returned as undeliverable; and

(ii) For whom the transfer agent, broker, or dealer has not received information regarding the securityholder's new address.

(3) *Inactive securityholder* means a securityholder for whom the transfer agent, broker, or dealer has not observed any account activity for a period of 18 months. The term "account activity" by a securityholder includes any of the following actions regarding its account: electronically accessing the account, including account login or email access; any electronic communication with the transfer agent, broker, or dealer regarding the account; conducting a transaction in the account where the assets are held, including deposits or withdrawals of funds; indication of receipt of communications (such as read receipts); or any other affirmative indication or action that reasonably demonstrates that the securityholder is reachable and engaged with its account.

(c)

(1) The paying agent, as defined in paragraph (c)(2) of this section, shall provide not less than one written notification to each unresponsive payee, as defined in paragraph (c)(3) of this section, stating that such unresponsive payee has been sent a check that has not yet been negotiated or an electronic payment that was rejected and returned as undeliverable. Such notification may be sent with a check or other mailing subsequently sent to the unresponsive payee but must be provided no later than seven (7) months (or 210 days) after the sending of the not yet negotiated check or the rejected electronic payment. The paying agent shall not be required to send a written notice to an unresponsive payee if such unresponsive payee would be considered a lost securityholder by a transfer agent, broker, or dealer.

(2) The term *paying agent* shall include any issuer, transfer agent, broker, dealer, investment adviser, indenture trustee, custodian, or any other person that accepts payments from the issuer of a security and distributes the payments to the holders of the security.

(3) A securityholder shall be considered an unresponsive payee if a check is sent to the securityholder by the paying agent and the check is not negotiated before the earlier of the

paying agent's sending the next regularly scheduled check, or the elapsing of six (6) months (or 180 days) after the sending of the not yet negotiated check, or if an electronic payment sent to the securityholder by the paying agent is rejected and returned as undeliverable to the paying agent. A securityholder shall no longer be considered an *unresponsive payee* when the securityholder negotiates the check or checks that caused the securityholder to be considered an *unresponsive payee* or provides updated electronic payment instructions that result in a successful electronic transfer of funds.

* * * * *

(d) Every recordkeeping transfer agent, every broker or dealer that has customer security accounts, and every paying agent shall maintain records to demonstrate compliance with the requirements set forth in this section, which records shall include written procedures that describe the transfer agent's, broker's, dealer's, or paying agent's methodology for complying with this section, and shall retain such records in accordance with Rule 17ad-7(a) (§ 240.17ad-7(a)).

* * * * *

16. Section 240.17ad-30 is added to read as follows:

§ 240.17ad-30 Compliance.

(a) Every registered transfer agent shall establish, maintain, and enforce written policies and procedures reasonably designed to:

(1) Achieve compliance with the federal securities laws and the rules and regulations thereunder applicable to the transfer agent; and

(2) Identify and remediate in a timely manner instances of non-compliance with the policies and procedures established under paragraph (a)(1) of this section.

(b) The policies and procedures established pursuant to paragraph (a) of this section shall be reviewed and approved by the transfer agent's board of directors or similar governing body no less frequently than annually or following material changes to either the transfer agent's operations or the federal securities laws and rules and regulations described in paragraph (a)(1) of this section.

17. Section 240.17ad-31 is added to read as follows:

§ 240.17ad-31 Restrictive legends.

(a) With respect to each issue of securities it services on behalf of an issuer, every registered transfer agent shall:

(1) Obtain from the issuer and maintain a current list of issuer employees on whose instructions the transfer agent is authorized to act regarding the placement and removal of restrictive legends; and

(2) Refrain from acting on instructions from any person not included on the list required pursuant to paragraph (a)(1) of this section.

(b) Every registered transfer agent shall refrain from facilitating any unregistered securities transaction, including but not limited to processing or recording (i) an original issuance of securities not registered pursuant to the Securities Act of 1933, (ii) a request to remove a restrictive legend or stop order on any security, or (iii) a purchase, sale, or transfer of a security by an affiliate, officer, or director of the issuer of the security, unless the transfer agent has a reasonable basis to believe that the transaction does not violate, or is not part of a chain of transactions that would violate, Section 5(a) of the Securities Act of 1933.

