

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
“Rule 17Ac2-2 and Form TA-2”

A. Justification

1. Necessity for Information Collection

As a result of the paperwork crisis that occurred in the late 1960s, during which the number of securities transactions exceeded the securities industry's capacity to process those transactions, Congress enacted the Securities Acts Amendments of 1975.¹ In order to establish a national system for the prompt and accurate clearance and settlement of securities transactions, Congress provided for a scheme of regulation with respect to the business of being a transfer agent. Those amendments to the Securities Exchange Act of 1934 (“Exchange Act”) require transfer agents to meet minimum standards, as established by the Commission, in furtherance of the purposes of the Exchange Act and generally, to protect investors.

Transfer agents play an integral role in the national system for the clearance and settlement of securities transactions. Transfer agents cancel certificates presented for transfer, issue new certificates to the transferee and record the change of record ownership of securities on the issuer’s securityholder records. They also prepare, maintain and certify securityholder records, disburse dividend and interest payments and mail security-owner communications such as proxy material and annual reports to shareholders.

To the extent transfer agents fail to perform their activities promptly, accurately and safely, the entire clearance, settlement and transfer process suffers. Moreover, substandard performance by transfer agents can affect the accuracy of an issuer's securityholder records and interrupt the channels of communication between issuers and securityholders. Thus, substandard performance by transfer agents can adversely affect issuers, broker-dealers, banks, other financial intermediaries, the investing public and the securities markets.

Pursuant to Section 17A(d)(3)(B) of the Exchange Act, 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.

¹ Pub. L. No. 94-29, 89 Stat. 97 (June 4, 1975).

2. Purpose and Use of 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. Consideration Given to Information Technology

An electronic filing and tracking system for transfer agent filings was implemented in January 2007. The filing system increases efficiencies with respect to receipt and retention of the forms, reduces filer error in completing the forms, and promotes the public dissemination of the forms through the Commission's website.

4. Duplication

Not applicable, because transfer agents file Form TA-2 only with the Commission.

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. In addition, the Commission can grant an exemption from electronic filing for those transfer agents for which it would be an undue burden or expense.

6. Consequences of Not Conducting Collection

Rule 17Ac2-2 requires transfer agents to file Form TA-2 on an annual basis. Without this information, transfer agents would perform transfer agent duties free from annual regulation by any regulatory agency. If the information were not reported, 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.

Less frequent reporting under the Rules would allow transfer agents experiencing operational difficulty to continue operating in such a manner, with a potential for further operational deterioration without informing the appropriate regulatory agencies. Such a situation would greatly increase risks to public investors and to the national system for clearance and settlement of securities transactions.

7. Inconsistencies with Guidelines in 5 CFR 1320.8(d)

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.5(d).

8. Consultations Outside the Agency

The required Federal Register notice with a 60-day comment period soliciting comments on this collection of information was published. No public comments were received.

9. Payment or Gift to Respondents

There were no payments or gifts to respondents.

10. Confidentiality

Completed transfer agent annual reports are public information, and therefore, not confidential.

11. Sensitive Questions

No questions of a sensitive nature are asked.

12. Burden of Information Collection

The amount of time needed to comply with the reporting requirements of amended Rule 17Ac2-2 and Form TA-2 varies. From the total 473 registered transfer agents, approximately 30 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 15 hours (30 x .5 hours). Approximately 111 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 166.5 hours (111 x 1.5 hours). The remaining registrants, approximately 332, would be required to complete the entire Form TA-2, which the Commission estimates would take about 6 hours, for a total of 1,992 hours (332 x 6 hours). The aggregate annual burden on all 473 transfer agents registered with the Commission as of January 1, 2012, is thus approximately 2,174 hours (15 hours + 166.5 hours + 1,992 hours). The Commission's staff estimates that the total cost of preparing and filing the information reported on the Form TA-2 for respondents is \$41.50 per hour. The Commission estimates that the total cost would be \$90,221 annually (\$41.50 x 2,174). This is, however, solely a monetization of the hour burden reflecting the cost of internal labor only. It is not a cost burden.

13. Costs to Respondents

Not applicable.

a. It is not anticipated that respondents will incur any capital and start-up costs to comply with the rule and form requirements.

b. It is not anticipated that respondents will incur any additional operational or maintenance costs (other than provided for in Item number 12 above) to comply with the rule and form requirements.

14. 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. Changes in Burden

The total annual cost burden has been reduced from \$121,304.50 to \$0.00 to correct a previous miscalculation and reflect the fact that there are no outside labor or maintenance costs to respondents. The total annual hourly burden has been reduced from 2,923 hours to 2,174 hours to reflect the decrease in the number of transfer agents that are registered with the Commission.

16. Information Collection Planned for Statistical Purposes

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

17. Display of OMB Approval Date

We request authorization to omit the expiration date on the online version of the form for design and IT project scheduling reasons. The OMB control number will be displayed.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. Collection of Information Employing Statistical Methods

This collection does not involve statistical methods.