

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 17Ad-16
OMB Control No. 3235-0413

A. Justification

(1) Necessity of Information Collection

In response to the “paperwork crisis” that occurred in the late 1960s when the number of securities transactions exceeded the securities industry’s capacity to process those transactions, Congress enacted the Securities Acts Amendments of 1975.¹ This amendment added a new Section 17A to the Securities Exchange Act of 1934 (“Exchange Act”), which directed the Commission to establish a national system for the prompt and accurate clearance and settlement of securities transactions. This included a new regulatory system for the transfer agent industry by requiring transfer agents to meet minimum performance standards as established by the Commission in furtherance of the purposes of the Exchange Act.

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 that transfer agents fail to perform their activities promptly and accurately, the entire clearance, settlement, and transfer process suffers. For example, substandard performance by transfer agents can affect the accuracy of an issuer’s securityholder records and therefore could disrupt communication between issuers and securityholder. Moreover, poor performance by transfer agents could systemically affect issuers, broker-dealers, banks, other financial intermediaries, the investing public, and the securities markets.

The Commission adopted Rule 17Ad-16 in 1994 to address the problem of certificate transfer delays caused by transfer requests that are directed to the wrong transfer agent or the wrong address.² Transfer delays can potentially cause acute problems for registered securities depositories, which hold a large number of certificates for safekeeping and have a large daily volume of certificate transfers. The rule addresses the problems by requiring transfer agents to provide written notice to a qualified registered securities depository when assuming or terminating transfer agent services on behalf of an issuer or when changing its name or address.³

¹ Pub. L. No. 94-29, 89 Stat. 97 (June 4, 1975).

² Securities Exchange Act Release No. 35039 (Dec. 1, 1994), 59 FR 63656 (Dec. 8, 1994).

³ Rule 17Ad-16(a) defines “qualified registered securities depository” as “a clearing agency registered under section 17A of the Act (15 U.S.C. 78q-1) that performs clearing agency functions as described in section 3(a)(23)(A)(i) of the Act (15 U.S.C. 78c(a)(23)(A)(i)) and that has rules and procedures concerning its responsibility for maintaining, updating, and providing appropriate access to the information it receives pursuant to this section.” It is the Commission’s understanding that the only clearing agency registered

(2) Purpose and Use of Information Collection

The notices required to be sent to appropriate qualified registered securities depositories provide to the depositories current information regarding where to send transfer instructions.⁴ Accurate transfer agent information reduces the number of transfer delays caused by imprecise transfer agent information.

(3) Consideration Given to Information Technology

There are no legal or technical obstacles that, if removed, would reduce burdens.

(4) Duplication

No other notice requirement currently exists with respect to the information required to be provided under the rule.

(5) Effect on Small Entities

Because the information required to complete Rule 17Ad-16 notices is generated by and is readily available to transfer agents, any collection burden for small businesses is minimal.

(6) Consequences of Not Conducting Collection

Less frequent notices under the rule would deprive registered securities depositories of current information regarding the issuers a transfer agent services and the name and address of transfer agents that have changed their name or address. That situation would increase the number of transfer delays, risk of loss of certificates, and personnel and operational costs.

(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 Commission, in support of its efforts to reduce paperwork burdens, solicited comment on the continuing collection of information in Rule 17Ad-16, as required under the Paperwork Reduction Act of 1995 (PRA). ¹A Federal Register notice with a 60-day comment

with the Commission that has rules and procedures concerning its responsibility for maintaining, updating, and providing appropriate access to the information it receives pursuant to Rule 17Ad-16 is The Depository Trust Company ("DTC").