(c) Non-exclusive safe harbor. A registered transfer agent may develop the reasonable basis required under paragraph (b) of this section if it:

(1) is not aware of circumstances indicating that the transaction may violate, or is part of a chain of transactions that may violate, Section 5(a) of the Securities Act of 1933; and

(2) obtains and reviews an opinion of counsel who is not an affiliate, officer, director, or employee of either the issuer or the individual or entity seeking to resell shares of the issuer that:

(i) identifies the documents and information the counsel reviewed and relied upon in providing the analysis required under paragraph (c)(1)(iii) of this section; and

(ii) analyzes the applicability and validity of a specific exemption from registration and, based on that analysis, opines that the specific transaction at issue may be conducted pursuant to the specific exemption from registration so identified; or

(3) otherwise determines that the transaction may be conducted pursuant to a specific exemption from registration and is not aware of circumstances indicating that the transaction may violate, or is part of a chain of transactions that may violate, Section 5(a) of the Securities Act of 1933.

(d) Any determination under paragraph (c)(3) of this section shall be supported by written documentation, reviewed and approved by management of the transfer agent, that:

(1) identifies the specific exemption from registration pursuant to which the relevant transaction may be conducted;

(2) identifies the documents and information the transfer agent reviewed and relied upon in making the determination under paragraph (c)(2) of this section; and

(3) identifies and analyzes the specific facts, including the documents and information that establish and support such facts, that support the transfer agent's determination under paragraph (c)(3) of this section.

PART 249b – FURTHER FORMS, SECURITIES EXCHANGE ACT OF 1934

18. The general authority citation for part 249b continues to read as follows:

Authority: 15 U.S.C. 78a et seq., unless otherwise noted;

* * * * *

19. Revise Form TA-1 (referenced in § 249b.100).

Note: Form TA-1 is attached as Appendix A to this document. Form TA-1 will not appear

in the Code of Federal Regulations.

20. Revise Form TA-2 (referenced in § 249b.102).

Note: Form TA-2 is attached as Appendix B to this document. Form TA-2 will not appear

in the Code of Federal Regulations.

By the Commission.

Dated: September 1, 2026.

Vanessa A. Countryman,

Secretary.

Note: The following appendices will not appear in the Code of Federal Regulations.

Appendix A – Form TA-1

FORM TA-1

* * * * *

The individual listed as the contact person in Question 1(f) must be authorized to receive all compliance communications for the registrant and have responsibility for disseminating them as appropriate within the registrant's organization.

1(f)(i). Contact Name: ___________________

1(f)(ii). Contact Phone Number: ___________

1(f)(iii). Contact Email Address: _____________

* * * * *

3(f). Website Address: ____________________

* * * * *

6(a). Is registrant registered with the Securities and Exchange Commission in any other capacity?

☐ Yes ☐ No

If yes, provide registration type and SEC file number: _____________________________

6(b). Does registrant have any other federal, state, or foreign registrations?

☐ Yes ☐ No

If yes, provide the following information:

Name of Agency Issuing Registration (in English): ________________

Registration Number, if any: ___________________

Provide the jurisdiction (check the appropriate box and provide the name of the jurisdiction):

☐ US Federal ________________

☐ US State or other US Jurisdiction _________________

☐ Foreign Country Name (in English) ___________________

7. Does registrant have any control affiliates, as defined in Question 10?

□ Yes □ No

If yes, provide the names of all such affiliates and any applicable registrations in Schedule A.

8. Completion of Question 8 on this form is required by all independent, non-issuer registrants whose appropriate regulatory authority is the Securities and Exchange Commission. Those registrants who are not required to complete Question 8 should select "Not Applicable."

Is registrant a:

□ Corporation

□ Partnership

□ Sole Proprietorship

□ Limited Liability Company

□ Trust

□ Other _______________

□ Not Applicable

Section for Initial Registration and for Amendments Reporting Owners, Executive Officers, or Other Control Persons

* * * * *

10. Applicant and Control Affiliate Disciplinary History:

The following definitions apply for purposes of answering this Question 10.

