the preceding month pursuant to para-
graph (g) of this section; and

(ii) The reason for the buy-in.

(d) Every co-transfer agent shall re-
spond promptly to all inquiries from the
recordkeeping transfer agent re-
garding records required to be dis-
patched or mailed by the co-transfer
agent pursuant to §240.17Ad–10(c). For
the purposes of this paragraph, “promptly” means within five business
days of receipt of an inquiry from a
recordkeeping transfer agent.

(e) Every recordkeeping transfer
agent shall maintain and keep current
an accurate control book for each issue
of securities. A change in the control
book shall not be made except upon
written authorization from a duly au-
thorized agent of the issuer.

(f) Every recordkeeping transfer
agent shall retain a record of all cer-
tificate detail deleted from the master
securityholder file for a period of six
years from the date of deletion. In lieu
of maintaining a hard copy, a record-
keeping transfer agent may comply
with this paragraph by complying with
§240.17Ad–7(f) or §240.17Ad–7(g).

(g)(1) A registered transfer agent, in
the event of any actual physical
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 prin-
cipal dollar amount in the case of debt
securities. During the sixty-day period,
the registered transfer agent shall de-
vote diligent attention to resolving the
overissuance and recovering the cer-
tificates. This paragraph requires a
buy-in only by the transfer agent that
erroneously issued the certificate(s)
giving rise to the physical
overissuance, and applies only to those
physical overissuances created by
transfers or issuances subsequent to
September 30, 1983.

(2) If a transferee obtains a letter
from the party holding the overissued
certificates that confirms that the
overissued certificate(s) will be re-
turned 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 six-
tieth day. If, however, the certificate(s)
are not returned to the transfer agent
within the additional thirty-day pe-
riod, the transfer agent immediately
must execute the buy-in in accordance
with paragraph (g)(1) of this section.

(3) If the certificates involved are
covered by a surety bond indemnifying
the transfer agent for all expenses in-
curred 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 certificates.

(4) For purposes of this paragraph,
discovery of the overissuance occurs
when the transfer agent identifies the
erroneously issued certificate(s) and
the registered securityholder(s).

(h) Subsequent to the effective date
of this section, registered transfer
agents that:

(1) Assume the maintenance and up-
dating of master securityholder files
from predecessor transfer agents,

(2) Establish a new master
securityholder file for a particular
issue, or

(3) Convert from manual to auto-
mated systems,

must carry over any existing certifi-
cate detail required by this section on
the master securityholder file.

A recordkeeping transfer agent shall
not be required to add certificate detail
to the master securityholder file re-
specting certificates issued prior to the
effective date of this section.

(Secs. 2, 17(a), 17A(d) and 23(a) thereof, 15
U.S.C. 78b, 78q(a), 78q–1(d) and 78w(a))
[48 FR 28246, June 21, 1983, as amended at 51
FR 5708, Feb. 18, 1986]

§ 240.17Ad–11 Reports regarding aged
record differences, buy-ins and fail-
ure to post certificate detail to mas-
ter securityholder and subsidiary
files.

(a) Definitions. (1) Issuer capitalization
means the market value of the issuer’s
authorized and outstanding equity se-
curities or, with respect to a municipal
securities issuer, the market value of
all debt issues for which the transfer
agent performs recordkeeping func-
tions on behalf of that issuer, deter-
mined by reference to the control book
and current market prices.
§ 240.17Ad–11  17 CFR Ch. II (4–1–10 Edition)

(2) An aged record difference is a record difference that has existed for more than thirty calendar days.

(b) Reports to Issuers. (1) Within ten business days following the end of each month, every recordkeeping transfer agent shall report the information specified in paragraph (d)(1) of this section to the persons specified in paragraph (b)(3) of this section, when the aggregate market value of aged record differences in all equity securities issues or debt securities issues maintained on behalf of a particular issuer exceeds the thresholds set forth in the table below.

<table>
<thead>
<tr>
<th>Issuer capitalization</th>
<th>Aggregate market value of aged record differences exceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For equity securities</td>
</tr>
<tr>
<td>(1) $5 million or less</td>
<td>$50,000</td>
</tr>
<tr>
<td>(2) Greater than $5 million but less than $50 million</td>
<td>250,000</td>
</tr>
<tr>
<td>(3) Greater than $50 million but less than $150 million</td>
<td>500,000</td>
</tr>
<tr>
<td>(4) Greater than $150 million</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

(2) Within ten business days following the end of each month (or within ten days thereafter in the case of a named transfer agent that receives a report from a service company pursuant to paragraph (b)(3)(1)(C)), every recordkeeping transfer agent shall report the information specified in paragraph (d)(2) of this section, with respect to each issue of securities for which it acts as recordkeeping transfer agent, concerning any securities bought-in pursuant to § 240.17Ad–10(g) or reported as bought-in pursuant to § 240.17Ad–10(c) during the preceding month.

