

DEPARTMENT OF TRANSPORTATION**Federal Aviation Administration****14 CFR Part 71**

[Airspace Docket No. 00-ACE-9]

Amendment to Class E Airspace; Orange City, IA; Confirmation of Effective Date and Correction**AGENCY:** Federal Aviation Administration, DOT.**ACTION:** Direct final rule; confirmation of effective date and correction.

SUMMARY: This document confirms the effective date of a direct final rule which revises the Class E airspace at Orange City, IA, and corrects an error in the airspace designation for Orange City Municipal Airport as published in the **Federal Register** April 18, 2000 (65 FR 20723), Airspace Docket No. 00-ACE-9.

DATES: The direct final rule published at 65 FR 20723 is effective on 0901 UTC, August 10, 2000. This correction is effective on August 10, 2000.

FOR FURTHER INFORMATION CONTACT: Kathy Randolph, Air Traffic Division, Airspace Branch, ACE-520C, DOT Regional Headquarters Building, Federal Aviation Administration, 901 Locust, Kansas City, MO 64106; telephone: (816) 329-2525.

SUPPLEMENTARY INFORMATION:**History**

On April 18, 2000, the FAA published in the **Federal Register** a direct final rule; request for comments which revises the Class E airspace at Orange City, IA (FR Doc. 00-9548, 65 FR 20723, Airspace Docket No. 00-ACE-9). An error was subsequently discovered in the airspace designation for Orange City Municipal Airport. This action corrects that error. After careful review of all available information related to the subject presented above, the FAA has determined that air safety and the public interest require adoption of the rule. The FAA has determined that this correction will not change the meaning of the action nor add any additional burden on the public beyond that already published. This action corrects the error in the airspace designation and confirms the effective date to the direct final rule.

The FAA uses the direct final rulemaking procedure for a non-controversial rule where the FAA believes that there will be no adverse public comment. This direct final rule advised the public that no adverse comments were anticipated, and that unless a written adverse comment, or a

written notice of intent to submit such an adverse comment, were received within the comment period, the regulation would become effective on August 10, 2000. No adverse comments were received, and thus this notice confirms that this direct final rule will become effective on that date.

Correction to the Direct Final Rule

Accordingly, pursuant to the authority delegated to me, the airspace designation for Orange County Airport, as published in the **Federal Register** on April 18, 2000 (65 FR 20723), FR Doc. 00-9548 is corrected as follows:

§ 71.1 [Corrected]**ACE IA E5 Orange City, IA [Corrected]**

1. On page 20724, in the second column, line 10 of the airspace designations, correct "north" to read "south".

Issued in Kansas City, MO on May 24, 2000.

Herman J. Lyons, Jr.,

Manager, Air Traffic Division, Central Region.

[FR Doc. 00-14047 Filed 6-8-00; 8:45 am]

BILLING CODE 4910-13-M

SECURITIES AND EXCHANGE COMMISSION**17 CFR Parts 240 and 249b**

[Release No. 34-42892; File No. S7-11-99]

RIN 3235-AH44**Revised Transfer Agent Form and Related Rule****AGENCY:** Securities and Exchange Commission.**ACTION:** Final rule.

SUMMARY: The Securities and Exchange Commission is adopting amendments to Rule 17Ac2-2 and to related Form TA-2 and rescinding Rule 17a-24 under the Securities Exchange Act of 1934. The amendments are designed to clarify filing requirements and instructions; eliminate or change ambiguous terms and phrases; delete certain redundant or unnecessary questions; and add questions that will help the Commission to more effectively monitor the transfer agent industry.

EFFECTIVE DATE: July 10, 2000.

FOR FURTHER INFORMATION CONTACT: Jerry W. Carpenter, Assistant Director, Lori R. Bucci, Special Counsel, or Michael G. Rae, Staff Attorney, at 202/942-4187, Office of Risk Management and Control, Division of Market Regulation,

Securities and Exchange Commission, Washington, D.C. 20549-1001.

SUPPLEMENTARY INFORMATION:**I. Introduction****A. Rule 17Ac2-2 and Form TA-2**

In 1986, the Securities and Exchange Commission (Commission) adopted Rule 17Ac2-2¹ under the Securities Exchange Act of 1934 (Exchange Act), which requires all registered transfer agents to file an annual report of their business activities on Form TA-2.² Rule 17Ac2-2 and Form TA-2 have not been revised since their adoption.

On March 23, 1999, as part of the Commission's continuing efforts to improve and simplify rules and forms, the Commission proposed for comment amendments to Rule 17Ac2-2 and Form TA-2.³ The Commission and the other appropriate regulatory agencies (ARA) have direct oversight responsibility for transfer agents, and there is no self-regulatory organization for transfer agents.⁴ The receipt by ARAs of annual information about transfer agent activities is therefore an essential component of their oversight of transfer agents. The proposed amendments were intended to allow the Commission to obtain clearer and more comprehensive information from transfer agents about their activities.

B. Lost Securityholders

To help address the problem of lost securityholders, on October 1, 1997, the Commission adopted Rules 17Ad-17 and 17a-24.⁵ Rule 17Ad-17 requires transfer agents to conduct database searches in an effort to locate lost securityholders. Rule 17a-24 requires

¹ 17 CFR 240.17Ac2-2.

² Securities Exchange Act Release No. 23084 (March 27, 1986), 51 FR 12124. Form TA-2 is referenced in 17 CFR 249b.102.

³ Securities Exchange Act Release No. 41204 (March 23, 1999), 64 FR 15310 (March 31, 1999).

⁴ "ARA" is defined in Section 3(a)(34) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(34), and includes the Commission, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency.

⁵ Securities Exchange Act Release No. 39176 (October 1, 1997), 62 FR 52229. "Lost securityholder," as defined in Rule 17Ad-17, means a securityholder: (i) to whom an item of correspondence that was sent to the securityholder at the address contained in the transfer agent's master securityholder file has been returned as undeliverable; provided, however, that if such item is re-sent within one month to the lost securityholder, the transfer agent may deem the securityholder to be a lost securityholder as of the day the re-sent item is returned as undeliverable; and (ii) for whom the transfer agent has not received information regarding the securityholder's new address. The Commission also adopted amendments to Rule 17Ad-7 incorporating the time periods for retention of records required by Rule 17Ad-17.

transfer agents to submit on Form TA-2 aggregate data regarding the accounts of lost securityholders.⁶ The purpose of Rule 17a-24 is to gather data to assess the effectiveness of the search requirements of Rule 17Ad-17. As a result of its continuing review of the lost securityholder issue, the Commission is reviewing the information that transfer agents must submit to help the Commission assess the effectiveness of the search requirements of Rule 17Ad-17. Therefore, the Commission proposed to require transfer agents to report on Form TA-2 specific information about the results of the required database searches for lost securityholders and proposed to rescind Rule 17a-24 and its reporting requirements.

II. Discussion

The Commission received 12 comment letters on the proposal, most of which were favorable.⁷ As discussed below, the Commission has decided to adopt the amendments to Rule 17Ac2-2 and Form TA-2 and to rescind Rule 17a-24 substantially as proposed but with certain modifications suggested by the commenters.

A. Rule 17Ac2-2

1. Elimination of Filing Exception

The Commission proposed several modifications to Rule 17Ac2-2. Rule 17Ac2-2 currently provides that a

transfer agent that engages a service company to perform all of its transfer and processing functions is not required to file Form TA-2.⁸ As a consequence, in processing Form TA-2 filings, the Commission's staff frequently cannot determine whether a transfer agent that did not file Form TA-2 is properly using the exception or has simply neglected to file. To address this problem, we proposed to eliminate the exception and to require a transfer agent that engaged a service company to perform all of its transfer and processing functions to answer four questions on Form TA-2 about the service company relationship.⁹

Two comment letters received on the elimination of the filing exception were favorable.¹⁰ Three commenters, however, expressed concern that asking for information other than the service company's name was redundant.¹¹ One commenter argued that if the service company and the transfer agent for which it acts as the service agent both are required to submit data about the number of items it received for transfer, the Commission will receive duplicative information.¹²

The Commission has decided that in order to strike a balance between obtaining more comprehensive information from transfer agents about their activities and not imposing unnecessary burdens on transfer agents that outsource all of their transfer agent functions, the Commission is adopting this provision with several changes.¹³ As adopted, transfer agents that hire service companies to perform all of their transfer agent functions will not be required to provide the number of items it received for transfer during the

reporting period. In addition, in order to obtain the most current and complete information regarding a transfer agent's use of a service company, the Commission is adopting an additional question that requires the transfer agent to state whether it has been engaged as a service company during the reporting period.