Control Affiliate – An individual or firm that directly or indirectly controls, is under common control with, or is controlled by applicant. Included are any employees identified in 8(a) of this form as exercising control. Excluded are any employees who perform solely clerical, administrative support or similar functions, or who, regardless of title, perform no executive duties or have no senior policy making authority.

* * * * *

Signature: Pursuant to Section 17(b) of the Securities Exchange Act of 1934, all records of registered transfer agents are subject to examination by SEC staff. If a registered transfer agent does not comply with Section 17(b), the Commission may seek all available relief against that transfer agent in district court and/or an administrative proceeding. Such relief includes, but is not limited to, an injunction, denial, suspension, and/or revocation of registration, and civil penalties. The registrant submitting this Form, and the person signing the Form, acknowledge that they understand and will comply with the requirement to make records available for examination. If, at any point, the firm believes it is unable to comply with its obligations to provide its records to SEC staff for examination, the firm should consider whether it needs to withdraw from registration. The registrant submitting this form, and as required Schedule A, and the executing official hereby represent that all information contained herein is true, correct, and complete.

11(a). Signature of Official Responsible for Form: ________

11(b). Telephone Number: ___________

11(c). Title of Signing Officer: ____________

11(d). Date Signed (Month/Day/Year): __________

12. Related Documents/Attachments

12(a). File Name: _______________

12(b). Type of Attachment:

☐ Cover

☐ Correspondence

☐ Graphic

☐ Organizational Diagram

* * * * *

FORM TA-1 - Schedule A

Control Affiliates of the Registrant

Provide the name of any control affiliate of the registrant, and any federal, state, or foreign registration of such affiliate and the registration number. A separate response is required for each affiliate.

Name of affiliate: ______________________

Does the affiliate have an applicable federal, state, or foreign registration?

☐ Yes ☐ No

If yes, provide the following information:

Name of Agency Issuing Registration (in English): ________________

Registration Number, if any: ___________________

Provide the jurisdiction (check the appropriate box and provide the name of the jurisdiction):

☐ US Federal ________________

☐ US State or other US Jurisdiction _________________

☐ Foreign Country Name (in English) ___________________

* * * * *

Instructions for Use of Form TA-1

* * * * *

B. Who Must File. Pursuant to Section 17A(c)(1) of the Act, it is unlawful for a transfer agent to perform any transfer agent function with respect to any qualifying security unless that transfer agent is registered with its ARA. A qualifying security is any security registered under Section 12 of the Act. Thus, qualifying securities include securities registered on a national securities exchange pursuant to Section 12(b) of the Act as well as equity securities registered pursuant to Section 12(g)(1) of the Act. In addition, qualifying securities include equity securities of registered investment companies and certain insurance companies that would be required to be registered under Section 12(g) except for the exemptions provided by paragraphs (g)(2)(B) and (g)(2)(G), respectively, of Section 12, i.e., when the asset and shareholder criteria of Section 12(g)(1)(B) are met.

* * * * *

II. Special Instructions for Filing and Amending Form TA-1

* * * * *

C. Registration. Registrants must provide full and complete responses in the appropriate format.

1. Information relating to electronic filing. As an EDGAR filer, a registrant is required to provide the following:

   a. Whether the form is a “live” or “test” filing submission;

   b. Whether the registrant would like a Return Copy of the filing;

   c. the registrant’s Central Index Key (“CIK”);

   d. the registrant’s CIK Confirmation Code (“CCC”);

   e. the contact email address for the registrant. The contact provided in response to Question 1(f) must be an individual authorized to receive all compliance communications for the registrant with responsibility to disseminate them as appropriate within the registrant’s organization; and

   f. the notification email address(es) for the registrant regarding the status of the submission.

Detailed instructions regarding the above are provided in the EDGAR Filer Manual, Volume I (General Requirements). A registrant that is granted a continuing hardship exemption from electronic filing pursuant to Rule 202 of Regulation S-T, 17 CFR 232.202, need only to provide its CIK.

2. In answering Question 3.a. of Form TA-1, Full Name of Registrant, provide the complete and accurate legal name of the entity that is registering as a transfer agent.

