

MEMO# 10439

October 30, 1998

SEC IMPOSES ""AGREED-UPON PROCEDURES"" REQUIREMENT ON TRANSFER AGENTS' YEAR 2000 READINESS REPORTS

1 Year 2000 Readiness Reports To Be Made by Certain Non-Bank Transfer Agents, SEC Release No. 34-40587; FR-52; File No. S7-8-98 (October 22, 1998) (the "Release"). 2 See Reports to be Made by Certain Transfer Agents, SEC Release No. 34-40165; File No. S7-8-98 (July 2, 1998). In a companion release accompanying the adoption of Rule 17Ad-18, the Commission solicited additional comments on the appropriate scope of independent public accountant review, including the feasibility and desirability of an agreed-upon procedures engagement, as was suggested by the American Institute of Certified Public Accountants ("AICPA"). 3 Specifically, the Auditing Standards Board, which is responsible for setting auditing and attestation standards and procedures followed by AICPA members, issued Statement of Position 98-8, which is designed to permit the CPA to: (i) provide valuable information on the existence and sufficiency of a transfer agent's process for addressing Y2K problems; (ii) provide an independent verification of the accuracy of the information contained in the transfer agent's second Form TA- Y2K; (iii) aid the Commission in obtaining a more complete understanding of the industry's overall Y2K preparations; and (iv) identify institution-specific and industry-wide problems. [10439] October 30, 1998 TO: ACCOUNTING/TREASURERS MEMBERS No. 33-98 COMPLIANCE ADVISORY COMMITTEE No. 36-98 INTERNAL AUDIT COMMITTEE No. 12-98 INVESTMENT ADVISER ASSOCIATE MEMBERS No. 33-98 INVESTMENT ADVISER MEMBERS No. 35-98 OPERATIONS COMMITTEE No. 41-98 SEC RULES MEMBERS No. 89-98 TRANSFER AGENT ADVISORY COMMITTEE No. 73-98 RE: SEC IMPOSES ""AGREED-UPON PROCEDURES"" REQUIREMENT ON TRANSFER AGENTS' YEAR 2000 READINESS REPORTS

The Securities and Exchange Commission recently amended Rule 17Ad-18 under the Securities Exchange Act of 1934 to require certain non-bank transfer agents to file with the Commission a report prepared by an independent public accountant (a "CPA") regarding the transfer agent's Year 2000 remediation efforts.¹ Originally adopted last July, Rule 17Ad-18 requires non-bank transfer agents to prepare and file with the Commission Y2K readiness reports on new Form TA-Y2K.² The amended rule requires each non-bank transfer agent that is required to file Part II of Form TA-Y2K to include with that filing a report prepared by a CPA regarding the transfer agent's process for addressing Y2K Problems. The CPA's report, as well as the second Form TA-Y2K it will accompany, is due on April 30, 1999, and will reflect the transfer agent's Y2K efforts as of March 15, 1999. Moreover, both the

report and the form will be made available to the public. The Release is attached and discussed below. According to the Release, each covered transfer agent must engage a CPA to perform an “agreed-upon procedures” engagement in accordance with standards developed by the AICPA.³ Under those standards, the CPA will consider: (i) the transfer agent’s plan for addressing Y2K problems; (ii) its efforts to repair its affected computer systems; (iii) its tests of completed repairs; and (iv) its efforts to monitor the progress of the Y2K project. The Release also emphasizes that the CPA’s report has a specific regulatory purpose and “is not intended to express an opinion or finding regarding whether the transfer agent is Y2K compliant.” Accordingly, the report will not make any representation regarding the sufficiency of the procedures performed or express an opinion on the transfer agent’s assertions included in Form TA-Y2K. Nor will the report represent that the procedures performed provide any assurances that the transfer agent is or will be Y2K ready, that its Y2K project plans will be successful in whole or in part, or that parties with which the transfer agent does business will be Y2K ready. Barry E. Simmons Assistant Counsel Attachment Note: Not all recipients of this memo will receive an attachment. If you wish to obtain a copy of the attachment referred to in this memo, please call the Institute's Library Services Division at (202)326- 8304, and ask for this memo's attachment number: 10439.

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