2. Reporting Period

Current Rule 17Ac2-2 states that every registered transfer agent shall file an annual report on Form TA-2 in accordance with the instructions contained therein by August 31 of each calendar year. Most of the data reported on the pre-amended Form TA-2 is as of June 30, but some of the data reported is as of December 31. In order to have a uniform annual reporting period, the Commission proposed that the term "reporting period" mean the 12 months ended June 30 of the year for which the form was filed. The June 30 date was chosen to avoid increasing the year-end reporting burden on transfer agents.

No commenters supported June 30 as the reporting period. Three commenters suggested that it made more sense for Rule 17Ac2-2 to require that data be reported on Form TA-2 as of the end of the calendar year, or December 31.¹⁴ For example, one commenter explained that year-end reporting would not only "coincide with the usual corporate accounting standards, it should make the information more accurate and consistent and would likely lessen the burden of creating reports from mid-stream data."¹⁵ This commenter pointed out that because the employees that prepare Form TA-2 are usually different from those that prepare other general corporate reporting, compiling data for Form TA-2 reporting at year-end would not create significant additional work. In response to these comments, the Commission has modified the definition of the reporting period to require that, beginning with the reporting period for the Year 2000, each transfer agent registered on December 31 must file a report on Form TA-2 by March 31¹⁶ covering the prior calendar year.¹⁷

⁶ Rule 17a-24 requires registered transfer agents to report the number of lost securityholder accounts as of June 30 of each year and the percentage of total accounts represented by such lost securityholder accounts. These figures are broken down by the length of time the securityholder was classified as lost: one year or less; three years or less; five years or less; or more than five years. Rule 17a-24 also requires that transfer agents annually report information on lost securityholder accounts that were remitted to state unclaimed property administrators.

⁷ Letters from Lynette M. States, Assistant Director, Arizona Department of Revenue (May 14, 1999); Scott Muirhead, Vice President, Bankers Trust (May 17, 1999); Robert E. Smith, President, Corporate Transfer Agents Association, Inc. (CTA) (July 29, 1999); Charles V. Rossi, President, EquiServe (May 17, 1999); Nancy C. Ashcom, Corporate Secretary, FirstEnergy (May 14, 1999); Kathleen C. Joaquin, Director—Transfer Agency & International Operations, Investment Company Institute (May 17, 1999); Jessie Baker, President, National Association of Unclaimed Property Administrators (NAUPA) (May 17, 1999); Thomas L. Montrone, President and Chief Executive Officer, Registrar and Transfer Company (RTC) (May 5, 1999); Robert Dietz, President, Securities Transfer Association, Inc. (STA) (May 17, 1999); James R. Alden, Manager and Assistant Secretary, Shareholder Services (April 27, 1999); and James R. Alden, Assistant Secretary and Manager of Shareholder Services, Southern California Edison (April 27, 1999). The comment letters and a Commission staff summary of the comments are contained in File No. S7-11-99 and are available for inspection in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549.

⁸ "Named transfer agent" is defined in Rule 17Ad-9(j) as the registered transfer agent that is engaged by an issuer to perform transfer agent functions for an issue of securities but has engaged a service company to perform some or all of those functions. 17 CFR 240.17Ad-9(j).

"Service company" is defined in Rule 17Ad-9(k) as the registered transfer agent engaged by a named transfer agent to perform transfer agent functions for that named transfer agent. 17 CFR 240.17Ad-9(k).

⁹ As proposed, the portion of Form TA-2 such a transfer agent would be required to complete would provide basic information such as the transfer agent's name, its use of a service company, the name of its ARA, whether it filed any amendments to its registration, and the number of items it received for transfer and processing during the reporting period.

¹⁰ Letters from CTA and RTC.

¹¹ Letters from CTA, EquiServe, and STA.

¹² Letter from EquiServe.

¹³ Rule 17Ac2-2 requires a named transfer agent that engages a service company to perform some but not all of its transfer and processing functions to file a Form TA-2 and to enter zero for those questions that relate to transfer agent activities performed by the service company on behalf of the named transfer agent. These requirements would not be changed.

¹⁴ Letters from CTA, FirstEnergy, and STA.

¹⁵ Letter from CTA.

¹⁶ While some transfer agents have said they prefer a later reporting date because of other year-end processing, the Commission believes that a reporting date past March 31 would make the data less useful.

¹⁷ As a transition measure, transfer agents' next required Form TA-2 filing will be on March 31, 2001, which will cover their activities during calendar Year 2000. This will eliminate the filing for the period ending June 30, 2000 (which would have been due on August 31, 2000).

3. Clarification on Filing Requirements

The Commission proposed that Rule 17Ac2-2 be amended to require every transfer agent that is registered on June 30 to file Form TA-2 by August 31 of that calendar year. The Commission received no comment letters on this provision. We are adopting this provision with modifications to conform it to the new reporting period. As adopted, Rule 17Ac2-2 states that every transfer agent registered on December 31 must file Form TA-2. Therefore, a transfer agent that withdraws from registration prior to December 31 is not required to file Form TA-2 for the portion of the year that it was registered.

4. Items Received for Transfer and Processing

Current Rule 17Ac2-2 provides that a registered transfer agent is required to complete only Items 1 through 4 of Form TA-2 if it: Received fewer than 500 items for transfer and fewer than 500 items for processing in the six months ending June 30 and did not maintain master securityholder files for more than 1,000 individual securityholder accounts as of June 30. The Commission proposed to revise this partial exception to conform it to the full 12 month reporting period so that it applied to a registered transfer agent that received fewer than 1,000 items for transfer and fewer than 1,000 items for processing in the 12 months ending June 30 of the year for which the form is being filed.¹⁸

No commenters objected to this change, although two commenters said that "the receipt of 1,000 items for processing is not adequately defined."¹⁹ The "processing" term refers to transfer agents acting as a registrar. However, today transfer agents are rarely hired to act solely as a registrar. Therefore, the rule as adopted omits the reference to processing but includes the other proposed changes.

B. Form TA-2

This section describes major proposed modifications to Form TA-2, the comments received, and the changes we are adopting.

1. CUSIP Number

Currently, in determining the number of investment company securities for which they act as transfer agents, transfer agents are instructed to count each prospectus as one issue. The

¹⁸ As proposed, the matter securityholder account element did not change. In addition, as proposed, low volume transfer agents were still required to complete a partial Form TA-2.

¹⁹ Letters from RTC and STA.

Commission proposed that transfer agents count investment company securities as one issue per CUSIP number rather than by prospectuses. We received one favorable comment on this proposal, and are adopting the change.²⁰

2. Amendments to Form TA-1

The Commission proposed adding a new question to Form TA-2 which would ask if the transfer agent had amended Form TA-1 as required by existing transfer agent rules.²¹ The new question would also require the transfer agent to provide an explanation if it had failed to file a required amendment. The Commission received no comments regarding this provision. We are adopting this provision as proposed.

3. Direct Purchase and Dividend Reinvestment Plans

Currently, Form TA-2 elicits information regarding dividend reinvestment plans for which a transfer agent provides services. The Commission proposed revising Form TA-2 to require transfer agents to include data about direct purchase plans as well.

