

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 17Ad-10
(OMB Control No. 3235-0273)

A. Justification

1. Necessity of Information Collection

As a result of the paperwork crisis in the late 1960's, during which the number of securities transactions exceeded the securities industry's capacity to process those transactions, Congress enacted the Securities Act Amendments of 1975. As part of the establishment of a national system for the prompt and accurate clearance and settlement of securities transactions, Congress provided for the regulation of transfer agents. As a result, transfer agents are required to meet minimum performance and recordkeeping standards as established by the Commission, in furtherance of the purposes of the Act and generally, to protect investors.

Transfer agents play an important 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 materials and annual reports to shareholders.

Under Rule 17Ad-10, a transfer agent must maintain certain minimum information regarding purchases, transfer, and redemptions of securities ("certificate detail") and record this information promptly on the master securityholder file. Failure by a registered transfer agent to record sufficient certificate detail in a timely manner severely hampers its efforts or those of its successor to create and maintain accurate security holder records and to research errors when discovered.

If the transfer agent discovers that certificate detail associated with a transfer of securities is different from certificate detail already on the master securityholder record (a "record difference"), the rule requires the transfer agent to post the new information to the file, to maintain inconsistent information in a subsidiary file, and to pay diligent and continuous attention to resolving the record difference. If the record difference remains unresolved for six months, the rule requires the transfer agent to purchase in the open market (a "buy-in") an amount of securities associated with the record difference. This requirement imposes a financial discipline on transfer agents in order to ensure the integrity of their operations. In 1986, the rule was amended to change the time for buy-ins from thirty to sixty days.

The rule also requires prompt communication between transfer agents with responsibilities for the same issue of securities. The performance standard required by the rule, however, is a minimum standard intended to provide transfer agents with some flexibility in effecting compliance. The requirements should foster timely communication between transfer agents responsible for a particular issue of securities, eliminate delays in the transmission of

information necessary to the performance of transfer agent functions and, thereby, ensure the accuracy of securityholder records.

The rule also requires transfer agents that maintain securityholder records to keep certificate detail that has been deleted from those records for a minimum of six years and to maintain and keep current an accurate record of the number of shares or principal dollar amount of debt securities that the issuer has authorized to be outstanding (a “control book”). The maintenance of deleted certificate detail will facilitate the resolution of record differences by providing essential research material. The maintenance of an accurate control book will ensure that the transfer agent is aware of the number of securities that are properly authorized by the issuer and, thereby, avoid over issuance of securities.

The Commission adopted Rule 17Ad-10 pursuant to authority under Sections 2, 17(a), 17A(d) and 23(a) of the Act, 15 U.S.C. 78b, 78q(a), 78q-l(d) and 78w(a).

2. Purposes and Use of the Information Collection

The records required to be maintained by transfer agents under Rule 17Ad-10 are used by transfer agents to reflect accurate shareholder information and by the transfer agent’s appropriate regulatory agency to examine for regulatory compliance.

3. Consideration Given to Information Technology

The compilation and maintenance of information required by Rule 17Ad-10 is tailored to the complexity of the transfer agents’ business. Thus, there are no legal or technical obstacles that if removed would reduce burdens.

4. Duplication

No federal securities requirements other than Rule 17Ad-10 exist with respect to the information to be kept under the rule.

5. Effect on Small Entities

Because the information required to be kept under Rule 17Ad-10 is already available to transfer agents, any collection burden for small businesses is minimal.

6. Consequences of Not Conducting Collection

If the information required by the rule were collected less frequently, the ability to maintain accurate securityholder records, research errors, and ensure the transfer agent is aware of the number of securities that are properly authorized would be significantly hampered. In addition, these records assist the Commission and other regulatory agencies with monitoring transfer agents and ensuring compliance with the rule.

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 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

There was no payment or gift to respondents.

10. Confidentiality

The information kept by transfer agents under Rule 17Ad-10 is not confidential.

11. Sensitive Questions

The information collection does not collect personally identifiable information. The agency has determined that neither a PIA nor a SORN are required in connection with the collection of information.

12. Information Collection Burden

There are approximately 401 registered transfer agents. We estimate that, on average, each transfer agent will spend approximately 80 hours of staff time per year to comply with Rule 17Ad-10 (70 hours of recordkeeping and 10 hours of third party disclosure). This yields an annual industry-wide burden of approximately 32,080 hours (401 times 80 hours). This burden consists mainly of recordkeeping, but also includes a small amount of third party disclosure. At an average staff cost of \$50 per hour, the industry-wide internal cost of compliance (a monetization of the hour burden) is approximately \$1,604,000 (32,080 x \$50). The amount of time any particular transfer agent will devote to Rule 17Ad-10 compliance will vary according to the size and scope of the transfer agent's business activity. We note, however, that at least some of the records, processes, and communications required by Rule 17Ad-10 would likely be maintained, generated, and used for transfer agent business purposes even without the rule.

Rule	Burden Type	Number of Respondents	Number of Annual Reponses Per Respondent	Time Per Response (Hours)	Total Burden Per Burden Type (Hours)
Rule 17Ad-10	Record Keeping	401	1	70	28,070
Rule 17Ad-10	Third Party Disclosure	401	1	10	4,010
Total Aggregate Burden					32,080

13. Costs to Respondents

We estimate that each transfer agent will incur an annual cost burden of approximately \$18,000 resulting from the collection of information (\$17,000 from recordkeeping and \$1,000 from third party disclosure). Therefore, the total annual cost on the entire transfer agent industry is approximately \$7,218,000 (\$18,000 times 401). This cost primarily reflects external costs including computer operations and maintenance associated with generating, maintaining, and disclosing or providing certain information required by the rule.

Rule	Burden Type	Number of Respondents	Number of Annual Reponses Per Respondent	Cost Per Response	Total Cost Per Burden Type
Rule 17Ad-10	Record Keeping	401	1	\$17,000	\$6,817,000
Rule 17Ad-10	Third Party Disclosure	401	1	\$1,000	\$401,000
Total Aggregate Cost					\$7,218,000

14. Costs to Federal Government

Records required by Rule 17Ad-10 do not result in any costs to the Federal Government because the records are maintained by the transfer agents. They are only reviewed or analyzed by existing government staff as part of their regular duties. Therefore, there are no additional costs incurred by the government.

15. Changes in Burden

The increase in burden hours from 26,640 total annual industry hours in 2019 to the current 32,080 total annual industry hours (an increase of 5,440 hours) is due to an increase in the number of registered transfer agents from 333 in 2019 to 401 currently (an increase of 68).

The cost burden increase from \$5,994,000 in 2019 to the current \$7,218,000 (an increase of \$1,224,000) is also due to the increase in the number of registered transfer agents from 333 in 2019 to 401 currently (an increase of 68).

16. Information Collection Planned for Statistical Purposes

Not applicable. 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

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.