⁴ The Commission has designated DTC as the appropriate qualified registered securities depository. See Exchange Act Release No. 35378 (Feb. 15, 1995), 60 FR 9875 (Feb. 22, 1995).

period soliciting comments on this collection of information was published on March 4, 2025.⁵ The Commission received comments regarding the existing collection of information, which are discussed in more detail below.⁶

In the 60-Day Notice, the Commission estimated for PRA purposes that transfer agents submit approximately 16,412 Rule 17Ad-16 notices to appropriate qualified registered securities depositories; that the average amount of time necessary to create and submit each notice is approximately 15 minutes per notice; and that, accordingly, the estimated total industry burden is 4,103 hours per year (.25 hours multiplied by 16,412 notices filed annually).⁷

The Commission further estimated that the internal compliance cost⁸ to prepare and send a notice is approximately \$96 (.25 hours at \$385 per hour), based on hourly compliance cost estimates for an internal compliance manager's time. These internal cost estimates were derived from the Securities Industry and Financial Markets Association's Management & Professional Earnings in the Securities Industry 2013, as adjusted by Commission staff for inflation and other factors.⁹ This yielded an industry-wide internal compliance cost estimate of \$1,575,552 (16,412 notices multiplied by \$96 per notice).

One commenter stated that transfer agents submit approximately 20% more notices than the amount estimated by the Commission (approximately 19,700 instead of 16,412) because transfer agents also send notices to securities depositories other than DTC.¹⁰ However, while transfer agents may send notices to securities depositories other than DTC, such notices are not within the scope of the current collection of information. As noted above, Rule 17Ad-16 requires a registered transfer agent to provide written notice to the appropriate qualified registered securities depository. The appropriate qualified registered securities depository means the

⁵ Proposed Collection; Comment Request; Extension: Rule 17Ad-16, 90 FR 11198 (Mar. 4, 2025) ("60-Day Notice").

⁶ See letters from Dale Baker, Vice President, American Bankers Association (May 5, 2025) ("ABA"); Douglas Hare, Senior Vice President, UMB Bank, N.A. (May 5, 2025) ("UMB"); and Twyla Lehto, Executive Vice President, Zions Bancorporation, N.A., (May 5, 2025) (Zions Bank"). These commenters further requested that the Commission issue guidance: (i) that Rule 17Ad-16 does not apply at a security's issuance; (ii) that examination sampling and testing should only be performed for a post-issuance change of a transfer agent and 90% compliance should be considered a "passing" score; and (iii) that Rule 17Ad-16 applies only to securities which are made eligible at issuance with a recognized depository or, alternatively, does not apply to privately placed securities unless they are made eligible at issuance with a recognized depository. See ABA at 2 and 4; see also UMB at 1-2 and Zions Bank at 1-2. The Commission is not addressing those aspects of the comments in this Supporting Statement, as this Supporting Statement relates to the existing collection of information provided for in Rule 17Ad-16 and not an interpretation of the rule.

⁷ See *infra* note 17.

⁸ The "internal compliance cost" is the annualized cost to respondents for the hour burdens. The annualized cost to respondents for the hour burden is included with the hour estimates in Item 12 for informational purposes. It is not an Item 13 cost that is submitted to OMB for approval.

⁹ Hourly compliance cost estimates were derived from the Securities Industry and Financial Markets Association's Management & Professional Earnings in the Securities Industry 2013, modified by SEC staff to account for inflation and an 1,800-hour work-year, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

¹⁰ See ABA at 4.

qualified registered securities depository that the Commission so designates by order.¹¹ To date, DTC is the only appropriate qualified registered securities depository the Commission has designated.¹² Thus, Rule 17Ad-16 requires a registered transfer agent to provide written notice to DTC but does not include in its scope written notices to other securities depositories. Accordingly, we are not including these notices in the estimate for Rule 17Ad-16.

This commenter further stated that, due to “internal counsel salaries, compliance infrastructure investments, and routine post-filing expenses,” the estimated internal cost of sending notice is “closer to” \$500 per notice. The commenter stated that the average internal counsel base salary for transfer agents is approximately \$200,000, resulting in estimated compliance costs “closer to” \$149 per notice. Moreover, the commenter stated that transfer agents routinely incur post-notice expenses.¹³ However, while we recognize that transfer agents may incur such post-notice costs, such activities are beyond the scope of the PRA estimates for compliance with the information collection requirements in Rule 17Ad-16. Rule 17Ad-16(d)(4) does not require or otherwise provide for a registered transfer agent to engage in the post-notice activities or other actions identified by the commenter. We appreciate the information provided by the commenter regarding the costs of such activities, but we are not increasing the estimated hour burden per notice.

