

**MEMO# 11952**

June 15, 2000

## **SEC ADOPTS AMENDMENTS TO RULE 17AC2-2 AND TRANSFER AGENT FORM TA-2 AND RESCINDS RULE 17A-24**

1 Securities Exchange Act Release No. 34-42892 (June 2, 2000), 65 Fed. Reg. 36602 (June 9, 2000) (the "Release"). 2 Registered transfer agents are required by Rule 17Ac2-1(c) to amend Form TA-1 or the SEC Supplements to Form TA-1 within 60 calendar days following the date on which information reported therein became inaccurate, incomplete, or misleading. [11952] June 15, 2000 TO: COMPLIANCE ADVISORY COMMITTEE No. 20-00 INVESTMENT ADVISER MEMBERS No. 19-00 OPERATIONS MEMBERS No. 12-00 SEC RULES MEMBERS No. 38-00 TRANSFER AGENT ADVISORY COMMITTEE No. 25-00 RE: SEC ADOPTS AMENDMENTS TO RULE 17Ac2-2 AND TRANSFER AGENT FORM TA-2 AND RESCINDS RULE 17a-24 \_\_\_\_\_ The

Securities and Exchange Commission recently adopted amendments to Rule 17Ac2-2 and related Transfer Agent Form TA-2 and rescinded Rule 17a-24 under the Securities Exchange Act of 1934.<sup>1</sup> The amendments are summarized below and the adopting release is attached. The amendments generally become effective July 10, 2000. Under a transition rule contained in revised Rule 17Ac2-2, transfer agents' next required Form TA-2 filing will be due on March 31, 2001, and will cover activities during calendar year 2000. This transition rule eliminates the Form TA-2 filing for the period ending June 30, 2000, which would have been due on August 31, 2000. Amendments to Rule 17Ac2-2 Rule 17Ac2-2 as amended reflects a number of changes to the Form TA-2 filing requirements. First, the reporting period for all data on the form will be the calendar year, and each transfer agent registered on December 31 will be required to file by March 31 of the following year. Partial exceptions to the full filing requirement will be available for (1) registered transfer agents that received fewer than 1000 items for transfer in the reporting period and did not maintain master shareholder files for more than 1000 individual shareholder accounts as of December 31; and (2) named transfer agents that engage service companies to perform some or all of their transfer agent functions. Form TA-2 The revisions to Form TA-2 include the following: (1) instructions that transfer agents count the number of investment company securities for which they act as transfer agent as one issue per CUSIP number rather than one issue per prospectus; (2) a new question asking if the transfer agent had amended Form TA-1 as required by existing transfer agent rules<sup>2</sup> and requiring an explanation for any failure to file a required amendment; (3) revised items requesting information regarding the number of issues for which dividend reinvestment plan and/or direct purchase plan services are provided and the number of individual shareholder dividend reinvestment plan and/or 3 Under Rule 17Ad-17(b)(2), a lost shareholder is a shareholder (1) to whom an item of correspondence that was sent to the shareholder at the address contained in the transfer agent's master shareholder file has been returned as

undeliverable; provided, however, that if such item is re-sent within one month to the lost shareholder, the transfer agent may deem the shareholder to be a lost shareholder as of the day the re-sent item is returned as undeliverable; and (2) for whom the transfer agent has not received information regarding the shareholder's new address. direct purchase plan accounts; (4) new items requesting information regarding the number of issues for which Direct Registration System (DRS) services are provided and the number of individual shareholder DRS accounts; (5) designation of the former "investment company securities" category as "open-end investment company securities" and inclusion of closed-end investment company securities in the "corporate equity" category; (6) new sections requesting information regarding buy-ins with respect to overissued shares and turnaround time for routine items; and (7) numerous technical and conforming changes. Rule 17a-24 - Lost Shareholder Accounts Under current Rule 17a-24, registered transfer agents must report the aggregate number of lost shareholder accounts each year and the percentage of total accounts represented by such lost shareholder accounts with respect to lost shareholder accounts outstanding for: one year or less, three years or less, five years or less, or more than five years. In order to simplify the reporting requirements, the SEC has amended Form TA-2 and rescinded Rule 17a-24. Transfer agents under the new requirements will be required to provide the date of each database search for lost shareholders required under Rule 17Ad-17 during the reporting period, the number of lost shareholder accounts submitted for each database search, and the number of lost shareholder accounts for which a different address was obtained as a result of each database search. Although transfer agents will continue to report on Form TA-2 the number of lost shareholder accounts that were remitted to the states during the reporting period, they will no longer be required to report the "aging" of lost shareholder accounts. The Release also states that transfer agents should only report those accounts held by shareholders that are defined as lost by Rule 17Ad-17, 3 and should only report those accounts where the underlying securities have been remitted to the states. Kathy D. Ireland Associate Counsel Attachment Note: Not all recipients receive the attachment. To obtain a copy of the attachment referred to in this Memo, please call the ICI Library at (202) 326-8304, and ask for attachment number 11952. ICI Members may retrieve this Memo and its attachment from ICINet (<http://members.ici.org>).