

MEMO# 3115

September 20, 1991

SEC PROPOSAL CONCERNING TRANSFER AGENT RESPONSIBILITIES FOR ACCEPTING SIGNATURE GUARANTEES FROM ELIGIBLE GUARANTOR INSTITUTIONS

September 20, 1991 TO: SEC RULES COMMITTEE NO. 57-91 OPERATIONS COMMITTEE NO. 28-91 TRANSFER AGENT ADVISORY COMMITTEE NO. 43-91 RE: SEC PROPOSAL CONCERNING TRANSFER AGENT RESPONSIBILITIES FOR ACCEPTING SIGNATURE GUARANTEES FROM ELIGIBLE GUARANTOR INSTITUTIONS

The Securities and Exchange Commission proposed a new rule under the Securities Exchange Act of 1934 which would: (1) Prohibit inequitable treatment of eligible guarantor institutions; and (2) require transfer agents to establish written standards for the acceptance of signature guarantees. This rule is being proposed pursuant to the SEC's authority granted under the Securities Enforcement Remedies and Penny Stock Reform Act of 1990 to implement rules to facilitate the equitable treatment of financial institutions which issue signature guarantees. A copy of the SEC's release is attached. The proposed rule would require transfer agents to establish (1) written standards for the acceptance of guarantees of securities transfers from "eligible guarantor institutions" (as defined under the rule) and (2) procedures, including written guidelines where appropriate, to ensure that those standards are used by the transfer agent in determining whether to accept or reject guarantees from eligible guarantor institutions. In addition, transfer agents would be required to adopt standards and procedures that do not treat different classes of eligible guarantor institutions inequitably nor result in the rejection of a guarantee from an eligible guarantor institution solely because the institution is of a particular type of institution (e.g., savings and loan associations). The SEC states in the attached release that it is not proposing to specify minimum standards or procedures and, in that respect, solicits comment on whether the proposed approach and substance are adequate to ensure the equitable treatment of financial guarantors eligible to issue signature guarantees. The proposed rule also would require transfer agents to make certain determinations before rejecting a transfer request because of the signature guarantor. Under certain specified circumstances, transfer agents may rely on the "safe harbor" provided under the rule for rejections of signature guarantees that might otherwise be viewed as a violation of the proposed rule. Finally, the rule would permit a transfer agent to comply with the written standards and procedures provision under the rule (paragraph (c)) if its standards and procedures provide for the acceptance of guarantees from eligible guarantor institutions who are participants in a "signature

guarantee program" (as defined under the rule; e.g., the "STAMP" program). Comments on the proposed rule concerning the acceptance of signature guarantees by transfer agents from eligible guarantor institutions are due to the SEC by October 31, 1991. Please provide any comments you would like the Institute to consider including in a possible comment letter on the proposal to Kathy Joaquin at 202/955-3583 or the undersigned at 202/955-3523 by October 18, 1991. Amy B.R. Lancellotta Assistant General Counsel
Attachment

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