

# **PAPERWORK REDUCTION ACT SUBMISSION**

## **SUPPORTING STATEMENT for the Paperwork Reduction Act Information Collection Submission for Rule 17Ac2-1 and Form TA-1**

This submission is being made pursuant to the Paperwork Reduction Act of 1995, 44 U.S.C. Section 3501 et seq.

### **A. JUSTIFICATION**

#### **1. Necessity of Information Collection**

Subsection (c)(1) of Section 17A of the Securities Exchange Act of 1934 (“Act”) provides in essence that transfer agents may not perform statutory transfer agent functions, as defined in Section 3(a)(25) of the Act, with respect to any security registered under Section 12 of the Act, subject to certain exceptions, unless the transfer agents are registered with the appropriate regulatory agency (“ARA”), as defined in Section 3(a)(34) of the Act. Subsection (c)(2) of Section 17A authorizes each ARA, including the Commission, to adopt by rule an application for registration in such form and containing such information and documents concerning transfer agents as each ARA may prescribe as necessary or appropriate in furtherance of the purpose of the Act.

In order to implement Section 17A(c)(2) of the Act, which governs the registration of transfer agents, the Commission, in 1975, adopted Form TA-1 and Rule 17Ac2-1. Form TA-1 was amended by the Commission in 1977, 1980, 1986, and 2006. Rule 17Ac2-1 was amended by the Commission in 1980, 1986 and 2006. The amendments, pursuant to the statutory authority cited above, generally revised information required by the Commission and changed filing deadlines or requirements. The amendments better enabled the Commission to review transfer agents applying for registration with it or amending their registration form and to protect the investing public and also reduced burdens on registrants.

#### **2. Purpose and Use of the Information Collection**

The information submitted pursuant to Rule 17Ac2-1 and Form TA-1 is required to register transfer agents for whom the Commission is the ARA with the Commission. This information provides fundamental facts about transfer agents required to register with the Commission and also serves as a basis for the Commission to determine whether it should accelerate, deny or postpone such registration in accordance with the provisions of section 17A(c) of the Act.

#### **3. Consideration Given to Information Technology**

The Commission’s electronic system called EDGAR (Electronic Gathering, Analysis & Retrieval) provides electronic automation for filings. With limited exceptions, Form TA-1 applications for registration as a transfer agent with the Commission are required to be filed

electronically on EDGAR in an XML data tagged format. Such automation has increased the speed, accuracy, and availability of information, which provides benefits to investors and the financial markets.

**4. Duplication**

Not applicable, insofar as transfer agents are required by statute to register with their ARAs.

**5. Effect on Small Entities**

Rule 17Ac2-1 and Form TA-1 do not disproportionately affect small entities. There are no other alternative sources of the required information that could be used to satisfy the registration requirements of the Act. Form TA-1 was designed to be as minimally burdensome as possible and still obtain the necessary information for registration. Likewise, the electronic filing system was designed to be as cost-effective as possible so as not to unduly burden small entities.

**6. Consequences of Not Conducting the Collection**

The information required by Rule 17Ac2-1 and Form TA-1 is submitted by transfer agents to satisfy a precondition (i.e., registration), as established by the Commission pursuant to Congressional authority, to commencement of transfer agent activities. The information to be filed on Form TA-1 is required to provide the Commission with a database of information regarding transfer agents registered with the Commission. Thus, the information could not be collected less frequently. The updated information required by Paragraph (c) of Rule 17Ac2-1 is sought only when the previously filed information has become inaccurate, misleading, or incomplete.

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

There are no special circumstances. This collection is 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.

**9. Payment or Gift to Respondents**

Not applicable. No payments or gifts have been given to respondents in connection with this collection of information.

## 10. Confidentiality

Completed transfer agent registration forms are public information. Therefore, no assurances of confidentiality may be given.

## 11. Sensitive Questions

No information of a sensitive nature will be required under these collections of information. These information collections collect basic Personally Identifiable Information (PII) that may include name, business address, and residential address (for sole proprietor only), telephone/cellular/facsimile numbers, and email address. The information collections are covered under the following System of Records Notices (SORN) (SEC-1) <http://www.sec.gov/about/privacy/sorn/secsorn1.pdf>.