(3) The report shall be sent:

(i) By every recordkeeping transfer agent (other than a recordkeeping transfer agent that performs recordkeeping agent functions solely for its own securities):

(A) To the official performing corporate secretary functions for the issuer of the securities for which the aged record difference exists or for which the buy-in occurred;

(B) With respect to an issue of municipal securities, to the chief financial officer of the issuer of the securities for which the buy-in occurred.

(ii) By every named transfer agent that is engaged by an issuer to maintain and update the master securityholder file:

(A) To the official performing corporate secretary functions for the issuer of the securities for which the aged record difference exists or for which the buy-in occurred;

(B) With respect to an issue of municipal securities, to the chief financial officer of the issuer of the securities for which the aged record difference exists or for which the buy-in occurred.

(2) Within ten business days following the end of each calendar quarter (or within ten days thereafter in the case of a named transfer agent that receives a report from a service company pursuant to paragraph (b)(3)(1)(C)), every recordkeeping transfer agent shall report the information specified in paragraph (d)(2) of this section, with respect to each issue of securities for which it acts as recordkeeping transfer agent, concerning any securities bought-in pursuant to § 240.17Ad–10(g) or reported as bought-in pursuant to § 240.17Ad–10(c) during the preceding month.

(3) The report shall be sent:

(i) By every recordkeeping transfer agent (other than a recordkeeping transfer agent that performs recordkeeping agent functions solely for its own securities):

(A) To the official performing corporate secretary functions for the issuer of the securities for which the aged record difference exists or for which the buy-in occurred;

(B) With respect to an issue of municipal securities, to the chief financial officer of the issuer of the securities for which the buy-in occurred.

(ii) By every named transfer agent that is engaged by an issuer to maintain and update the master securityholder file:

(A) To the official performing corporate secretary functions for the issuer of the securities for which the aged record difference exists or for which the buy-in occurred;

(B) With respect to an issue of municipal securities, to the chief financial officer of the issuer of the securities for which the buy-in occurred.

(2) An aged record difference is a record difference that has existed for more than thirty calendar days.

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(ii) By every named transfer agent that is engaged by an issuer to maintain and update the master securityholder file:

(A) To the official performing corporate secretary functions for the issuer of the securities for which the aged record difference exists or for which the buy-in occurred;

(B) With respect to an issue of municipal securities, to the chief financial officer of the issuer of the securities for which the buy-in occurred.

(iii) $300,000 if it is a recordkeeping transfer agent for 5 or fewer issues;

(iv) $500,000 for 6–24 issues;

(v) $800,000 for 25–49 issues;

(vi) $1 million for 50–74 issues;

(vii) $1.2 million for 75–99 issues;

(viii) $1.4 million for 100–499 issues;

(ix) $1.6 million for 500–999 issues;

(x) $2.6 million for 1,000–1,999 issues; and

(xi) An additional $1 million for each additional 1,000 issues.

(2) Within ten business days following the end of each calendar quarter, every recordkeeping transfer agent shall report the information specified in paragraph (d)(2) of this section to its appropriate regulatory agency in accordance with § 240.17Ad–2(h), when the aggregate market value of all buy-ins executed pursuant to § 240.17Ad–10(g) during that calendar quarter exceeds $100,000.
§ 240.17Ad–13 Safeguarding of funds and securities.

(a) Any registered transfer agent that has custody or possession of any funds or securities related to its transfer agent activities shall assure that:

(1) All such securities are held in safekeeping and are handled, in light of all facts and circumstances, in a manner reasonably free from risk of theft, loss or destruction (other than by a transfer agent’s certificate destruction procedures pursuant to § 240.17Ad–19); and

(2) All such funds are protected, in light of all facts and circumstances, against misuse. In evaluating which particular safeguards and procedures must be employed, the cost of the various safeguards and procedures as well as the nature and degree of potential financial exposure are two relevant factors.

(b) For purposes of this section, the term ‘securities’ shall have the same meaning as the term ‘securities certificate’ as defined in § 240.17f–1(a)(6).

§ 240.17Ad–13 Annual study and evaluation of internal accounting control.

(a) Accountant’s report. Every registered transfer agent, except as provided in paragraph (d) of this section, shall file annually with the Commission and the transfer agent’s appropriate regulatory agency in accordance with § 240.17Ad–2(h), a report specified by an independent accountant concerning the transfer agent’s system of internal accounting control and related procedures for the transfer of record ownership and the safeguarding of related securities and funds. That report shall be filed within 90 calendar days of the date of the study and evaluation set forth in paragraph (a)(1).

(1) The accountant’s report shall:

(i) State whether the study and evaluation was made in accordance with generally accepted auditing standards using the criteria set forth in paragraph (a)(3) of this section;