

MEMO# 8432

December 4, 1996

INSTITUTE COMMENT LETTER ON PROPOSED RULES CONCERNING LOST SECURITYHOLDERS

December 4, 1996 TO: INVESTMENT ADVISERS COMMITTEE No. 27-96 OPERATIONS
COMMITTEE No. 32-96 SEC RULES COMMITTEE No. 125-96 TRANSFER AGENT ADVISORY
COMMITTEE No. 69-96 RE: INSTITUTE COMMENT LETTER ON PROPOSED RULES
CONCERNING LOST SECURITYHOLDERS

The Institute has filed the attached comment letter concerning the SECs proposed rules that would require transfer agents to search for lost securityholders and authorize the Commission to collect information on lost securityholders and provide it to information distributors and others. The letter support the SECs efforts but urges the Commission to make the proposed search requirements more flexible so as to accommodate current practices in the mutual fund industry and to avoid unnecessary additional costs. The Institutes letter recommends that the Commission permit transfer agents to make a "lost securityholder" designation after the first piece of returned mail is remailed and returned again as undeliverable rather than wait for a second, separate piece of mail to be returned, as currently proposed. It also recommends that the Commission permit transfer agents to conduct lost shareholder database searches every six months for all accounts deemed "lost" since the prior search rather than within three months of when each individual account is deemed "lost." The letter also suggests that the Commission eliminate limitations prohibiting transfer agents from passing a reasonable cost of a search to the lost shareholder. The letter proposes that the requirement to search for a lost securityholder only apply where the transfer agent is holding assets over a de minimis amount of \$100 per shareholder account. In response to the Commissions request for comment, the letter also suggests that transfer agents should not be required to make annual assessments of their lost shareholder location efforts and that they should not be required to establish and monitor performance based standards. With respect to the Commissions request for comment on the development of a public access database of lost securityholders, the letter states that the Institute is opposed to the creation of such a database regardless of whether it would be maintained by a private entity or the Commission, noting serious concerns with respect to the security of shareholder information. The letter urges the Commission to exclude mutual fund underwriters from the definition of "recordkeeper" and to limit the inclusion of investments advisers in the definition of "recordkeeper" to those advisers with custody of client securities of funds and therefore subject to the custody rule, Rule 206(4)-2, under the Investment Advisers Act of 1940. If you have any questions regarding the letter, please contact the undersigned at 202/326-5850. We will keep you informed of developments.

Source URL: <https://icinew-stage.ici.org/memo-8432>

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.