## 12. Estimate of Respondent Reporting Burden

The Commission annually receives approximately 174 filings on Form TA-1 from transfer agents required to register as such with the Commission. Included in this figure are approximately 164 amendments made annually by transfer agents to their Form TA-1 as required by Rule 17Ac2-1(c) and approximately 10 new applications by transfer agents for registration on Form TA-1 as required by Rule 17Ac2-1(a). Rule 17Ac2-1 requires Form TA-1 and amendments thereto to be filed with the Commission electronically on EDGAR, unless the transfer agent has been granted a continuing hardship exemption from electronic filing under Rule 202 of Regulation S-T (17 CFR 232).

In view of the easily available nature of most of the information requested by Form TA-1, the relatively simple presentation of the form, and the past experience of the staff regarding Form TA-1, we estimate that on average approximately twelve hours are required for initial completion of Form TA-1 and that on average one and one-half hours are required for an amendment to Form TA-1 by each such firm. Thus, the subtotal burden for new applications for registration filed on Form TA-1 each year is 120 hours (12 hours times 10 filers) and the subtotal burden for amendments to Form TA-1 filed each year is 246 hours (1.5 hours times 164 filers). The cumulative total is 366 burden hours per year (120 hours plus 246 hours).

Of the 366 hours spent annually to comply with Rule 17Ac2-1, the Commission staff estimates that:

- Sixty percent (219.6 hours) are spent by compliance staff at an estimated hourly wage of \$283, for a total of \$55,355 per year (219.6 hours x \$283 per hour = \$62,147 per year);<sup>1</sup>

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<sup>1</sup> The estimated hourly wages used in this analysis were derived from reports prepared by the Securities Industry and Financial Markets Association. See Securities Industry and Financial Markets Association, Office Salaries in the Securities Industry – 2013 (2013), modified to account for an 1800-hour work year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

- Forty percent (146.4 hours) are spent by attorneys at an estimated hourly wage of \$380, for a total of \$55,632 per year (146.4 hours x \$380 per hour = \$55,632 per year).<sup>2</sup>

### **13. Estimate of Total Annual Cost Burden**

Form TA-1 is required to be filed with the Commission on EDGAR in an XML data tagged format absent a hardship exception. Form TA-1 may be filed on EDGAR using EDGARLite, an application developed by the Commission to serve as a low-cost and user-friendly method users can use to file XML documents on EDGAR. A transfer agent can use EDGARLite if it has a computer, internet access, and certain commercial “off the shelf” software. A transfer agent needs to have commercial software program MSInfoPath(tm) installed on its computer in order to use EDGARLite. Some commercially available software bundle packages, such as certain versions of Microsoft Office, have included MSInfoPath(tm) as part of the software package. If the relevant transfer agent had such a software package that included MSInfoPath(tm) then it would not need to purchase it. The Commission believes that as part of their business operations, all transfer agents have computers and access to the internet, and that any new transfer agent seeking to register as a transfer agent with the Commission would likewise have such equipment and capability. Approximately 10 new transfer agents register with the Commission each year, and the start-up cost of acquiring MS InfoPath(tm) is approximately \$240. Accordingly, we estimate a cost to each new transfer agent of a maximum of \$240 in the initial year of registration only for an aggregate start-up cost of \$2,400 for all new transfer agents. Further, if a transfer agent can 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. (17 CFR 232).

### **14. Costs to Federal Government**

Cost to the federal government resulting from regular annual maintenance of the Commission’s electronic application EDGAR through which Form TA-1 is required to be filed pursuant to Rule 17Ac2-1 is \$100,000 per year.

### **15. Changes in Burden**

Since the previous Paperwork Reduction Act submission to OMB in 2011, the number of new transfer agents registering with the Commission each year has decreased from 15 to 10, and the cost of MS InfoPath software has increased from approximately \$50 to \$240, resulting in an increase in the start-up cost burden to respondents from \$750 to \$2,400. The total annual reporting

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<sup>2</sup> The estimated hourly wages used in this analysis were derived from reports prepared by the Securities Industry and Financial Markets Association. See Securities Industry and Financial Markets Association, Office Salaries in the Securities Industry – 2013 (2013), modified to account for an 1800-hour work year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

burden has increased from 285 to 366 hours per year. Factors involved in this change include a decrease in the number of new applications for registration on Form TA-1, a decrease in the number of amendments filed to Form TA-1 filings, and revision in the estimate of the hour burden to complete an initial application for registration on Form TA-1.

**16. Information Collections Planned for Statistical Purposes**

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

**17. Approval to Omit OMB Expiration Date**

We request authorization to omit the expiration date on the electronic 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. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

This collection does not involve statistical methods.