

# Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

## FEDERAL RESERVE SYSTEM

### 12 CFR Parts 208, 211, and 225

[Regulations H, K and Y; Docket No. R-1019]

#### Membership of State Banking Institutions in the Federal Reserve System; International Banking Operations; Bank Holding Companies and Change in Bank Control

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Withdrawal of notice of proposed rulemaking.

**SUMMARY:** The Board of Governors of the Federal Reserve System (Board) published a Notice of Proposed Rulemaking in the **Federal Register** on December 7, 1998. The proposed regulation would have required state member banks, certain bank holding companies and their nonbank subsidiaries, certain U.S. branches and agencies and nonbank subsidiaries of foreign banks, and Edge and Agreement corporations (collectively referred to as a "bank" or "banks") to develop and maintain "Know Your Customer" programs. The Board received over 17,000 comments, the overwhelming majority of which were strongly opposed to the adoption of the proposed regulation. After considering the issues raised by the comments, and in view of the strong opposition to the proposed regulation, the Board is withdrawing the Notice of Proposed Rulemaking.

**DATES:** The proposed rule is withdrawn on March 31, 1999.

**FOR FURTHER INFORMATION CONTACT:** Richard A. Small, Assistant Director, Division of Banking Supervision and Regulation, (202) 452-5235 or Pamela J. Johnson, Senior Anti-Money Laundering Coordinator, Division of Banking Supervision and Regulation, (202) 728-5829. For users of Telecommunications Devices for the Deaf (TDD) only contact Diane Jenkins, (202) 452-3544, Board of Governors of the Federal Reserve

System, 20th and C Streets, N.W., Washington, D.C. 20551.

**SUPPLEMENTARY INFORMATION:** On December 7, 1998, the Board published proposed revisions to Part 208 (Membership of State Banking Institutions in the Federal Reserve System (Regulation H)), Part 211 (International Banking Operations (Regulation K)) and Part 225 (Bank Holding Companies and Change in Bank Control (Regulation Y)) of the Board's Rules (63 FR 67516, December 7, 1998). The proposed revisions were intended to provide guidance to banks to facilitate and ensure their compliance with existing federal reporting and record keeping requirements, such as those found in the Bank Secrecy Act. It was intended to help protect the integrity and reputation of the financial services industry and assist the government in its efforts to combat money laundering and other illegal activities that might be occurring through financial institutions.

The Board's proposal was substantially the same as regulations proposed by the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Office of Thrift Supervision.

The Board received more than 17,000 comments. Comments were received from community, regional and multinational banks, members of Congress, trade and industry groups, as well as the general public.

The overwhelming majority of commenters were individual, private citizens who voiced strong opposition to the proposal as an invasion of personal privacy. Other issues raised by these commenters included the Board's authority to issue the proposal; the cost of any "Know Your Customer" program would be passed on to customers; and the regulation would be ineffective in preventing money laundering and other illicit financial activities.

Banks and trade associations that commented on the proposal uniformly opposed its implementation. Their arguments against the proposal included the following: (1) The regulation would be very costly to implement, especially for small banks; (2) a "Know Your Customer" program would invade customer privacy; (3) commercial banks would be unfairly disadvantaged and lose customers if all segments of the financial services industry were not

covered; (4) compliance with the regulation would divert resources from Year 2000 preparation; (5) the Board lacked authority to adopt the regulation; (6) public confidence in the banking industry would be harmed by the regulation; and (7) the regulation is both unnecessary and redundant, as banks are already familiar with their customers and have adequate procedures in place.

The Board has carefully reviewed the comments received during the 90-day comment period. Based upon that review, and in light of the overwhelming objections raised by the public, the Board has decided to withdraw the proposed regulation.

By order of the Board of Governors of the Federal Reserve System, March 25, 1999.

**Robert deV. Frierson,**

*Associate Secretary of the Board*

[FR Doc. 99-7837 Filed 3-30-99; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

### 17 CFR PARTS 240 and 249b

[Release No. 34-41204; File No. S7-11-99]

RIN 3235-AH44

#### Revised Transfer Agent Form and Related Rule

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Proposed rule.