The Commission received five comments on this proposed change. One commenter stated that it had no objection to the proposed change that would require transfer agents to report separately the number of direct purchase and dividend reinvestment plan accounts.²² One commenter noted that the question that requests the combined total of the number of direct purchase and dividend reinvestment plan accounts can be interpreted "to mean the number of accounts in issues that have open enrollment plans or the issues that have optional cash investment features included with dividend reinvestment plans."²³ The commenter suggested that in order to clarify what information is requested, the section should be divided into two distinct categories, one for dividend reinvestment plans and one for direct purchase facilities.²⁴ Three commenters

essentially stated that it is common for a dividend reinvestment plan and a direct purchase plan to be the same plan. As a result, there is no need, for recordkeeping purposes, to segregate a dividend reinvestment plan from a direct purchase plan.²⁵ One commenter also highlighted that Direct Registration System (DRS)²⁶ shares are also not distinguished from plan shares.²⁷

In response to the commenters' concerns, Form TA-2 has been modified to elicit information regarding the number of issues for which dividend reinvestment plan and/or direct purchase plan services are provided. We are requiring that transfer agents provide the number of individual securityholder dividend reinvestment plan and/or direct purchase plan accounts. In addition, Form TA-2 has been modified to elicit information regarding the number of issues for which DRS services are provided. We are also requiring that transfer agents provide the number of individual securityholder DRS accounts.

4. Securityholder Accounts

Currently, Form TA-2 requires transfer agents to set forth the percentage of individual securityholder accounts they maintain broken down into six categories: corporate equity securities, corporate debt securities, investment company securities, limited partnership securities, municipal debt securities, and other securities. For clarification purposes, we proposed that the category of investment company securities be renamed as "open-end investment company securities." In addition, we proposed that closed-end investment company securities be included in the corporate equity category. No comments were received on these proposed changes. We are adopting these changes as proposed.

dividend reinvestment plans, whether or not they have an optional cash contribution for current participants, and a second for issues that have the open availability/direct purchase functionality. Issues in the later category usually have dividend reinvestment and optional cash features for participants. The commenter further recommended that the questions on dividend reinvestment plans should include only those plans that are not listed under the direct purchase responses.

²⁵ Letters from CTA, FirstEnergy, and STA.

²⁶ "Direct Registration System" means the system, as administered by The Depository Trust Company, that allows investors to hold their securities in electronic book-entry from directly on the books of the issuer or its transfer agent. Securities Exchange Act Release No. 37931 (November 7, 1996), 61 FR 58600. DRS securityholdings are growing. Currently, 11 transfer agents service 292 DRS eligible issues.

²⁷ Letter from CTA.

²⁰ Letter from CTA.

²¹ Transfer agents registered with the Commission are required by Rule 17Ac2-1(c) to amend Form TA-1 or the SEC Supplements to Form TA-1 within 60 calendar days following the date on which information reported therein became inaccurate, incomplete, or misleading. 17 CFR 240.17Ac2-1(c). Federal bank regulators (FBRs) also require their registrants to amend their Form TA-1 within 60 calendar days following the date on which the reported information became inaccurate, incomplete, or misleading. FBRs send copies of the submitted filings to the Commission on behalf of their registrants.

²² Letter from EquiServe.

²³ Letter from RTC.

²⁴ *Id.* The commenter suggested that the categories should include one dealing with

5. Securities Record Differences Upon Change of Transfer Agents

Form TA-2 requires transfer agents to provide information about the number and aggregate market value of (1) securities record differences that the current transfer agent received as an out of balance issue from the prior transfer agent and (2) securities record differences resulting from the current transfer agent.²⁸ The Commission proposed requiring transfer agents to report the number and aggregate market value of securities aged record differences with no detail as to whether the securities differences occurred before or after the change in transfer agents. Several commenters expressed concern that the Commission would not be able to differentiate between differences for which the current agent is or may be responsible versus those created by a former agent.²⁹ In light of these comments, we have determined not to adopt the proposed change.

6. Buy-Ins and Turnaround Time

We proposed to add two sections dealing with buy-ins and turnaround time to Form TA-2. The first section would require the number of quarterly reports of aged record differences that were filed and that should have been filed by the registrant with its ARA during the reporting period pursuant to Rule 17Ad-11(c)(2).³⁰ These reports contain information such as the size and dollar value of the record difference, the reason for the record difference, and the size and dollar value of any buy-ins executed to remedy the record difference. The second section would require transfer agents to report the number of months during the reporting period in which the registrant was not in compliance with the specified turnaround time for routine items

pursuant to Rule 17Ad-2.³¹ This section also would require transfer agents to report the number of written notices the transfer agent filed and should have filed during the reporting period documenting its noncompliance with turnaround time for routine items pursuant to Rule 17Ad-2. Lastly, the proposed section would require transfer agents to respond to the same questions with respect to compliance with turnaround times for when the transfer agent acted as an outside registrar.

Three commenters argued that the proposed sections regarding buy-ins and turnaround time seemed unnecessary and redundant, as the Commission or other appropriate regulatory agencies have received and should know the number of reports made to it by a transfer agent.³² One commenter, however, stated that the additional information requested regarding transfer turnarounds is relevant and easy to report.³³

While these proposals will elicit information regarding buy-ins and turnaround time that are required to be reported to the Commission or to other appropriate regulatory agencies, the Commission believes that it will be helpful to both issuers and the Commission to have this self-reported information included on the annual summary report, Form TA-2. These reporting elements will assist the ARAs in fulfilling their oversight responsibilities for transfer agents. The annual report would provide a better picture of patterns of a transfer agent's activity, and also would alert the ARA to instances where a transfer agent failed to file required reports. We are adopting these sections as proposed with one change. Consistent with the other changes to the proposal regarding registrar activities, we are not adopting the proposal pertaining to compliance with turnaround time by a transfer agent that acted as an outside registrar.

7. Technical Changes

The proposal also included numerous technical and conforming changes. For example, we proposed: changing the format of the box at the top of Form TA-2 that reflects the reporting period; adding definitions; requesting that the actual amounts be reported instead of abbreviated amounts; eliminating the collection of information about transfer agent custodian (TAC) arrangements;³⁴

and eliminating requests for certain percentages and figures. We received two comments supporting the changes to these provisions.³⁵ No negative comments regarding these provisions were received. We are adopting these modifications as proposed.

C. Rule 17a-24

Rule 17a-24 requires registered transfer agents to report the aggregate number of lost securityholder accounts as of June 30 of each year and the percentage of total accounts represented by such lost securityholder accounts. These figures currently must be reported for lost securityholder accounts outstanding for: one year or less, three years or less, five years or less, or more than five years. Rule 17Ad-17 requires transfer agents to conduct periodic searches of databases to obtain current addresses for lost securityholders. We adopted Rule 17a-24 to obtain information on aged lost securityholder accounts in order to assess the effectiveness of searches. Rule 17a-24 also requires information on lost securityholder accounts that were escheated to state unclaimed property administrators. Frequently, transfer agent representatives have told our staff that they have difficulty compiling information on the aging of lost securityholder accounts.

In the proposal, we intended to refine transfer agents' reporting requirements so that the reported information would give a better indication of the effectiveness of the database searches and be less burdensome to compile. We proposed that: (1) Transfer agents be required to report on Form TA-2 the number of lost securityholder accounts for which a first and a second database search has been conducted, and the number of lost securityholder accounts for which a correct address has been obtained as a result of each of these searches; (2) transfer agents continue, as required by Rule 17a-24, to report on Form TA-2 the current number of lost securityholder accounts and the number of lost securityholder accounts that were remitted to the states during the last year; (3) the remaining information (*i.e.*, aging of lost securityholder accounts) would no longer be required to be reported; and (4) Rule 17a-24 would be rescinded.

Several commenters stated that the proposed reporting requirements would not be easier to comply with than the current reporting requirements. Most of the commenters pointed out that, while

²⁸ "Record difference," as defined in Rule 17Ad-9(g), 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 (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.

²⁹ Letters from EquiServe, RTC, and STA.

