

# SECURITIES AND EXCHANGE COMMISSION

[OMB Control No. 3235-0413]

## Agency Information Collection Activities; Submission for OMB Review; Comment Request; Extension: Rule 17Ad-16

*Upon Written Request, Copies Available*

From: Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549-2736

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 ("PRA") (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission ("Commission") has submitted to the Office of Management and Budget ("OMB") a request for approval of extension of the previously approved collection of information provided for in Rule 17Ad-16 (17 CFR 240.17Ad-16) under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*).

Rule 17Ad-16 requires a registered transfer agent to provide written notice to the appropriate qualified registered securities depository when assuming or terminating transfer agent services on behalf of an issuer or when changing its name or address. The appropriate qualified registered securities depository must deliver such notices to qualified registered securities depositories, and they must then deliver such notices to their own participants. In addition, transfer agents that provide such notices, and qualified registered securities depositories that receive such notices, shall maintain such notices for a period of at least two years, with the first six months in an easily accessible place. This rule addresses the problem of certificate transfer delays caused by transfer requests that are directed to the wrong transfer agent or the wrong address.

The Commission published a 60-day notice in the **Federal Register** soliciting comments on the existing collection of information provided for in Rule 17Ad-16.<sup>1</sup> The Commission received comments regarding the existing collection of information.<sup>2</sup>

In the 60-Day Notice, the Commission estimated 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).<sup>3</sup>

The Commission further estimated that the internal compliance cost<sup>4</sup> 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.<sup>5</sup> 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 because transfer agents also send notices to securities depositories other than The Depository Trust Company ("DTC") (approximately 19,700 instead of 16,412).<sup>6</sup> 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 qualified registered securities depository that the Commission so designates by order.<sup>7</sup> To date, DTC is the only appropriate qualified registered securities depository the Commission has designated.<sup>8</sup> 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 also 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.<sup>9</sup> While we recognize that transfer agents may incur such expenses, we believe such expenses are outside of the scope of the information collection in Rule 17Ad-16. The rule concerns the notice creation, delivery, and record requirements and 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. However, we appreciate the information provided by the commenter regarding the costs of compliance generally. The Commission originally estimated that the relevant functions would be completed by an internal compliance manager, at \$385 per hour. However, we now recognize the estimated annualized cost of the hour burden for Rule 17Ad-16 may be higher than the Commission's initial estimate and we estimate that notices would be prepared by an attorney, at \$517 per hour.<sup>10</sup> 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).

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

<sup>3</sup> 318 Respondents × 51.61 Responses/Year × .25 Hours/Response = 4,103 Hours/Year.

<sup>4</sup> 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 for informational purposes and is not submitted to OMB for approval.

<sup>5</sup> 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 Commission 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.

<sup>6</sup> See ABA at 4.

<sup>7</sup> 17 CFR 240.17Ad-16(f).

<sup>8</sup> 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).

<sup>9</sup> See ABA at 3.

<sup>10</sup> 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.

<sup>1</sup> Proposed Collection; Comment Request; Extension: Rule 17Ad-16, 90 FR 11198 (Mar. 4, 2025) (60-Day Notice").

<sup>2</sup> 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").

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.<sup>11</sup> We appreciate the request for guidance; however, we are not addressing it in this PRA submission as it relates to an interpretation of the rule and not to the existing collection of information requirements.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

The public may view and comment on this information collection request at: [https://www.reginfo.gov/public/do/PRAViewICR?ref\\_nbr=202502-3235-009](https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202502-3235-009) or email comment to [MBX.OMB.OIRA.SEC\\_desk\\_officer@omb.eop.gov](mailto:MBX.OMB.OIRA.SEC_desk_officer@omb.eop.gov) within 30 days of the day after publication of this notice, by September 2, 2025.

Dated: July 29, 2025.

**Sherry R. Haywood,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103578; File No. SR-ISE-2025-21]

### Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to SQF Ports

July 29, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 22, 2025, Nasdaq ISE, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>11</sup> See ABA at 2 and 4; see also UMB at 1-2 and Zions Bank at 1-2.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the Exchange's Pricing Schedule at Options 7, Section 7, C, Ports and Other Services, to propose a limit to the number of Specialized Quote Feed (“SQF”) <sup>3</sup> Ports a Market Maker <sup>4</sup> may subscribe to in a month.

The text of the proposed rule change is available on the Exchange's website at <https://listingcenter.nasdaq.com/rulebook/ise/rulefilings> and at the principal office of the Exchange.

### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

#### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The Exchange proposes to amend its Pricing Schedule at Options 7, Section 7, C, Ports and Other Services, to propose a limit on the number of SQF

<sup>3</sup> “Specialized Quote Feed” or “SQF” is an interface that allows Market Makers to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses to the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) System event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge requests from the Market Maker. Market Makers may only enter interest into SQF in their assigned options series. Immediate-or-Cancel Orders entered into SQF are not subject to the (i) Order Price Protection, Market Order Spread Protection, and Size Limitation Protection in Options 3, Section 15(a)(1)(A), (1)(B), and (2)(B) respectively, for single leg orders, or (ii) Complex Order Price Protection as defined in Options 3, Section 16(c)(1) for Complex Orders. See ISE Supplementary Material .03 (c) to Options 3, Section 7.

<sup>4</sup> The term “Market Makers” refers to “Competitive Market Makers” and “Primary Market Makers” collectively. See ISE Options 1, Section 1(a)(21).

Ports a Market Maker may subscribe to in a month.

Currently, an ISE Market Maker is assessed an SQF Port Fee of \$1,185 per port, per month. Currently, the Exchange has no limits in place on the number of SQF Ports a Market Maker may acquire in a month.

At this time, the Exchange proposes to limit a Market Maker to no more than 250 SQF Ports per month.<sup>5</sup> A Market Maker requires only one SQF Port to submit quotes in its assigned options series into ISE. While a Market Maker may elect to obtain multiple SQF Ports to organize its business,<sup>6</sup> only one SQF Port is necessary for a Market Maker to fulfill its regulatory quoting obligations.<sup>7</sup> The Exchange utilizes ports as a secure method for Members to submit quotes into the Exchange's match engine and for the Exchange to send messages related to those quotes to Members. In order to properly regulate its Members and secure the trading environment, the Exchange has taken measures to ensure access is monitored and maintained with various controls. The Exchange believes that the proposed limit of 250 SQF Ports per month will permit the Exchange to obtain greater efficiencies by placing this overall limit on SQF Ports. The Exchange believes a limit of 250 SQF Ports provides it with the appropriate bandwidth to support future growth and new Market Makers entrants.<sup>8</sup>

The Exchange proposes to implement the 250 SQF Ports per month limit on August 1, 2025.

##### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>10</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market

<sup>5</sup> The Exchange issued Options Technical Alert #2025-12 to announce the limitation.

<sup>6</sup> For example, a Market Maker may desire to utilize multiple SQF Ports for accounting purposes, to measure performance, for regulatory reasons or other determinations that are specific to that Member.

<sup>7</sup> ISE Market Makers have various regulatory requirements as provided for in Options 2, Section 4. Additionally, ISE Market Makers have certain quoting requirements with respect to their assigned options series as provided in Options 2, Section 5. SQF Ports are the only quoting protocol available on ISE and only Market Makers may utilize SQF Ports.

<sup>8</sup> The Exchange will periodically review the SQF Port limit. If the Exchange elects to amend the limit it will file a rule proposal with the Commission.

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).