

MEMO# 25176

May 9, 2011

ICI Files Comment Letter With SEC on Proposed "Missing Securityholder" Rules

[25176]

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TO: BROKER/DEALER ADVISORY COMMITTEE No. 22-11
COMPLIANCE MEMBERS No. 22-11
INVESTMENT ADVISER MEMBERS No. 11-11
SMALL FUNDS MEMBERS No. 34-11
TRANSFER AGENT ADVISORY COMMITTEE No. 31-11 RE: ICI FILES COMMENT LETTER WITH
SEC ON PROPOSED "MISSING SECURITYHOLDER" RULES

Section 929W of the Dodd-Frank Act requires the SEC to adopt rules under Section 17A of the Securities Exchange Act of 1940 that require all "paying agents" to notify "missing securityholders" of uncashed checks in the amount of \$25 or more. Pursuant to Section 929W, the term "missing securityholder" refers to a securityholder who has not cashed a check sent to him or her by a paying agent by the earlier of six months from the sending of the check or, for regularly scheduled checks, the time the next check is mailed to the securityholder. If notice is required, it must be sent within seven month of the time the check was sent. As used in the statute, "paying agent" includes mutual fund transfer agents, among others.

In March, the SEC published for comment its proposal to implement this requirement. [\[1\]](#) In particular, the Commission has proposed to implement it by adding a new subsection (c) to Rule 17Ad-17 under the Securities Exchange Act that tracks the statutory language.

The Institute has filed the attached comment letter on the proposal. The letter commends the Commission for the flexibility provided to paying agents in determining the format, contents, and delivery of their notices. The letter recommends, however, that the Commission:

- Permit paying agents to use a single generic notice to alert missing securityholders to multiple uncashed checks sent within the six-month period rather than a separate notice for each individual check;
- Clarify that notices need not be sent to securityholders who cash the check after becoming a missing securityholder but before the notice is required to be sent;

- Clarify that notices may be sent electronically;
- Change 6 months and 7 months to 180 days and 210 days, respectively;
- Clarify that “missing securityholder” only refers to natural persons;
- Exclude from treatment as a “missing securityholder” any person who is a “lost securityholder” under Rule 17Ad-17(a) or deceased;
- Clarify that “regularly scheduled check” means those checks that the securityholder has made arrangements with the paying agent to send to the securityholder on a pre-specified, regularly-scheduled basis and does not include ad hoc checks;
- Exclude uncashed checks that are redeposited into the securityholder’s account within six months provided the paying agent has an established procedure for dealing with uncashed checks in this manner and the policy is disclosed to the securityholder in a prospectus or otherwise;
- Clarify that a securityholder’s status as “missing” under Rule 17Ad-17(c) does not make the securityholder “lost” under Rule 17Ad-17(a); and
- Permit a compliance period of at least eighteen months after the rule’s adoption.

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[Attachment](#)

endnotes

[1] See Proposed Amendments to Rule 17Ad-17; Transfer agents’, brokers’, and dealers’ obligations to search for lost securityholders; paying agents’ obligations to search for missing securityholders, SEC Release No. 34-64099 (March 18, 2011), which is available at <http://www.sec.gov/rules/proposed/2011/34-64099.pdf>.

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