

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 17Ad-4(b) and (c)

A. Justification

(1) Necessity of Information Collection

To facilitate the establishment of a national clearance and settlement system for securities transactions, Congress authorized the Securities and Exchange Commission (“Commission”) to establish a regulatory scheme for transfer agents under the Securities Exchange Act of 1934 (the “Act”). Pursuant to this authority, the Commission promulgated rules that require registered transfer agents to meet minimum performance and recordkeeping standards designed to protect investors and facilitate securities transfers. Because a significant number of registered transfer agents perform transfer functions for a relatively small number of securities issues or because of the limited trading volume in those issues, the Commission concluded that these transfer agents should be able to claim relief from many of the Commission’s transfer agent rules.

If the Commission or the Office of the Comptroller of the Currency (“OCC”) is the appropriate regulatory authority (“ARA”) for an exempt transfer agent, that transfer agent is required to prepare and maintain in its possession a notice certifying that it is exempt from certain performance standards and recordkeeping and record retention provisions of the Commission’s transfer agent rules. This notice need not be filed with the Commission or OCC. If the Board of Governors of the Federal Reserve System (“Fed”) or the Federal Deposit Insurance Corporation (“FDIC”) is the transfer agent’s ARA, that transfer agent must prepare a notice and file it with the Fed or FDIC.

Rule 17Ad-4(c) sets forth the conditions under which a registered transfer agent loses its exempt status. Once the conditions for exemption no longer exist and if the ARA for the transfer agent is the Fed or the FDIC, the transfer agent must prepare and file a notice of loss of exempt status under paragraph (c). The transfer agent cannot claim exempt status under Rule 17Ad-4(b) again until it remains subject to the minimum performance standards for non-exempt transfer agents for six consecutive months.

The ARAs use the information contained in the notice to determine whether a registered transfer agent qualifies for the exemption, to determine when a registered transfer agent no longer qualifies for the exemption, and to determine the extent to which that transfer agent is subject to regulation.

(2) Purpose and Use of the Information Collection

The ARAs would be unable to effectively monitor transfer agent compliance with the Commission’s transfer agent rules if agents claiming exemptions from certain performance standards and recordkeeping and record retention provisions did not prepare and file these notices.

(3) Consideration Given to Information Technology

Not applicable.

(4) Duplication

There are no duplicative requirements.

(5) Effect on Small Entities

Rule 17Ad-4(b) exempts small entity transfer agents from compliance with the performance standards and recordkeeping and record retention requirements that other transfer agents are subject to. The collection of information concerning the number of items received for transfer and processing for the preceding six months creates a minimal burden that is outweighed by the exemption from the detailed recordkeeping and record retention provisions that other transfer agents must comply with.

(6) Consequences of Not Conducting Collection

Since the notice of exempt status or loss of exempt status must be prepared and filed in some cases only at the time exempt status is attained or lost, the information collected could not be conducted less frequently.

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

The collection of information upon which the preparation, and filing where appropriate, of a notice of exempt status or loss of exempt status is conducted in a manner consistent with the guidelines in 5 CFR 1320.5(d)(2).

(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. In addition, the Commission's staff periodically discusses matters affecting transfer agent regulation with the FDIC, OCC, and the Fed.

(9) Payment or Gift

Not applicable.

(10) Confidentiality

No assurance of confidentiality is provided.

(11) Sensitive Questions

No questions of a sensitive nature are asked.

(12) Burden of Information Collection

The Fed receives approximately 2 notices of exempt status and 2 notices of loss of exempt status annually. The FDIC also receives approximately 2 notices of exempt status and 2 notices of loss of exempt status annually. The Commission and OCC currently do not require transfer agents to file notice of exempt status or loss of exempt status. Instead, transfer agents whose ARA is the Commission or OCC need only to prepare and maintain these notices. The Commission estimates that approximately 10 notices of exempt status and 10 notices of loss of exempt status are prepared annually by transfer agents whose ARA is the Commission. We estimate that transfer agents that have the OCC as their ARA prepare and maintain approximately 5 notices of exempt status and 5 notices of loss of exempt status annually. Thus, a total of approximately 38 notices of exempt status and loss of exempt status are prepared and maintained by transfer agents annually.

Respondents spend a minimal amount of time preparing notices of exempt status or loss of exempt status. In view of the readily available nature of the information required to be stated in the notice (because the information must be compiled and retained pursuant to other Commission rules), the summary fashion in which such information must be presented in the notice (most notices are one page or less in length), and the experience of the transfer agent staff regarding these notices, the Commission estimates that most notices require approximately one-half hour to prepare. Therefore, the Commission estimates the annual burden to be 19 hours (38 respondents times one-half hour). We estimate the average cost per hour to be \$30.00. Therefore, the total cost of compliance for respondents is approximately \$570 annually.

(13) Costs to Respondents

It is not anticipated that respondents will have to incur any capital and start up cost to comply with the rule, and the only additional operational or maintenance costs respondents will have to bear would be limited to postage, which would be minimal.

(14) Costs to Federal Government

The costs to the Federal Government associated with Rule 17Ad-4(b) & (c) are minimal. The rule requires that transfer agents maintain notices of exempt status and, if the transfer agent's ARA is the Fed or FDIC, file that notice of exempt status or loss of exempt status with the Fed or FDIC. The Commission and other ARAs review these records during the course of examining and monitoring the operation of transfer agents. The time necessary to review these notices, whether they have been filed with the FDIC or the Fed or during an inspection is one-half hour. The annual cost to the Commission and other ARAs is approximately \$1,000.

(15) Changes in Burden

The \$570.00 change in the annual cost burden is due to the incorrect monetization of the time burden in the last ICR submission.

(16) Information Collection Planned for Statistical Purposes

Not applicable. The information collection is not used for statistical purposes.

(17) Approval to Display OMB Expiration Date

The Commission is not seeking approval from OMB.

(18) Exceptions to Certification

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.