

MEMO# 25387

August 5, 2011

Request for Cost Information Associated With Lost and Missing Security Holders; Input Requested by Friday, September 2nd

ACTION REQUESTED

[25387]

August 5, 2011

TO: BANK, TRUST AND RECORDKEEPER ADVISORY COMMITTEE No. 45-11
BROKER/DEALER ADVISORY COMMITTEE No. 47-11
TRANSFER AGENT ADVISORY COMMITTEE No. 64-11 RE: REQUEST FOR COST INFORMATION ASSOCIATED WITH LOST AND MISSING SECURITY HOLDERS; INPUT REQUESTED BY FRIDAY, SEPTEMBER 2ND

As you may recall, Section 929W of the Dodd-Frank Act (“DFA”) required the SEC, within one year of the Act’s enactment, to revise the SEC’s rules relating to lost security holders to (1) extend their application to broker-dealers and (2) require all paying agents (including mutual fund transfer agents and broker-dealers, among others) to notify “missing security holders” [\[1\]](#) of certain uncashed checks. In March 2011, the SEC sought comment on a proposed rule to implement this requirement, [\[2\]](#) which the Institute commented on. [\[3\]](#) The “Cost and Benefits” section of the SEC’s Release accompanying the Commission’s proposed rule merely noted that its costs were “imposed entirely by Section 929W of the Dodd-Frank Act” and, “[a]ccordingly it is not for the Commission to determine whether these costs are justified by the anticipated benefits” of the proposal. Nonetheless, the Commission sought comment on the potential costs of the proposal. [\[4\]](#)

Earlier this week, the SEC published notice of the staff’s estimates of the costs and benefits associated with the proposed rule. [\[5\]](#) According to the Notice, the staff estimates that:

- The average number of hours necessary for each transfer agent to comply with Rule 17Ad-17 (which currently requires such persons to conduct a search of lost security holders) is 10 hours annually at a cost of \$100 per hour. (For a total cost of \$1000 a

year.)

- The average number of hours that will be necessary for each paying agent to comply with the new requirement to send lost security holders notice of uncashed checks is 50 hours annually at a cost of \$100 per hour. (For a total cost of \$5000 per paying agent.)

This is the entirety of their cost estimate. There appears to be no consideration of the systems costs or the costs of hiring outside search firms, sending correspondence, and performing all other duties associated with the current and proposed requirements. The Notice seeks written comments on the accuracy of the Commission's estimates.

To assist us in responding to the Notice, please provide me your best estimate of the costs you (1) currently incur in complying with the SEC's lost security holder rule (Rule 17Ad-17) and (2) expect to incur upon adoption of the SEC's proposed rule requiring you to identify missing security holders and notify them of uncashed checks. This information will be very useful to us to demonstrating that the Commission has significantly underestimated the costs associated with the existing and proposed requirements. We encourage all members subject to these requirements to provide us data to assist us in commenting on the Commission's estimates.

The ICI will maintain the confidentiality of the identity of firms submitting cost information to us as well as each firm's estimate of its costs. All such cost data will be aggregated and provided to the Commission on an aggregate basis. As you prepare your estimate, please ensure that it is as comprehensive as possible. Comments on the Notice are due by September 26, 2010. Accordingly, please submit your estimates to me via phone (202-326-5825) or email (tamara@ici.org) no later than Friday, September 2, 2011.

If you have any questions, please do not hesitate to contact me.

Tamara K. Salmon
Senior Associate Counsel

endnotes

[1] A "missing security holder" is defined in the DFA as person to whom a paying agent has sent a check that has not yet been negotiated.

[2] See Institute Memorandum No. [25035](#) (March 21, 2011), which summarized the SEC's proposed rule.

[3] See Institute Memorandum No. [25176](#) (May 9, 2011), which summarized the ICI's comment letter.

[4] The Institute's comment letter did not address the costs associated with the proposal. Our comments were limited to the proposed rule's substantive requirements.

[5] See Proposed Collection; Comment Request (SEC File No. 270-412) (July 28, 2011) (the "Notice"), which is available at:
<http://www.federalregister.gov/articles/2011/08/02/2011-19531/proposed-collection-comment-request>.

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