³⁰ 17 CFR 240.17Ad-11(c)(2). Generally, Rule 17Ad-11(c)(2) requires a transfer agent to file a report at the end of each quarter during which it has an aged record difference (*i.e.*, where the number of shares on the securityholder file does not equal the number of shares authorized and issued by the issuer). A buy-in is required when a registered transfer agent overissues shares. The registered transfer agent within 60 days of the discovery of such overissuance buys-in securities equal to the number of shares in the case of equity securities or equal to the principal dollar amount in the case of debt securities. 17 CFR 240.17Ad-10(g).

³¹ Turnaround times for routine items are set forth in Rule 17Ad-2. 17 CFR 240.17Ad-2.

³² Letters from EquiServe, RTC, and STA.

³³ Letter from Bankers Trust.

³⁴ TAC arrangements, which are more commonly referred to as fast automated securities transfer

(FAST) arrangements, exist between large transfer agents and The Depository Trust Company.

³⁵ Letters from CTA and Banker Trust.

they can determine the number of *different* addresses generated by database searches for lost securityholder accounts, it is virtually impossible to determine the number of lost securityholder accounts for which a *correct* address has been obtained during any specific database search.³⁶ For example, address changes are received from account holders continuously without the transfer agent knowing the cause or the source of the change. Therefore, transfer agents would have to manually research every address received from an account holder in order to determine if the address change resulted from the transfer agent's actions following a database search or from some other cause.

A few commenters expressed concern that the proposed requirement that transfer agents report the number of lost securityholder accounts that have been remitted to the states needs to be clarified as to whether the Commission wanted information on remittance of funds or securities.³⁷ These commenters also pointed out that with respect to state escheatment laws some transfer agents do not distinguish between lost and dormant accounts.

Two commenters also essentially argued that the Commission should prohibit a transfer agent from using any service that results in the lost securityholders not receiving the full value of their property.³⁸ These commenters believe that often the securityholder becomes lost as a result of poor recordkeeping on the transfer agent's books rather than the neglect of the owner. The commenters further suggested that to the extent that search firms are used, the requirements of fee limits and full disclosure to the securityholder would be reasonable.

In response to the comments, we are simplifying the reporting requirements. As adopted, transfer agents will be required to provide the date of each database search for lost securityholders during the reporting period, the number of lost securityholder accounts submitted for each database search, and the number of lost securityholder accounts for which a different address was obtained as a result of each

database search. Transfer agents will continue to report on Form TA-2 the number of lost securityholder accounts that were remitted to the states during the reporting period, but will not be required to report aging of lost securityholder accounts. For purposes of clarification, transfer agents should only report those accounts held by securityholders that are defined as lost by Rule 17Ad-17³⁹ and should only report those accounts where the underlying securities have been remitted to the states. These reporting requirements should provide the Commission with useful information about the number of lost securityholders and the efficiency of the searches, but should not be burdensome for transfer agents to implement.

III. Paperwork Reduction Act

Certain provisions of the amendments to Rule 17Ac2-2 and Form TA-2 contain "collection of information" requirements within the meaning of the Paperwork Reduction Act of 1995,⁴⁰ and the Commission has submitted them to the Office of Management and Budget for review in accordance with 44 U.S.C. 3507(d) and 5 CFR 1320.11. The Commission notes that it is rescinding Rule 17a-24. However, the Commission is keeping two questions generated by Rule 17a-24 on Form TA-2 and is adding a question to Form TA-2 about the results of the required database searches for lost securityholders. The title for the collection of information is: "Transfer Agents Annual Report 17 CFR 240.17Ac2-2, Form TA-2." The OMB control number for the collection of information is 3235-0337.

In the proposing release, the Commission requested comment on the proposed collections of information. No comments were received that addressed the PRA submission. In the proposing release, the Commission based its estimates of the collection of information on statistics gathered from 1998. Because transfer agent statistics gained from various filings are now available for the year 1999, the Commission has revised the figures it used in the proposing release to update the collections of information required under the rules, as discussed below.

Under the amendments, Rule 17Ac2-2 requires the collection of additional information on amended Form TA-2. First, the amendments eliminate the filing exception for named transfer agents and require every named transfer agent using a service company for all of its transfer agent functions to complete

only the first three questions (which request only simple information) and the signature section of Form TA-2. Second, registered transfer agents that meet the criteria based on volume of transfer business and number of shareholder accounts are required to answer Questions 1 through 5, 11, and the signature section of Form TA-2. Finally, registered transfer agents that file a complete Form TA-2 are required to respond to new questions regarding the use of service companies, amendments to Form TA-1, direct purchase and dividend reinvestment plan accounts, buy-ins, DRS, lost securityholders, and turnaround time for routine items.

The Commission uses the information on Form TA-2 to monitor the annual business activities of registered transfer agents. The proposed collection of information under amended Rule 17Ac2-2 and Form TA-2 is intended to facilitate greater accuracy of transfer agents' records. Furthermore, the information elicited from the additional questions regarding lost securityholder accounts should help the Commission to assess the effectiveness of the search requirements of Rule 17Ad-17 and the scope of the lost securityholder problem.

The collection of information required by the amendments to Rule 17Ac2-2 and Form TA-2 should not result in any new significant burden to transfer agents. All information required by Form TA-2 is available in the internal files of the transfer agents and a large portion of the information is already required to be calculated or maintained by existing Commission transfer agent rules.

The amount of time needed to comply with the requirements of amended Rule 17Ac2-2 and Form TA-2 will vary. There are approximately 1,093 registered transfer agents.⁴¹ From this total number, approximately 270 registrants will be required to complete only Questions 1 through 3 and the signature section of amended Form TA-2, which the Commission estimates will take each registrant about 30 minutes, for a total of 135 hours (270 × .5 hours). Approximately 371 registrants will be required to answer Questions 1 through 5, 11, and the signature section, which the Commission estimates will take about 1 hour and 30 minutes, for a total of 557 hours (371 × 1.5 hours). The remaining registrants, approximately 452, will be required to complete the entire Form TA-2, which the Commission estimates will take about 6

³⁶ Letters from Bankers Trust, CTA, EquiServe, RTC, Shareholder Services, Southern California Edison, and STA.

³⁷ Letters from CTA, RTC, and STA.

³⁸ Letters from Arizona Department of Revenue and NAUPA. 17Ad-17 provides in pertinent part that every recordkeeping transfer agent whose master securityholder file includes accounts of lost securityholders shall exercise reasonable care to ascertain such lost securityholders' current addresses. Each recordkeeping transfer agent shall conduct two database searches without charge to a lost securityholder.

³⁹ *Supra*, note 4.

⁴⁰ 44 U.S.C. 3501 *et seq.*

⁴¹ Since the proposing release, the total number of registered transfer agents has decreased.

hours, for a total of 2,712 hours (452 × 6 hours). The Commission estimates that the total burden will be 3,404 hours (135 + 557 + 2712).⁴²

The collection of information pursuant to the amendments to Form TA-2 and Rule 17Ac2-2 does not contain any additional burdensome recordkeeping requirements. Providing the information will be mandatory. Responses to the collection of information will not be kept confidential. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid Office of Management and Budget control number.

IV. Costs and Benefits of the Proposed Amendments

The Commission believes that significant benefits will result from the amendments to Rule 17Ac2-2 and Form TA-2 and the rescission of Rule 17a-24. To assist the Commission in its evaluation of the costs and benefits that may result from the new rules, commenters were requested to provide analysis and data, if possible, relating to costs and benefits associated with the proposed rule changes. In particular, the Commission requested comment on the potential costs for any necessary modifications to information gathering, management, and recordkeeping systems or procedures. The Commission received three comments that touched on this issue.⁴³

Since the proposing release was issued, we have made a few changes to the proposed amendments to further improve the information obtained from the Form TA-2. In particular, we changed the reporting period to year end; shortened the questions on turnaround time; and further simplified the reporting requirements pertaining to lost securityholder information.

A. Benefits

The Commission believes that the rules will provide the following benefits:

- The elimination of the filing exception will help the Commission to keep complete records on all registered transfer agents.
- The additional questions to Form TA-2, including those regarding the use

of service companies, amendments to Form TA-1, direct purchase and dividend reinvestment plan accounts, DRS, buy-ins, and turnaround time, will provide more accurate information about transfer agent business activities.