**SUMMARY:** The Securities and Exchange Commission (Commission) is publishing for comment its proposal to amend Rule 17Ac2-2 and related Form TA-2 and its proposal to rescind Rule 17a-24 under the Securities Exchange Act of 1934. The amendment would make technical corrections and provide greater clarity to Form TA-2. Accordingly, the amendments are designed to clarify filing requirements and instructions; eliminate or change ambiguous terms and phrases; delete certain redundant or unnecessary questions; and add questions that would help the Commission to more effectively monitor the transfer agent industry.

**DATES:** Comments are due on or before May 17, 1999.

**ADDRESSES:** Comments should be submitted in triplicate to Jonathan G.

Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609.

Comments also may be submitted electronically at the following E-mail address: rule-comments@sec.gov. All comment letters should refer to File No. S7-11-99; this file number should be included on the subject line if E-mail is used. All comments received will be available for public inspection and copying in the Commission's Public Reference Room, 450 5th Street, N.W., Washington, D.C. 20549. Electronically submitted comment letters will be posted on the Commission's Internet Web site (<http://www.sec.gov>).

**FOR FURTHER INFORMATION CONTACT:** Jerry W. Carpenter, Assistant Director, or Lori R. Bucci, Special Counsel, at 202/942-4187, Office of Risk Management and Control, Division of Market Regulation, Securities and Exchange Commission, Washington, D.C. 20549-1001.

#### SUPPLEMENTARY INFORMATION:

### I. Introduction

Transfer agents play an essential role in the processing of securities transactions and recordkeeping for securities issuers. The Commission is reviewing the regulations that apply to transfer agents to determine whether changes are necessary or appropriate. In this release, we propose a variety of amendments to Form TA-2,<sup>1</sup> the annual reporting mechanism for all registered transfer agents.

Form TA-2 has not been reviewed since it was adopted in 1986.<sup>2</sup> Since that time, a variety of ambiguities and inconsistencies in the form have come to light. Also, we believe that the quality of the data obtained from transfer agents can be improved. It is essential that the Commission receive accurate information that can be processed and evaluated efficiently by our staff because there is no self-regulatory organization for transfer agents, resulting in more direct oversight responsibility for the Commission and the other appropriate regulatory agencies (ARAs).<sup>3</sup> The amendments proposed today are intended to enhance our oversight capabilities.

<sup>1</sup> 17 CFR 249b.102.

<sup>2</sup> Securities Exchange Act Release No. 23084 (March 27, 1986), 51 FR 12124. Form TA-2 is referenced in 17 CFR 249b.102.

<sup>3</sup> The term "appropriate regulatory agency" is defined in Section 3(a)(34) of the Securities Exchange Act of 1934, 17 U.S.C. 78c(a)(34), and includes the Commission, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency.

### A. Rule 17Ac2-2 and Form TA-2

In 1975, Congress enacted legislation for the regulation of the securities processing industry.<sup>4</sup> The legislation requires transfer agents to register, and gives the ARAs the authority to develop registration requirements. Every transfer agent that is subject to registration must file a Form TA-1 with its ARA.<sup>5</sup>

Congress gave the Commission broad rulemaking and enforcement authority over all transfer agents<sup>6</sup> although the bank regulatory agencies were given primary responsibility for oversight of bank transfer agents.<sup>7</sup>

In 1986, the Commission adopted Rule 17Ac2-2, which requires all registered transfer agents to file an annual report of their business activities on Form TA-2.<sup>8</sup> As part of the Commission's continuing efforts to improve and simplify rules and forms, the Commission proposes to amend Rule 17Ac2-2 and Form TA-2. The proposed amendments would allow the Commission to obtain clearer and more comprehensive information from transfer agents about their activities. Essentially, the proposed amendments would:

- elicit additional information regarding transfer agent business activities, such as direct purchase and dividend reinvestment plan accounts, buy-ins, and turnaround time for routine items;
- request more useful lost securityholder information;
- enhance service company information;
- eliminate the filing exception;
- clarify the filing requirements and instructions;
- conform reporting periods;
- delete unnecessary questions; and
- make technical changes.

### B. Lost Securityholders

To address the problem of lost securityholders,<sup>9</sup> on October 1, 1997,

<sup>4</sup> Pub. L. 94-29 (June 4, 1975), known as the Securities Acts Amendments of 1975. The securities processing industry refers to both transfer agents and clearing agencies.

<sup>5</sup> Section 17A(c)(2) of the Exchange Act. Form TA-1 is referenced in 17 CFR 249b.100.

<sup>6</sup> Section 17A(d)(3) of the Exchange Act.

