

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Rule 17Ad-15**  
**OMB Control No. 3235-0409**

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

Congress enacted Section 206 of the Securities Enforcement Remedies and Penny Stock Reform Act of 1990 (“Enforcement Act”) (15 U.S.C. 78q-9(d)(5)), which gives the Securities and Exchange Commission (“Commission”) explicit authority to implement rules to facilitate the equitable treatment by transfer agents of financial institutions that issue signature guarantees. The Commission adopted Rule 17Ad-15 (“Rule 17Ad-15”) (17 CFR 240.17Ad-15) under the Securities Exchange Act of 1934 (“Act”) (15 U.S.C. 78a *et seq.*). Rule 17Ad-15 implements Section 17A(d)(5) of the Act, as amended by Section 206 of the Enforcement Act.<sup>1</sup> Section 206 of the Enforcement Act was enacted to prohibit inequitable treatment of financial institutions that issue signature guarantees of endorsers of securities. Section 206 reflects Congressional concern regarding differential treatment of various financial institutions (i.e., banks, brokers, dealers, savings and loan associations, and credit unions) which may require non-exchange member brokers and dealers, savings and loan associations, and credit unions or their customers to seek a guarantee from a bank or an exchange member broker or dealer, with whom they may have no prior relationships, in order to effect the transfer of ownership of securities. This practice imposes unnecessary burdens on financial institutions facilitating transactions by and on behalf of investors. Rule 17Ad-15 implements a Congressional directive to ameliorate inequitable treatment of eligible guarantor institutions and requires transfer agents to establish written standards for the acceptance of signature guarantees.

Signature guarantees are essential to the transfer of registered-form securities. To effect a transfer of ownership of the registered-form security, the security certificate must be endorsed by the registered owner. Because it is not possible for an issuer, or its transfer agent, to know all registered securities owners, the issuer or its transfer agent must rely on a financial intermediary to guarantee that the endorsement on the certificate is genuine and effective. Thus, a signature guarantee transfers the risk of, and liability for, forged endorsements or unauthorized transfers from the issuer or its transfer agent to the guarantor. Because the acceptance of a signature guarantee requires the transfer agent to determine whether the guarantor has sufficient financial strength to satisfy any future claims in the event of a wrongful transfer of the security, state law permits issuers and transfer agents to require signature guarantees by entities reasonably believed to be responsible. State law further permits issuers and transfer agents to adopt financial responsibility standards for guarantors if those standards are not manifestly unreasonable. Transfer agents generally accept the signature guarantees of institutions that have traditionally offered signature guarantee services to their customers.

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<sup>1</sup> Enforcement Act, Pub. L. No. 101-429, Section 206, 104 Stat. 941 (1990).

Rule 17Ad-15 requires transfer agents to establish written standards for the acceptance or rejection of guarantees of securities transfers from eligible guarantor institutions. Transfer agents are also required to establish procedures, including written guidelines where appropriate, to ensure that those standards are used by the transfer agent in determining whether to accept or reject guarantees from eligible guarantor institutions. Rule 17Ad-15 requires registered transfer agents to maintain a copy of their standards and procedures in an easily accessible place. Transfer agents also are required to maintain, for a period of three years following the date of the rejection, a record of all transfers rejected, along with the reason for the rejection, the identification of the guarantor, and whether the guarantor failed to meet the transfer agent's guarantee standard. These recordkeeping requirements assist the Commission and other regulatory agencies with monitoring transfer agents and ensuring compliance with the rule.

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

The information collected from the transfer agent allows the Commission to determine whether the transfer agents are treating guarantee signature institutions equitably.

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

Rule 17Ad-15 does not state how information must be recorded but only states that transfer agents must: (1) establish written standards for the acceptance of guarantees of securities transfers from eligible guarantor institutions; and, (2) establish procedures to ensure that those standards are used in determining whether to accept or reject guarantees from eligible guarantor institutions. Transfer agents must maintain a copy of said standards and procedures in an easily accessible place and make them available upon request. Therefore, improved information technology does not affect the transfer agent's requirements.

## **4. Duplication**

The rule does not require substantially more than is required under the fair and reasonable standards of the state Uniform Commercial Code requirements. The information required by the rule is not located elsewhere.

## **5. Effect on Small Entities**

While the requirements of the rule increase the recordkeeping burden of all transfer agents, including small transfer agents, this detriment is more than outweighed by the decreased risk of a failed signature guarantee and its associated liability.

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

Since the information required by the rule needs to be collected only once and then updated periodically, the collection of this information could not be conducted less frequently.

### 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

No payment or gift is provided to respondents.

### 10. Confidentiality

No assurance of confidentiality is provided.

### 11. Sensitive Questions

The Information Collection does not collect information about individuals, therefore, neither a PIA, SORN nor PAS are required.

### 12. Information Collection Burden

There are approximately 315 registered transfer agents. The staff estimates that each transfer agent will spend about 40 hours annually to comply with Rule 17Ad-15, or a total of approximately 12,600 hours per year for all transfer agents (315 x 40 hours = 12,600 hours).

<b>Rule</b>	<b>Burden Type</b>	<b>Number of Respondents</b>	<b>Number of Annual Responses Per Respondent</b>	<b>Time Per Response (Hours)</b>	<b>Total Burden Per Burden Type (Hours)</b>
<b>Rules 17Ad-15</b>	Record Keeping	315	1	40	12,600
<b>Total Aggregate Burden</b>					<b>12,600</b>

While not a cost burden under Item 13, with respect to the estimated 40 hours per year per transfer agent to comply with Rule 17Ad-15, the Commission staff estimates that compliance staff work at registered transfer agents results in an internal cost of compliance, at an estimated hourly wage of \$319, of \$12,760 per year per transfer agent (40 hours x \$319 per hour = \$12,760)

per year).<sup>2</sup> Therefore, the aggregate annual internal cost of compliance for the approximately 315 registered transfer agents is approximately \$4,019,400 ( $\$12,760 \times 315 = \$4,019,400$ ). This reflects a decline in aggregate annual internal cost of compliance of \$650,760 due to the decrease in the number of registered transfer agents from 366 to 315, a decline of 51 respondents.

### **13. Costs to Respondents**

It is not anticipated that respondents will have to incur any capital and startup costs to comply with the rule. It is not anticipated that the respondents will have to incur any additional operational or maintenance costs (other than provided for in item number 12) to comply with the rule.

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

The costs to the federal government to administer Rule 17Ad-15 are zero. All Commission review and processing would be conducted by existing Commission staff so there are no additional federal government costs involved. For purposes of the Paperwork Reduction Act burden, this cost is considered zero.

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

The total annual hourly burden decreased by approximately 2,040 hours (from approximately 14,640 hours to approximately 12,600 hours) due to the decrease in the number of registered transfer agents by 51 respondents.

### **16. Information Collection Planned for Statistical Purposes**

The information collection is not used for statistical purposes.

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

The Commission is not seeking approval to omit the OMB expiration date.

### **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.

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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.