- The uniform reporting period at year-end should eliminate confusion from varying reporting periods.
- The simplification of the reporting requirements regarding lost securityholder accounts and the associated database searches should be less burdensome for transfer agents to report. This information should enable the Commission to assess the scope of the lost securityholder problem and to assess the effectiveness of the search requirements of Rule 17Ad-17 more effectively.

B. Costs

The simplification of Rule 17Ac2-2 and Form TA-2 through the amendments will most likely lead to a reduction of costs to transfer agents. The majority of information required by Form TA-2 is available in the internal files of the transfer agents, and a large portion of the information is already required to be calculated or maintained by other Commission rules.

The primary cost associated with the rule and Form TA-2 is the time that it will take transfer agent personnel to complete the form and file it with the Commission. The Commission estimates that because there is no increase in complexity to Form TA-2, there will be no increase in costs imposed on transfer agents over the amount previously spent in complying with the pre-amended versions of Rule 17Ac2-2 and Form TA-2. The amount of time needed to comply with the requirements of amended Rule 17Ac2-2 and Form TA-2 will vary depending on a particular transfer agent's activity. There are approximately 1,093 transfer agents who are registered with the Commission. Of this number, approximately 270 registrants would be required to complete only Questions 1 through 3 and the signature section of amended Form TA-2.⁴⁴ Approximately 371 registrants will be required to answer only Questions 1 through 5, 11 and the signature section due to their low volume of transfer business and number of shareholder accounts. The remaining registrants, approximately 452, would be required to complete the entire Form TA-2.

Additionally, the Commission sought comment and empirical data on the cost

associated with modifying computer systems to report all items for a twelve month reporting period, instead of for a six month period. The Commission estimated that this likely would require a simple, one-time change to database reporting functions and would have a negligible cost on transfer agents. Only one commenter directly addressed the Commission's request for information regarding the cost required to modify transfer agents' systems to comply with the reporting changes on Form TA-2. The commenter wrote that the proposed amendments to Rule 17Ac2-2 and Form TA-2 do not pose significant modifications to procedures or systems.⁴⁵ The Commission believes that the rule changes are necessary to improve information regarding transfer agent business activities and lost securityholder information.

V. Consideration of Burden on Competition and Promotion of Efficiency, Competition, and Capital Formation

Section 23(a)(2) of the Exchange Act requires that the Commission, when adopting or amending rules under the Exchange Act, consider the anticompetitive effects of those rules, if any, and refrain from adopting a rule that would impose a burden on competition not necessary or appropriate in furthering the purposes of the Exchange Act.⁴⁶ Moreover, Section 3(f) of the Exchange Act as amended by the National Securities Markets Improvement Act of 1996 provides that whenever the Commission is engaged in rulemaking and is required to consider or determine whether an action is necessary or appropriate in the public interest, the Commission shall consider, in addition to the protection on investors, whether the action will promote efficiency, competition, and capital formation. In the proposing release, the Commission solicited comment on the effects of the proposed amendments to Rule 17Ac2-2 and Form TA-2 on competition, efficiency and capital formation as cited in Sections 3(f) and 23(a)(2). The Commission received no comments in direct response to this solicitation. However, several commenters did suggest that calendar year-end reporting would be more efficient than would a reporting period ending in June.⁴⁷

The Commission has considered the amendments to Rule 17Ac2-2 and Form TA-2 in light of the comments received and the standards cited in Sections 3(f)

⁴² Based on an estimated average administrative labor cost of \$31.50 per hour, the Commission's staff estimates that the labor cost to the transfer agent industry for complying with Rule 17Ac2-2 and Form TA-2 would be \$107,226 annually (\$31.50 × 3,404).

⁴³ Letters from Bankers Trust ("amendments * * * do not pose significant modifications to procedures or systems"), RTC and STA ("costs cannot be accurately estimated").

⁴⁴ Registrants that hire service companies to perform all of their transfer agent functions will be required to complete questions one through three and the signature section.

⁴⁵ Letter from Bankers Trust.

⁴⁶ 15 U.S.C. 78w(a)(2).

⁴⁷ Letters from FirstEnergy, STA, and CTA.

and 23(a)(2) of the Exchange Act.⁴⁸ The Commission proposed these amendments not only to enhance the Commission's ability to monitor more effectively the transfer agent industry, but to make the Form TA-2 more efficient for both the Commission and transfer agents. Because transfer agents of a similar size and with similar business are required to complete the Form in the same manner, there should be no negative impact on competition.

VI. Final Regulatory Flexibility Analysis

This Final Regulatory Flexibility Analysis ("FRFA") has been prepared in accordance with the provisions of the Regulatory Flexibility Act ("RFA"), as amended by Public Law No. 104-121, 110 Stat. 847, 864 (1996), 5 U.S.C. 604. The FRFA relates to the adoption of the amendments to Rule 17Ac2-2 and Form TA-2 and to the rescission of Rule 17a-24 under the Exchange Act.

An Initial Regulatory Flexibility Analysis (IRFA) summary regarding the proposed amendments to Rule 17Ac2-2 and Form TA-2 and the proposed rescission of Rule 17a-24 appeared in Securities Exchange Act Release No. 41204 (March 23, 1999).

A. Need for and Objectives of Amendments to Rule 17Ac2-2 and Form TA-2 and Rescission of Rule 17a-24

The purpose of the amendments to Rule 17Ac2-2 and Form TA-2 and the rescission of Rule 17a-24 is to allow the Commission to obtain more comprehensive information from transfer agents about their activities while making Form TA-2 clearer and easier for transfer agents to complete. The objectives of the amendments are to: Elicit information regarding transfer agent business activities, such as direct purchase and dividend reinvestment plan accounts, buy-ins, and turnaround time for routine items; obtain more comprehensive lost securityholder information; enhance service company information; eliminate the filing exception; clarify the filing requirements and instructions; conform reporting periods; delete unnecessary questions; and make technical changes.

Prior to being amended, Rule 17Ac2-2 and Form TA-2 required transfer agents to submit information regarding the number of issues for which they provided dividend reinvestment plan services. Because many dividend reinvestment plans can now include, or can be separate from, a direct stock purchase plan, the Commission is now

requesting the number of issues and individual securityholder accounts with dividend reinvestment plans and/or direct stock purchase plans on Form TA-2.

In addition, the Commission is now requiring registrants to report the number of Direct Registration System (DRS) accounts that they maintain for securityholders. Because DRS is relatively new in the securities industry, Form TA-2 did not address transfer agent activity concerning it. By requiring registrants to report their involvement with DRS, the Commission will now be in a better position to monitor this new system in the securities industry.

As amended, Rule 17Ac2-2 and Form TA-2 now require two sections dealing with buy-ins and turnaround time. The first section requires the transfer agent to report the number of quarterly reports that were filed and that should have been filed by the transfer agent with its ARA during the reporting period pursuant to Rule 17Ad-11(c)(2). The second section requires transfer agents to report the number of months during the reporting period in which the transfer agent was not in compliance with the specified turnaround time for routine items pursuant to Rule 17Ad-2. This section also requires transfer agents to report the number of written notices the transfer agent filed and should have filed during the reporting period documenting its noncompliance with turnaround time for routine items pursuant to Rule 17Ad-2. The Commission added these sections to Form TA-2 because the information requested will be helpful to issuers and to the Commission in monitoring overissuance and buy-in activities and compliance with turnaround time by registered transfer agents.

In addition, Form TA-2 now requires a registrant to state whether it had amended Form TA-1 during the reporting period if it was required to do so under existing transfer agent rules.⁴⁹ The Commission believes that the addition of this information in a year-end report will enable the Commission to monitor more comprehensively transfer agent business activities conducted during the course of a year.