3. In answering Question 3.b. of Form TA-1, the term Financial Industry Number Standard (FINS number) means a six digit number assigned by The Depository Trust Company (DTC)

upon request to financial institutions engaged in activities involving securities. Registrants that do not have a FINS number may obtain one by requesting it following the steps described on the DTC web site (www.dtcc.com).

4. State in Question 3.c. the full address of the registrant's principal office where transfer agent activities are, or will be, performed; a post office box number is not acceptable. State in response to Question 3.d. the registrant's mailing address if different from the response to Question 3.c. You may provide a post office box number in response to Question 3.d.
5. For the purpose of answering Question 5, a transfer agent is an affiliate of, or affiliated with, a person, if the transfer agent directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, that person.

D. Questions 8 through 10. Only independent, non-issuer registrants are required to complete Questions 8 though 10. Registrants must provide the full names of the following owners, executive officers, or other control persons in response to Question 8(a):

- Each Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Legal Officer, Chief Compliance Officer, director, and any other individuals with similar status or functions.
- If the registrant is organized as a corporation, each shareholder that is a direct or indirect beneficial owner of 5% or more of a class of the registrant's equity securities.
- If the registrant is organized as a partnership, all general partners and each limited and special partner that have contributed, 5% or more of the registrant's capital.
- In the case of a trust, (i) a person that directly owns 5% or more of a class of the registrant's voting securities, or that has the right to receive upon dissolution, or has contributed, 5% or more of the registrant's capital, (ii) the trust, and (iii) each trustee.
- If the transfer agent is organized as a limited liability company ("LLC"), (i) each member that has the right to receive upon dissolution, or has contributed, 5% or more

of the registrant’s capital, and (ii) if managed by elected managers, all elected managers.

For purposes of Form TA-1, the term “person” would be defined as an individual, partnership, corporation, trust, or other organization, while the term “control” would be defined as the power to direct, or cause the direction of, the management or policies of a person, whether through ownership, by contract, or otherwise. Any person that is a director, partner, or officer exercising executive responsibility (or having similar status or functions) or that directly or indirectly has the right to vote 25% or more of the voting securities or is entitled to 25% or more of the profits is presumed to be a control person.

* * * * *

Appendix B – Form TA-2

FORM TA-2

* * * * *

The individual listed as the contact person in Question 1(f) must be authorized to receive all compliance communications for the registrant and have responsibility for disseminating them as appropriate within the registrant’s organization.

1(f)(i). Contact Name: ___________________

1(f)(ii). Contact Phone Number: ___________

1(f)(iii). Contact Email Address: _____________

* * * * *

4(c). Total number of individual securityholder accounts, by security type, as of December 31:

Security Type	Total Number of Individual Securityholder Accounts (as of December 31)
Corporate Equity Securities (market cap <= $300 million)	
Corporate Equity Securities (market cap > $300 million)	
Corporate Debt Securities	
Non-Exchange Traded Open End Investment Company Securities	
Exchange-Traded Funds	

Closed End Investment Company Securities	
Limited Partnership Securities	
Municipal Debt Securities	
Other Securities	
Total	

4(d). Number of issues serviced by Registrant for which physical certificates were in use during the reporting period: ____________________

4(e). Number of issues for which Registrant maintained the master securityholder file using distributed ledger technology, in whole or in part, during the reporting period: _____________

5(a). Number of employees engaged in transfer agent functions or activities incidental thereto during the reporting period: ___________

5(b). Registrant used the following Service Providers during the Reporting Period.

Check all that apply and provide name of service provider(s) that directly supports the performance of transfer agent functions:

- ☐ Bank(s): __________________
- ☐ Escrow Agent(s): __________________
- ☐ Recordkeeping System Provider(s): __________________
- ☐ Lost Securityholder Search Provider(s): __________________
- ☐ Printing and Mailing Services: __________________
- ☐ Call Center Provider(s): __________________
- ☐ Tokenization Agent(s): __________________
- ☐ Distributed Ledger Technology Platform(s): __________________

6(a). Number of issues, by security type, for which Registrant provided the following services as of December 31:

