

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Rule 17Ad-4(b) and (c)
OMB Control No. 3235-0341

A. JUSTIFICATION

1. Information Collection Necessity

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 many registered transfer agents perform transfer functions for relatively few 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 several 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. Information Collection Purpose and Use

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

Rule 17Ad-4(b) & (c) only requires a transfer agent either: (1) if the appropriate regulatory agency is either the Commission or the Office of the Comptroller of the Currency, maintain in its possession a document certifying that the transfer agent qualifies as exempt under paragraph (b)(1); or, (2) if the appropriate regulatory agency is either the Board of Governors of the Federal Reserve or the Federal Deposit Insurance Corporation, file with the appropriate regulatory agency a notice certifying that the transfer agent qualifies as exempt under paragraph (b)(1). Transfer agents must also calculate the number of items from the previous six months each month to ensure that they still qualify for the exemption. The increasing use of computerized systems for information gathering and calculation has minimized the burden associated with Rule 17ad-4(b) & (c) to the extent possible at this time. Therefore, improved information technology does not affect the transfer agent's recordkeeping requirements.

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 to which larger transfer agents are subject.

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.

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 Privacy Impact Assessment (“PIA”), a System of Records Notice (“SORN”), nor a Publicly Available Specification (“PAS”) are required in connection with the collection of information.

12. Information Collection Burden

The Commission estimates that approximately 10 registered transfer agents each year prepare or file notices in compliance with Rules 17Ad-4(b) and 17Ad-4(c). 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 each such registered transfer agent spends approximately 1.5 hours to prepare or file such notices for an aggregate total annual burden of 15 hours (1.5 hours times 10 transfer agents).

While not a cost burden under Item 13, with respect to the estimated 1.5 hours per year per transfer agent to comply with Rules 17Ad-4(b) and 17Ad-4(c), the Commission staff estimates that the payment of compliance staff who work at registered transfer agents results in an internal cost of compliance, estimated at an hourly wage of \$319, of \$478.50 per year per transfer agent (1.5 hours x \$319 per hour = \$ 478.50 per year).¹ Therefore, the annual internal cost of compliance is approximately \$4,785 (\$478.50 x 10 = \$4,785) for all expected respondents. This reflects an increase in aggregate annual internal cost of compliance of \$540.00 due to a \$36 increase in the estimated hourly wage of compliance staff from \$283 to \$319.

13. Costs to Respondents

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

¹ 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.

14. Costs to the Federal Government

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 approximately 1.5 hours. As a result, annual total cost to the Federal Government associated with Rules 17Ad-4(b) & (c) is estimated to be approximately \$750 based on an average hourly cost of \$50 (1.5 hours x 10 transfer agent notices x \$50 hourly cost). This figure is based on computation of the value of government staff time devoted to this activity and the related overhead valued at 35% of the value of staff time.

15. Changes in Burden

The total annual hourly burden did not change; as discussed in Item 12, the estimated hourly wage for compliance staff at registered transfer agents did increase by \$36, which increases the total internal cost for all respondents by \$540.

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 expiration date.

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.