Since 1998, registrants using Form TA-2 have been required to submit information regarding the aging of lost securityholder accounts.⁵⁰ Since that time, transfer agent representatives have informed Commission staff that compiling this information is extremely difficult and burdensome and frequently

is impossible. In an effort to simplify the reporting requirements, the Commission proposed to eliminate Rule 17a-24, which required the reporting of information on aged lost securityholder accounts, and to require registrants to report on the number of database searches conducted and the results of such searches, and the number of lost securityholder accounts that were remitted to the states during the reporting period. In response to the near unanimity of comment letters opposing the format and content of the requested information, the Commission decided to further simplify the rule's lost securityholder reporting requirements by requiring registrants to report the dates and number of lost securityholder accounts submitted for each database search, and to report the number of lost securityholder accounts for which a different address was obtained as a result of each search. This information is needed for the Commission to assess the effectiveness of transfer agents' efforts to find lost securityholders. Transfer agents will continue to report on Form TA-2 the number of lost securityholder accounts that were remitted to the states during the reporting period.

An additional component of the amended rule and Form TA-2 enhances the Commission's collection of information about registrants' use of service companies. Before the adoption of the amendments to Rule 17Ac2-2 and Form TA-2, a transfer agent that engaged a service company to perform all of its transfer and processing functions was exempt from filing an annual TA-2 form. This exception had the unintended result of making it difficult for the Commission to determine if a transfer agent was actually engaging a service company or whether the transfer agent was merely neglecting to file the TA-2 form as required by the rule. Therefore, in adopting the new rule, the Commission eliminated the filing exception for transfer agents that engage service companies to perform all of their transfer functions. However, such transfer agents must only complete the first three questions of the TA-2 form.

Additional changes to Rule 17Ac2-2 and Form TA-2 seek to clarify the filing requirements and instructions. Before the amendments, some transfer agents were unsure of whether they were required to file if they withdrew during the filing period. The amended rule now clarifies that if a transfer agent is registered as of December 31, then a Form TA-2 must be filed by March 31 of the following calendar year. Additionally, the pre-amended Form

⁴⁸ See 15 U.S.C. 78w(a)(2).

⁴⁹ 17 CFR 240.17Ac2-1(c).

⁵⁰ 17 CFR 240.17a-24.

TA-2 lacked definitions for several key terms. As amended, Form TA-2 adds several definitions.

Additionally, some technical changes that make reporting more accurate and informative are incorporated into the amended Rule 17Ac2-2 and Form TA-2. These changes include counting investment company securities by CUSIP number instead of by prospectus and using actual numerical figures on Form TA-2 instead of omitting the zeroes at the end. The Commission believes that these changes are necessary to avoid confusion and to obtain a more accurate assessment of the types of securities that are being serviced by transfer agents.

Another change which the Commission made concerns the reporting period for the TA-2 which formerly ran from June 30 to June 29 of the following year. The amended Rule 17Ac2-2 and Form TA-2 change the reporting period to conform with current accounting and tax preparation methods. This will make it easier for transfer agents to use the information contained within their tax and accounting records for purposes of filing Form TA-2.

B. Significant Issues Raised by Public Comments

The Commission requested comment with respect to the Initial Regulatory Flexibility Analysis ("IRFA") that was prepared when the amendments to Rule 17Ac2-2 and form TA-2 were proposed. While no comment letters were received that directly addressed the IRFA, one commenter wrote that the proposed amendments do not pose significant modifications to procedures or systems.⁵¹

C. Description and Estimate of the Number of Small Entities Subject to the Amendments

The amended rule and form will affect transfer agents that are small entities pursuant to Rule 0-10(h) under the Exchange Act.⁵² Rule 0-10(h) defines the term "small business" or "small organization" to include any transfer agent that: (1) 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); (2) 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); (3) only transferred items of issuers with total assets of \$5 million or less; and (4) is not affiliated with any person (other than a natural person) that is not a small business or small organization under Rule 0-10.

When the Commission adopted the new definition of "small entity" with respect to transfer agents in 1998, the Commission estimated that approximately 180 registered transfer agents would qualify as small entities under Rule 0-10. Since that time, the total number of registered transfer agents has fallen. As a result, the Commission is revising its estimate of registered transfer agents that would qualify as small entities under Rule 0-10 from 180 to 163. As a result of the new rule, the Commission now estimates that 163 small entities would be subject to the requirements of the proposed amendments to Rule 17Ac2-2 and Form TA-2.

The amendments to Rule 17Ac2-2 provide that a registered transfer agent that received fewer than 1,000 items for transfer in the twelve months ending December 31, and did not maintain master securityholder files for more than 1,000 individual securityholder accounts as of December 31, would have to complete only a portion of Form TA-2. Therefore, all "small entities" as defined by Rule 0-10 would continue to have reduced reporting requirements under the proposal.

In addition, the proposed amendments will impose different reporting and compliance requirements on certain transfer agents because it eliminates the filing exception for named transfer agents using service companies and requires every registered transfer agent to file Form TA-2 annually. The Commission estimates that the incremental annual burden on all "small entities" will be approximately 73 hours and \$2,300.⁵³

⁵³ The FRFA arrives at this estimate, which is different than the IRFA estimate, by using the latest available transfer agent data. The IRFA, using the data available at that time, estimated that the total burden to 180 small entity transfer agents would be 81 hours ($180 \times .45$) at a cost of \$2,552 ($\31.5×81 hours). The FRFA, with a revised figure of 163 small entity transfer agents, calculate the following burden: $163 \times .45 = 73$ hours; and $\$31.5 \times 73$ hours = \$2,300.

D. Description of Steps Taken to Minimize the Economic Impact on Small Entities

The RFA directs the Commission to consider significant alternatives to the amendments to Rule 17Ac2-2 and Form TA-2 that would accomplish the stated objectives while minimizing any significant adverse economic impact on small entities. Such alternatives include: (1) The establishment of differing compliance or reporting requirements or timetables that take into account the resources of small entities; (2) the clarification, consolidation, or simplification of compliance and reporting requirements under the proposed amendments for small entities; (3) the use of performance rather than design standards; and (4) an exception from coverage of the rule or any part thereof for small entities.

Taking into account the burden that would be imposed on small transfer agents, the Commission proposed that transfer agents that meet the definition of a "small entity" still be required to respond to only a portion of Form TA-2. Accordingly, the Commission has determined that it is not feasible to further clarify, consolidate, or simplify the rule for "small entities" beyond its current form. The Commission also believes that it would be inconsistent with the purpose of the Exchange Act to exempt "small entities" from the proposed amendments or to use performance standards to specify different requirements for small entities. Therefore, as adopted, the rule will not have an additional significant economic impact on a substantial number of small entities.

E. Description of the Projected Reporting, Recordkeeping, and Other Compliance Requirements

The amendments to Rule 17Ac2-2 and Form TA-2 will not result in any significant additional costs to transfer agents. The majority of information required by Form TA-2 is available in the internal files of the transfer agents, and a large portion of the information is already required by the Commission to be calculated or maintained.

The primary cost associated with the rule and Form TA-2 is the time that it will take transfer agent personnel to complete the form and file it with the Commission. The Commission estimates that because there is no increase in complexity to Form TA-2, there will be no increase in costs imposed on transfer agents over the amount previously spent in complying with Rule 17Ac2-2 and Form TA-2. The amount of time needed to comply with the requirements of

⁵¹ See letter from Bankers Trust. In addition, the Bankers Trust letter indicated that the proposed changes regarding the lost securityholder accounts would cost Bankers Trust a total of forty person-hours and \$6,260 to comply with the rule. However, as the Commission had decided to significantly simplify the reporting requirements for lost securityholder account searches, the Commission believes that the Bankers Trust cost estimate will be greatly reduced.

⁵² 17 CFR 240.0-10(h). The Commission recently amended this definition. Securities Exchange Commission Release No. 33-7548, 34-40122, IC-23272, and IA-1727 (June 24, 1998), 63 FR 35508.

amended Rule 17Ac2-2 and Form TA-2 would vary depending on a particular transfer agent's activity. There are approximately 1093 registered transfer agents.⁵⁴ Of this number, approximately 270 registrants would be required to complete only Questions 1 through 3 and the signature section of amended Form TA-2. Based on their low volume of transfer business and number of shareholder accounts, approximately 371 registrants would be required to answer only Questions 1 through 5, 11, and the signature section. The remaining registrants, approximately 452, would be required to complete the entire Form TA-2.

