

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

A. Justification

1. Necessity of 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.<sup>1</sup> 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.

---

<sup>1</sup> 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

Rule 17Ac2-2 and Form TA-2 is electronically filed using the Commission's Electronic Data Gathering, Analysis and Retrieval (EDGAR) system.

## 4. Duplication

Rule 17Ac2-2 does not impose duplicative reporting obligations on transfer agents registered with other appropriate regulatory agencies ("ARA") (i.e. the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency). Regulation H, Section 208.31 (12 CFR 208.31) of the Board of Governors of the Federal Reserve System imposes Rule 17Ac2-2, among other rules, on state member bank transfer agents. Office of the Comptroller of the Currency rule §9.20 (12 CFR 9.20) imposes Rule 17Ac2-2, among other rules, upon the domestic activities of registered national bank transfer agents. As a result, Form TA-2 is filed only with the Commission.

## 5. Effect on Small Entities

The rule does not disproportionately affect small entities. Registered transfer agents that received fewer than 1,000 items for transfer in the reporting period for Form TA-2 and did not maintain master securityholder files for more than 1,000 individual securityholder accounts as of the end of the reporting period are only required to fill out a partial Form TA-2 (i.e. questions 1 through 5, question 11, and the signature section). The types of entities covered by these provisions of the rule are substantially similar to the definition of small business or small organization with respect to transfer agents pursuant to Rule 0-10(h) under the Exchange Act. 17 CFR 240.0-10. In addition, named transfer agents that engaged a service company to perform all transfer agent functions during the reporting period are only required to fill out a partial Form TA-2 (i.e. questions 1 through 3 and the signature section). 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 1320.5(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

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 information of a sensitive nature will be required in the information collection. The (these) information collection (s) 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 collection is covered under the following System of Records Notice (SORN) <http://www.sec.gov/about/privacy/sorn/secsorn6.pdf>

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. Of the total 429 registered transfer agents, approximately 9.1% (or 39 registrants) would be required to complete only questions 1 through 3 and the signature section of amended Form TA-2, which the Commission estimates would take each registrant approximately 30 minutes, for a total burden of 19.5 hours (39 x .5 hours). Approximately 26.7% of registrants (or 115 registrants) would be required to answer questions 1 through 5, question 11 and the signature section, which the Commission estimates would take approximately 1 hour and 30 minutes, for a total of 172.5 hours (115 x 1.5 hours). Approximately 64.2% of the registrants (or 275 registrants) would be required to complete the entire Form TA-2, which the Commission estimates would take approximately 6 hours, for a total of 1,650 hours (275 x 6 hours). The aggregate annual burden on all 429 registered transfer agents is thus approximately 1,842 hours (19.5 hours + 172.5 hours + 1,650 hours) and the average annual burden per transfer agent is approximately 4.3 hours (1,842 ÷ 429).

Of the 1,842 hours spent annually to comply with Rule 17Ac2-2, the Commission staff estimates that:

- Forty percent (736.8 hours) are spent by operations staff at an estimated hourly wage of \$125, for a total of \$92,100 per year (736.8 hours x \$125 per hour = \$92,100 per year);<sup>1</sup>
- Forty percent (736.8 hours) are spent by compliance staff at an estimated hourly wage of \$283, for a total of \$208,514 per year (736.8 hours x \$283 per hour = \$208,514 per year);<sup>2</sup>
- Twenty percent (368.4 hours) are spent by attorneys at an estimated hourly wage of \$380, for a total of \$139,992 per year (368.4 hours x \$380 per hour = \$139,992 per year).<sup>3</sup>

Therefore, the aggregate annual internal cost of compliance for the approximately 429 registered transfer agents is approximately \$440,606 (\$92,100 + \$208,514 + \$139,992 = \$440,606).

---

<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.

<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.

<sup>3</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.

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 resulting from regular annual maintenance of the Commission's electronic application EDGAR through which Form TA-2 is required to be filed pursuant to Rule 17Ac2-1 is \$100,000 per year.

15. Changes in Burden

The total annual hourly burden has been reduced from 2,174 hours to 1,842 hours due to the decrease in the number of registered transfer agents.

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 electronic version of the form for design and IT project scheduling reasons. The OMB control number will not 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.