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 certificates 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 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 updating 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 automated systems,

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

A recordkeeping transfer agent shall not be required to add certificate detail respecting 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))

§ 240.17Ad–11 Reports regarding aged record differences, buy-ins and failure to post certificate detail to master securityholder and subsidiary files.

(a) Definitions. (1) Issuer capitalization means the market value of the issuer’s authorized and outstanding equity securities or, with respect to a municipal securities issuer, the market value of all debt issues for which the transfer agent performs recordkeeping functions on behalf of that issuer, determined by reference to the control book and current market prices.

(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)(i)(C)), every recordkeeping transfer agent shall report the information specified in paragraph (d)(2) of this section to the persons specified in paragraph (b)(3) 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 transfer 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 aged record difference exists or for which the buy-in occurred; or
(C) If it acts as a service company, to the named transfer agent; and
(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; or
(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.
(c) Reports to appropriate regulatory agencies
(1) Within ten business days following the end of each calendar quarter, every recordkeeping transfer agent shall report the information specified in paragraph (d)(1) of this section to its appropriate regulatory agency in accordance with §240.17Ad–2(h), when the aggregate market value of aged record differences for all issues for which it performs recordkeeping functions exceeds the thresholds specified below:
(i) $300,000 if it is a recordkeeping transfer agent for 5 or fewer issues;
(ii) $500,000 for 6–24 issues;
(iii) $800,000 for 25–49 issues;
(iv) $1 million for 50–74 issues;
(v) $1.2 million for 75–99 issues;
(vi) $1.4 million for 100–499 issues;
(vii) $1.6 million for 500–999 issues;
(viii) $2.6 million for 1,000–1,999 issues; and
(ix) 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), concerning buy-ins of all issues for which it acts as recordkeeping transfer agent, when the aggregate market value of all buy-ins executed pursuant to §240.17Ad–10(g) during that calendar quarter exceeds $100,000.
(e) For purposes of this section, the market value of an issue shall be determined as of the last business day on which market value information is available during the reporting period.
(f) A copy of any report required under this section shall be retained by the reporting transfer agent for a period of not less than three years, the first year in an easily accessible place.

(Sees. 2, 17(a), 17A(d) and 23(a) thereof, 15 U.S.C. 78b, 78q(a), 78q–1(d) and 78w(a))

[48 FR 23247, June 21, 1983]