Additionally, in order to comply with the rule, transfer agents will make minor modifications to computer systems to report all items for the twelve months ending December 31, instead of the previous six month reporting cycle. The Commission estimates that this likely would require a simple, one-time change to database reporting functions and would have a negligible cost on transfer agents. The only commenter who directly addressed the Commission's request for information regarding this cost agreed with the Commission's assessment and wrote that the proposed amendments to Rule 17Ac2-2 and Form TA-2 do not pose significant modifications to procedures or systems.⁵⁵

VII. Statutory Basis

Pursuant to the Exchange Act and particularly Sections 3(f), 17, 17A, and 23(a) thereof, 15 U.S.C. 78q, 78q-1, and 78w(a), the Commission is adopting amendments to § 240.17Ac2-2 and Form TA-2 (referenced in 17 CFR 249b.102) of Chapter II of Title 17 of the *Code of Federal Regulations* in the manner set forth below.

List of Subjects in 17 CFR Parts 240 and 249b

Reporting and recordkeeping requirements, Securities.

Text of Amendment

In accordance with the foregoing, Title 17, Chapter II of the *Code of Federal Regulations* is 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, 77eee, 77ggg, 77nnn, 77sss, 77ttt, 78c, 78d, 78f, 78i, 78j, 78j-1, 78k, 78k-1, 78l, 78m, 78n, 78o, 78p, 78q, 78s, 78u-5, 78w, 78x, 78ll(d), 77mm, 79q, 79t, 80a-20, 80a-23, 80a-29, 80a-37, 80b-3, 80b-4 and 80b-11, unless otherwise noted.

* * * * *

§ 240.17a-24 [Removed]

2. Section 240.17a-24 is removed.

3. Section 240.17Ac2-2 is revised 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.

(1) A registered transfer agent that received fewer than 1,000 items for transfer in the reporting period and that did not maintain master securityholder files for more than 1,000 individual securityholder accounts as of December 31 of the reporting period must complete Questions 1 through 5, 11, and the signature section of Form TA-2.

(2) A named transfer agent that engaged a service company to perform all of its transfer agent functions during the reporting period must complete Questions 1 through 3 and the signature section of Form TA-2.

(3) A named transfer agent that engaged a service company to perform some but not all of its transfer agent functions during the reporting period must complete all of Form TA-2 but should enter zero (0) for those questions that relate to transfer agent functions performed by the service company on behalf of the named transfer agent.

(b) For purposes of this section, the term *reporting period* shall mean the calendar year ending December 31 for which Form TA-2 is being filed. The term *named transfer agent* shall have the same meaning as defined in § 240.17Ad-9(j). The term *service company* shall have the same meaning as defined in § 240.17Ad-9(k).

(c) As a transition measure, transfer agents' next required Form TA-2 filing will be on March 31, 2001, which will cover their activities during calendar Year 2000. This will eliminate the filing for the period ending June 30, 2000, which would have been due on August 31, 2000.

PART 249b—FURTHER FORMS, SECURITIES EXCHANGE ACT OF 1934

4. The authority citation for Part 249b continues to read in part as follows:

Authority: 15 U.S.C. 78a *et seq.*, unless otherwise noted;

* * * * *

§ 249b.1202 [Amended]

5. Form TA-2 (referenced in § 249b.102) is revised to read as set forth in the attached appendix.

Note: Form TA-2 is attached as an Appendix.)

Dated: June 2, 2000.

By the Commission.

Margaret H. McFarland,
Deputy Secretary.

Note: This Appendix to the Preamble will not appear in the Code of Federal Regulations.

United States Securities and Exchange Commission Washington, D.C. 20549

Instructions for Use of Form TA-2

Form TA-2 is to be used by transfer agents registered pursuant to Section 17A of the Securities Exchange Act of 1934 for the annual report of transfer agent activities.

Attention: Certain sections of the Securities Exchange Act of 1934 applicable to transfer agents are referenced below. Transfer agents are urged to review all applicable provisions of the Securities Exchange Act of 1934, the Securities Act of 1933, and the Investment Company Act of 1940, as well as the applicable rules promulgated by the SEC under those Acts.

I. General Instructions for Filing and Amending Form TA-2

A. *Terms and Abbreviations.* The following terms and abbreviations are used throughout these instructions:

1. "Act" means the Securities Exchange Act of 1934, 15 U.S.C. 78a *et seq.*

2. "Aged record difference," as defined in Rule 17Ad-11(a)(2), 17 CFR 240.17Ad-11(a)(2), means a record difference that has existed for more than 30 calendar days.

3. "ARA" means the appropriate regulatory agency, as defined in Section 3(a)(34)(B) of the Act, 15 U.S.C. 78c(a)(34)(B).

4. "Direct Registration System" means the system, as administered by The Depository Trust Company, that allows investors to hold their securities in electronic book-entry form directly on the books of the issuer or its transfer agent.

5. "Form TA-2" includes the Form TA-2 itself and any attachments.

6. "Lost securityholder," as defined in Rule 17Ad-17, 17 CFR 240.17Ad-17, means a securityholder: (i) to whom an item of correspondence that was sent to

⁵⁴ This figure is different than the figure put forth in the proposing release because data available since publication of the proposing release has shown a decrease in the number of registered transfer agents.

⁵⁵ Letter from Bankers Trust.

the securityholder at the address contained in the transfer agent's master securityholder file has been returned as undeliverable; provided, however, that if such item is re-sent within one month to the lost securityholder, the transfer agent may deem the securityholder to be a lost securityholder as of the day the re-sent item is returned as undeliverable; and (ii) for whom the transfer agent has not received information regarding the securityholder's new address.

7. "Named transfer agent" is defined in Rule 17Ad-9(j), 17 CFR 240.17Ad-9(j), and means a registered transfer agent that has been engaged by an issuer to perform transfer agent functions for an issue of securities but has engaged a service company (another registered transfer agent) to perform some or all of those functions.

8. "Record difference" means any of the imbalances described in Rule 17Ad-9(g), 17 CFR 240.17Ad-9(g).

9. "Registrant" means the transfer agent on whose behalf the Form TA-2 is filed.

10. "Reporting period" means the calendar year ending December 31 of the year for which Form TA-2 is being filed.

11. "SEC" means the United States Securities and Exchange Commission.

12. "Service company" is defined in Rule 17Ad-9(k), 17 CFR 240.17Ad-9(k), and means the registered transfer agent engaged by a named transfer agent to perform transfer agent functions for that named transfer agent.

13. "Transfer agent" is defined in Section 3(a)(25) of the Act, 15 U.S.C. 78c(a)(25), and means any person who engages on behalf of an issuer of securities or on behalf of itself as an issuer in at least one of the functions enumerated therein.

B. Who Must File; When to File.

1. Every transfer agent that is registered on December 31 must file Form TA-2 in accordance with the instructions contained therein by the following March 31.

a. A registered transfer agent that received fewer than 1,000 items for transfer during the reporting period and that did not maintain master securityholder files for more than 1,000 individual securityholder accounts as of December 31 of the reporting period is required to complete Questions 1 through 5, 11, and the signature section of Form TA-2.

b. A named transfer agent that engaged a service company to perform all of its transfer agent functions during the reporting period is required to complete Questions 1 through 3 and the signature section of Form TA-2.

c. A named transfer agent that engaged a service company to perform some but not all of its transfer agent functions during the reporting period must complete all of Form TA-2 but should enter zero (0) for those questions that relate to functions performed by the service company on behalf of the named transfer agent.

2. The date on which any filing is actually received by the SEC is the Registrant's filing date provided that the filing complies with all applicable requirements. The SEC may reject a filing that does not comply with applicable requirements. The SEC's receipt of a filing, however, shall not constitute a finding that the filing has been filed as required or that the information therein is accurate, current, or complete.