Security Type	Number of issues for which Registrant provided the following services (as of December 31)					
	Received Items for Transfer	Maintained Master Securityholder File(s)	Provided Direct Registration System (DRS) Services	Provided Direct Purchase Plan (DPP) Services	Provided Dividend Reinvestment Services	Provided Paying Agent Services
Corporate Equity Securities						

(market cap <= $300 million)						
Corporate Equity Securities (market cap > $300 million)						
Corporate Debt Securities						
Non-Exchange Traded Open End Investment Company Securities						
Exchange-Traded Funds						
Closed End Investment Company Securities						
Limited Partnership Securities						
Municipal Debt Securities						
Other Securities						
Total						

6(b). Number of issues, by tokenization model, serviced by the Registrant as of December 31:

Security Type	Number of Issues Serviced by the Registrant by Tokenized Security Model (as of December 31)	
	Issuer-Sponsored Tokenized Securities	Third Party-Sponsored Tokenized Securities
Corporate Equity Securities (market cap <= $300 million)		
Corporate Equity Securities (market cap > $300 million)		
Corporate Debt Securities		
Non-Exchange Traded Open End Investment Company Securities		
Exchange-Traded Funds		
Closed End Investment Company Securities		
Limited Partnership Securities		
Municipal Debt Securities		
Other Securities		
Total		

7(a). For the reporting period, amount (in dollars) of:

- Dividend disbursements to securityholders: _________
- Interest or coupon payments to securityholders: ____________
- Principal payments to securityholders: _________
- Disbursements in connection with corporate actions to securityholders: ________
- Open end investment company purchases by securityholders: _________
- Open end investment company redemptions by securityholders: _________
- Stock purchases by securityholders: _________
- Other funds received from securityholders: _______

- Other funds disbursed to securityholders: _________

7(b). For the reporting period, amount (in units) of any in-kind distributions to securityholders:

____

* * * * *

9(a). Total number of routine items received during the reporting period:_____

9(b). Number of routine items that were not turned around or processed within the shorter of one business day or the time period specified in Rule 15c6-1(a) of the Act for each month of the reporting period.

January		July	
February		August	
March		September	
April		October	
May		November	
June		December	

* * * * *

13. Related Documents/Attachments

13(a). File Name: _____________

13(b). Type of Attachment

☐ Cover

☐ Correspondence

☐ Graphic

☐ List of Issues Serviced as of December 31

* * * * *

Instructions for Use of Form TA-2

* * * * *

II. Special Instructions for Filing Form TA-2.

* * * * *

C. Report of Transfer Agent Activities. Transfer agents must provide full and complete responses in the appropriate format.

1. Information related to electronic filing. As an EDGAR filer, the transfer agent is required to provide the following:

   a. Whether the form is a "live" or "test" filing submission;
   b. Whether the transfer agent would like a Return Copy of the filing;
   c. The transfer agent's Central Index Key ("CIK");
   d. The transfer agent's CIK Confirmation Code ("CCC");
   e. The contact email address for the transfer agent. The contact provided in response to Question 1(f) must be an individual authorized to receive all compliance communications for the registrant with responsibility to disseminate them as appropriate within the registrant's organization; and
   f. The notification email address(es) for the transfer agent regarding the status of the submission.

For more information regarding the above requirements see the EDGAR Filer Manual, Volume I (General Requirements). A transfer agent that is granted a continuing hardship exemption pursuant to Rule 202 of Regulation S-T, 17 CFR 232.202, need only provide its CIK.

* * * * *

4. In answering Question 4, the number of individual securityholder accounts should be determined separately for each issue and then added together to arrive at the total reported in response to each question. For example, if the transfer agent maintains the master securityholder file for two securities, and one security has five individual securityholder accounts, while the other security has the same five individual securityholder accounts, the transfer agent should report 10 in response to Question 4.b. Any identical securityholders for

the two securities should be counted separately for each issue for the purpose of responding to Question 4.

5. In answering Question 6, debt securities are to be counted as one issue per CUSIP number. Open-end investment company securities portfolios are to be counted as one issue per CUSIP number.

* * * * *

[FR Doc. 2026-18190 Filed: 9/3/2026 8:45 am; Publication Date: 9/4/2026]