Nevertheless, we recognize the estimated annualized cost of the hour burden for Rule 17Ad-16 may be higher than the Commission’s initial estimate. The Commission originally estimated that the relevant functions would be completed by an internal compliance manager, at \$385 per hour. However, based on the information provided by the commenter, we now estimate that notices would be prepared by an attorney, at \$517 per hour.¹⁴ Accordingly, the Commission is increasing its estimate of the cost per notice, from \$96 per notice to \$129.25 per notice (.25 hours at \$517 per hour). This yields an industry-wide internal compliance cost estimate of \$2,121,251 (16,412 notices multiplied by \$129.25 per notice).

(9) Payment or Gift

Not applicable.

(10) Confidentiality

This rule does not involve the collection of confidential information.

¹¹ 17 CFR 240.17Ad-16(f).

¹² See Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Concerning Procedures Relating to Rule 17Ad-16 and Order Designating the Depository Trust Company as the Approved Qualified Registered Securities Depository, Exchange Act Release No. 35378 (Feb. 15, 1995), 60 FR 9875 (Feb. 22, 1995).

¹³ See ABA at 3.

¹⁴ Hourly compliance cost estimates were derived from the Securities Industry and Financial Markets Association’s Management & Professional Earnings in the Securities Industry 2013, modified by SEC staff to account for inflation and an 1,800-hour work-year, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

(11) Sensitive Questions

The information collection does not relate to the individual and therefore a PIA, SORN, and PAS is not required.

(12) Information Collection Burden

We estimate that the transfer agent industry submits approximately 16,412 Rule 17Ad-16 notices to appropriate qualified registered securities depositories per year. The staff estimates that the average amount of time necessary to create and submit each notice is approximately 15 minutes per notice. Accordingly, the estimated total industry burden is 4,103 hours per year (.25 hours multiplied by 16,412 notices filed annually). Because the information needed by transfer agents to properly notify the appropriate registered securities depository is readily available to them and the notice is simple and straightforward, the cost is relatively minimal. The average internal compliance cost to prepare and send a notice is approximately \$129.25 (.25 hours at \$517 per hour).¹⁵ This yields an industry-wide internal compliance cost estimate of \$2,121,251 (16,412 notices multiplied by \$129.25 per notice).

SUMMARY OF ANNUAL TIME BURDEN

Rule	Burden Type	Number of Respondents	Number of Annual Responses Per Respondent ¹⁶	Time Per Response (Hours)	Total Burden Per Burden Type (Hours)
Rule 17Ad-16 (17 CFR 240.17Ad-16)	Filing Notices	318	51.61	.25	4,103 ¹⁷
Total Aggregate Burden					4,103

(13) Costs to Respondents

Other than the internal compliance costs identified in 12 above, there are no additional one-time capital or start-up costs or recurring operation or maintenance costs to respondents.

¹⁵ Hourly compliance cost estimates for an attorney's time are derived from the Securities Industry and Financial Markets Association's Management & Professional Earnings in the Securities Industry 2013, modified by SEC staff to account for an 1,800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

¹⁶ This number has been calculated by taking the total number of notices filed pursuant to Rule 17Ad-16 (16,412) and dividing by the number of registered transfer agents (318).

¹⁷ 318 Respondents x 51.61 Responses/Year x .25 Hours/Response = 4,103 Hours/Year.

(14) Costs to Federal Government

There are no such costs in connection with the collection of information as the notices are sent to a securities depository and not to the Commission.

(15) Changes in Burden

The change in the hour burden estimate from 3,980 to 4,103 hours per year is based on an updated estimate by the primary U.S. securities depository, DTC, of the number of Rule 17Ad-16 notices from 15,917 to 16,412 DTC receives on an annual basis.

(16) Information Collection Planned for Statistical Purposes

Not applicable.

(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

Not applicable. 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.