C. *Number of Copies; How and Where to File.* The Registrant must file the original and two copies of Form TA-2 with the SEC. The original copy of Form TA-2 must be manually signed and any additional copies may be photocopies of the signed original copy. All copies must be legible and on good quality 8½ × 11 inch white paper. The Registrant must keep an exact copy of any filing in its records. (For recordkeeping rules see 17 CFR 240.17Ad-6 and 7).

The Registrant must file Form TA-2 directly with the SEC at: Securities and Exchange Commission, 450 5th Street, N.W., Washington, DC 20549-0013.

II. Special Instructions for Filing Form TA-2

A. Indicate the calendar year for which Form TA-2 is filed in the box at the upper left hand corner. A transfer agent registered on December 31 shall file Form TA-2 by the following March 31 even if the transfer agent conducted business for less than the entire reporting period.

B. In answering Question 4, indicate the number of items received for transfer during the reporting period. Omit the purchase and redemption of open-end investment company shares. Report those items in response to Question 10.

C. In answering Questions 5 and 6, include closed-end investment company securities in the corporate equity securities category.

In answering Question 5.a, include Direct Registration System, dividend reinvestment plan and/or direct purchase plan accounts in the total number of individual securityholder accounts maintained. In Question 5.b., include dividend reinvestment plan and/or direct purchase plan accounts only. In Question 5.c., include Direct Registration System accounts only. In

Question 5.d., include American Depositary Receipts (ADRs) in the corporate equity or corporate debt category, as appropriate, and include dividend reinvestment plan and/or direct purchase plan accounts in the corporate equity or open-end investment company securities category.

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.

D. In answering Question 7.c., exclude coupon payments and transfers of record ownership as a result of corporate actions.

E. In answering Question 10, exclude non-value transactions such as name or address changes.

F. In answering Question 11.b., include only those accounts held by securityholders that are defined as lost by Rule 17Ad-17 when the underlying securities (*i.e.*, not just dividends and interest) have been remitted to the states.

III. Federal Information Law and Requirements

SEC's Collection of Information: An Agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number. Under Sections 17, 17A(c) and 23(a) of the Act and the rules and regulations thereunder, the SEC is authorized to solicit from registered transfer agents the information required to be supplied on Form TA-2. The filing of this Form is mandatory for all registered transfer agents. The information will be used for the principal purpose of regulating registered transfer agents but may be used for all routine uses of the SEC or of the ARAs. Information supplied on this Form will be included routinely in the public files of the ARAs and will be available for inspection by any interested person. Any member of the public may direct to the SEC any comments concerning the accuracy of the burden estimate on the application facing page of this Form, and any suggestions for reducing this burden. The Office of Management and Budget has reviewed this collection of information in accordance with the clearance requirements of 44 U.S.C. 3507. The applicable Privacy Act system of records is SEC-2. Form TA-2 is subject to the routine uses set forth at 40 FR 39255 (Aug. 27, 1975) and 41 FR 5318 (Feb. 5, 1976).

File Number:	OMB Approval
For the reporting period ended December 31	OMB Number: 3235-0337. Expires: June 30, 2002. Estimated average burden hours per full response: 6.00. Estimated average burden hours per intermediate response: 1.50. Estimated average burden hours per minimum response: .50.

United States Securities and Exchange Commission, Washington, D.C. 20549

Form TA-2—Form for Reporting Activities of Transfer Agents Registered Pursuant to Section 17A of the Securities Exchange Act of 1934

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a)

1. Full name of Registrant as stated in Question 3 of Form TA-1: (Do not use Form TA-2 to change name or address.)

2. a. During the reporting period, has the Registrant engaged a service company to perform any of its transfer agent functions? (Check appropriate box.)

☐ All ☐ Some ☐ None

b. If the answer to subsection (a) is all or some, provide the name(s) and transfer agent file number(s) of all service company(ies) engaged.

Name:	File No. (beginning with 84- or 85-):

c. During the reporting period, has the Registrant been engaged as a service company by a named transfer agent to perform transfer agent functions?

☐ Yes ☐ No

d. If the answer to subsection (c) is yes, provide the name(s) and file number(s) of the named transfer agent(s)

for which the Registrant has been engaged as a service company to perform transfer agent functions: (If

more room is required, please complete and attach the Supplement to Form TA-2.)

Name:	File No. (beginning with 84- or 85-):

3. a. Registrant's appropriate regulatory agency. (Check one box only.)

- ☐ Comptroller of the Currency
☐ Federal Deposit Insurance Corporation
☐ Board of Governors of the Federal Reserve System
☐ Securities and Exchange Commission

b. During the reporting period, has the Registrant amended Form TA-1 within 60 calendar days following the date on which information reported therein became inaccurate, incomplete, or misleading? (Check appropriate box.)

- ☐ Yes, filed amendment(s)
☐ No, failed to file amendment(s)
☐ Not applicable

c. If the answer to subsection (b) is no, provide an explanation.

If the response to any of questions 4-11 below is none or zero, enter "0."

4. Number of items received for transfer during the reporting period
5. a. Total number of individual securityholder accounts, including accounts in the Direct Registration System (DRS), dividend reinvestment plans and/or direct purchase plans as of December 31
- b. Number of individual securityholder dividend reinvestment plan and/or direct purchase plan accounts as of December 31
- c. Number of individual securityholder DRS accounts as of December 31
- d. Approximate percentage of individual securityholder accounts from subsection (a) in the following categories as of December 31

Corporate equity securities	Corporate debt securities	Open-end investment company securities	Limited partnership securities	Municipal debt securities	Other securities

6. Number of securities issues for which Registrant acted in the following capacities, as of December 31:

	Corporate equity & debt securities		Open-end investment company securities	Limited partnership securities	Municipal debt securities	Other securities
	Equity	Debt				
a. Receives items for transfer and maintains the master securityholder files						
b. Receives items for transfer but does not maintain the master securityholder files						
c. Does not receive items for transfer but maintains the master securityholder files						

7. Scope of certain additional types of activities performed:

- a. Number of issues for which dividend reinvestment plan and/or direct purchase plan services were provided, as of December 31
- b. Number of issues for which DRS services were provided, as of December 31
- c. Dividend disbursement and interest paying agent activities conducted during the reporting period: .
- i. number of issues
- ii. amount (in dollars)

8. a. Number and aggregate market value of securities aged record differences, existing for more than 30 days, as of December 31:

	Prior transfer agent (If applicable)	Current transfer agent
i. Number of issues
ii. Market value (in dollars)

- b. Number of quarterly reports regarding buy-ins filed by the Registrant with its ARA (including the SEC) during the reporting period pursuant to Rule 17Ad-11(c)(2)
- c. During the reporting period, did the Registrant file all quarterly reports regarding buy-ins with its ARA (including the SEC) required by Rule 17Ad-11(c)(2)?

☐ Yes ☐ No

- d. If the answers to subsection (c) is no, provide an explanation for each failure to file.

9. a. During the reporting period, has the Registrant always been in compliance with the turnaround time for routine items as set forth in Rule 17Ad-2?

If the answer to subsection (a) is no, complete subsections (i) through (ii).

- ii. Provide the number of written notices Registrant filed during the reporting period with the SEC and with its ARA that reported its noncompliance with turnaround time for routine items according to Rule 17Ad-2

a. Total number of transactions processed:

b. Number of transactions processed on a date other than date of receipt of order (“as ofs”):

Date of database search	Number of lost securityholder accounts submitted for database search	Number of different addresses obtained from database search

b. Number of lost securityholder accounts that have been remitted to states during the reporting period

SIGNATURE: The Registrant submitting this Form, and the person signing the Form, hereby represent that all the information contained in the Form is true, correct, and complete.

Manual signature of Official responsible for Form	Title: Telephone number:
Name of Official responsible for Form: (First name, Middle name, Last name)	Date signed (Month/Day/Year):
File Number	Supplement to Form TA-2
For the reporting period ended December 31,———	Full Name of Registrant

Use this schedule to provide the name(s) and file number(s) of the named transfer agent(s) for which the Registrant has been engaged as a service company to perform transfer agent functions:

[illegible]

