

## SUPPORTING STATEMENT

### Rule 17Ac2-2; Form TA-2

#### A. Justification

##### 1. Necessity for Information Collection

Pursuant to Section 17A(d)(3)(B) of the Securities Act of 1934, the Commission is afforded broad regulatory authority to make rules and enforce compliance in the securities processing area. In the past, the Commission used Form TA-1 as the singular registration device for transfer agents. However, on the basis of several years of experience in the regulation and examination of transfer agents, the Commission determined that a one-time registration application, irrespective of its breadth, does not provide the Commission with sufficient information on an ongoing basis about the transfer agent community. Therefore, the Commission adopted Rule 17Ac2-2, which requires all transfer agents, regardless of their appropriate regulatory agency, to file an annual report of their business activities on Form TA-2.

##### 2. Purpose of and Consequences of Not Requiring the Information Collection

The information is required to effectively monitor and report the annual business activities of transfer agents. Without this information, transfer agents would perform transfer agent duties free from annual regulation by any regulatory agency.

##### 3. Role of Improved Information Technology and Obstacles to Reducing Burden

Beginning in 2007, all registered transfer agents will be required to file Form TA-2 on the Commission's EDGAR database. The Commission's electronic filing system, called EDGAR, for Electronic Data Gathering, Analysis & Retrieval, is designed to automate the filing, processing and dissemination of full disclosure filings. EDGAR, which began operation on September 24, 1984, permits publicly-held companies to transmit their filings to the Commission directly over telephone lines or an internet connection. The Commission developed a functionality, EDGARLite, which uses a commercial off-the-shelf software program, MS InfoPath, to support the filing of small, structured forms such as the transfer agent forms, at a low cost to both filers and the Commission.

##### 4. Efforts to Identify Duplication

Not applicable, insofar as transfer agents are required to register with only one regulatory agency.

##### 5. Effect on Small Entities

The rule does not disproportionately affect small entities. Transfer agents that meet the definition of a small entity pursuant to Rule 0-10 are only required to fill out a partial Form TA-2. 17 CFR 240.0-10. The form was designed to be minimally burdensome while obtaining the necessary information. The electronic filing requirement was designed to be as cost effective as possible so small entities would not be unduly burdened.

6. Consequences of Less Frequent Collection

Rule 17Ac2-2 requires transfer agents to file Form TA-2 on an annual basis. If the information were reported less frequently, the Commission would be unable to accurately target transfer agents for examinations. Further, the Commission's information with respect to transfer agents would be outdated, which would negatively impact the Commission's ability to review the rules relating to transfer agents on an ongoing basis.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

The collection is not inconsistent with 5 CFR 1320.5(d)(2).

8. Consultations Outside the Agency

With regard to Rule 17Ac2-2 and Form TA-2, the Commission consistently has consulted with persons outside the agency. The rule was published for public comment and the Commission commonly consults with other regulatory agencies that have indirect or direct regulatory authority over the persons or entities affected by Rule 17Ac2-2.

The Commission received one written comment during the previous comment period regarding the burden of collection of this information. The commenter suggested that the Commission change the reporting period of question number 4 of Form TA-2, which requests the total number of items received for transfer, from one year to six months to match the applicable period for determination of an exempt transfer agent under rule 17Ad-4. The Commission is currently taking the suggestion into consideration.

For the electronic filing requirement, the Commission consulted an independent software contractor to determine the most cost-efficient software program that would best suit the system requirements for the new filing system.

9. Payment or Gift to Respondents

Not applicable; no payment or gift will be made to respondents.

10. Assurances of Confidentiality

Completed transfer agent annual reports are public information, and therefore, no assurances of confidentiality may be given.

11. Sensitive Questions

No questions of a sensitive nature are asked.

12. Estimate of Respondent Reporting Burden

The amount of time needed to comply with the requirements of amended Rule 17Ac2-2 and Form TA-2 varies. From the total 786 registered transfer agents, approximately 197 registrants would be required to complete only Questions 1 through 4 and the signature section of amended Form TA-2, which the Commission estimates would take each registrant about 30 minutes, for a total burden of 99 hours (197 x .5 hours). Approximately 262 registrants would be required to answer Questions 1 through 5, 10, and 11 and the signature section, which the Commission estimates would take about 1 hour and 30 minutes, for a total of 393 hours (262 x 1.5 hours). The remaining registrants, approximately 327, would be required to complete the entire Form TA-2, which the Commission estimates would take about 6 hours, for a total of 1,962 hours (327 x 6 hours). The Commission estimates that the total burden would be 2,454 hours (99 hours + 393 hours + 1,962 hours).

13. Estimate of Total Annualized Cost Burden

The Commission's staff estimates that the total cost of preparing and filing the information reported on the Form TA-2 for respondents is \$31.50 per hour. The Commission estimates that the total cost would be \$77,301.00 annually (\$31.50 x 2,454).

In order to create forms on EDGARLite and to submit forms to EDGAR, filers will be required to have a personal computer, internet access, and MS InfoPath™ software. Many transfer agents currently file electronically in EDGAR in some capacity and the Commission believes that as part of their business operations, almost all registered transfer agents have personal computers and that many have access to the internet. The cost of the MS InfoPath™ software is approximately \$200. Transfer agents that are registered with an appropriate regulatory authority other than the Commission will incur this cost the first time they file a Form TA-2 electronically. Accordingly, we estimate that the proposal would cause a cost to each transfer agent of a maximum of \$200 in the initial year only (however, if the transfer agent has already purchased Microsoft Office 2000 Professional Enterprise Edition™ it will not need to purchase MS InfoPath.™. Further, if a transfer agent could demonstrate that the electronic filing requirement would cause it undue burden or expense, the Commission could grant it a continuing hardship exemption from the electronic filing requirement pursuant to Rule 202 of Regulation S-T). There are currently 266 transfer agents that are registered with an ARA other than the Commission, for a total start-up cost of \$53,200.

14. Estimate of Cost to the Federal Government

Cost to the federal government results from appropriate regulatory agency staff time and related overhead cost devoted to assuring compliance by transfer agents with the requirements of the rules. The staff estimates that approximately 50 hours of staff time per year will be devoted to assuring that transfer agents comply with the rule, at a cost of \$30 per hour for a total cost of \$1,500 per year. This estimate has been computed according to the guidelines set forth in GSA Guide to Estimating Reporting Cost (1973).

15. Explanation of Changes in Burden

The Commission has changed the estimated burden to reflect its proposal to require transfer agents to file electronically on EDGAR. The Commission developed a special functionality for EDGAR, EDGARLite, to make the filing of small, structured forms, such as the transfer agent forms, as easy as possible for filers. However, filers will have to become familiar with EDGAR filing, the EDGARLite functionality, and many will need to purchase software to use EDGARLite. We recognize that this increases the burden of filing to transfer agents and we have increased the estimates accordingly.

16. Information Collection Planned for Statistical Purposes

Not applicable; the information will not be used for statistical purposes.

17. Explanation as to Why Expiration Date Will Not be Displayed

Not applicable.

18. Exceptions to Certification

Not applicable.

B. Collection of Information Employing Statistical Methods

The collection of information does not employ statistical methods, nor would the implementation of such methods reduce the burden or improve accuracy of results.