<sup>7</sup> Section 17A(d)(3)(A)(ii) of the Exchange Act.

<sup>8</sup> Securities Exchange Act Release No. 23084 (March 27, 1986), 51 FR 12124. Form TA-2 is referenced in 17 CFR 249b.102.

<sup>9</sup> Rule 17Ad-17 generally defines a "lost securityholder" as a securityholder to whom an item of correspondence that was sent to the securityholder at the address in the transfer agent's master securityholder file has been returned as undeliverable. Securities Exchange Act Release No. 39176 (October 1, 1997), 62 FR 52229. "Master securityholder file" is defined in Rule 17Ad-9(b) as the official list of individual securityholder accounts.

the Commission adopted Rules 17Ad-17 and 17a-24.<sup>10</sup> Rule 17Ad-17 requires transfer agents to conduct data base searches in an effort to locate lost securityholders. Rule 17a-24 requires transfer agents to submit on Form TA-2 aggregate data regarding the accounts of lost securityholders.<sup>11</sup> The purpose of Rule 17a-24 is to gather data to assess the effectiveness of the search requirements of Rule 17Ad-17. As a result of its continuing review of this problem, the Commission now believes that it needs different information than that which is required by Rule 17a-24 to assess the effectiveness of the search requirements of Rule 17Ad-17. Therefore, the Commission is proposing to require transfer agents to report on Form TA-2 specific information about the results of the required data base searches for lost securityholders and to rescind Rule 17a-24.

## II. Proposed Changes

### A. Rule 17Ac2-2

Rule 17Ac2-2 requires every transfer agent to file Form TA-2 with the Commission by August 31 of each calendar year. The information furnished on Form TA-2 assists the Commission in its transfer agent oversight programs.

The Commission is proposing several modifications to Rule 17Ac2-2. First, to clarify whether a transfer agent must file Form TA-2 if it withdraws its registration during the filing period, Rule 17Ac2-2 would be amended to require every transfer agent that is registered on June 30 to file Form TA-2 by August 31 of that calendar year.

Second, current Rule 17Ac2-2 provides that a registered transfer agent is required to complete only Items 1 through 4 of Form TA-2 if it: received fewer than 500 items for transfer and fewer than 500 items for processing in the six months ending June 30, and did not maintain master securityholder files for more than 1,000 individual securityholder accounts as of June 30. The proposed amendment would revise

<sup>10</sup> Securities Exchange Act Release No. 39176 (October 1, 1997), 62 FR 52229. The Commission also adopted amendments to Rule 17Ad-7 incorporating the retention time periods for the records relating to compliance with Rule 17Ad-17.

<sup>11</sup> Rule 17a-24 requires registered transfer agents to report the number of lost securityholder accounts as of June 30 of each year and the percentage of total accounts represented by such lost securityholder accounts. These figures are broken down by the length of time the securityholder was classified as lost: one year or less; three years or less; five years or less; or more than five years. Rule 17a-24 also requires that transfer agents annually report information on lost securityholder accounts that escheated to state unclaimed property administrators.

this partial exception to the full filing requirement so that it applies to a registered transfer agent that received fewer than 1,000 items for transfer and fewer than 1,000 items for processing in the twelve months ending June 30 of the year for which the form is being filed.<sup>12</sup> Moving from a six month to a twelve month period would conform this exception to the rule's twelve month reporting period and would provide more complete records regarding the volume of items transferred and processed during the entire reporting period.

Third, Rule 17Ac2-2 currently requires the annual filing of Form TA-2 by all registered transfer agents except named transfer agents<sup>13</sup> that engage a service company<sup>14</sup> to perform all of their transfer and processing functions.<sup>15</sup> As a consequence, in processing Form TA-2 filings, the Commission's staff frequently cannot determine whether a transfer agent that did not file Form TA-2 is properly using the exception or has simply neglected to file. To address this problem, the proposed rule amendment would eliminate the exception.

A named transfer agent that engages a service company to perform all of its transfer and processing functions would be required to complete only the first four questions and the signature section of Form TA-2.<sup>16</sup> Currently, Rule 17Ac2-2 requires a named transfer agent that engages a service company to perform some but not all of its transfer and processing functions to file a Form TA-2 and to enter zero (0) for those questions that relate to functions performed by the service company on behalf of the named transfer agent. This requirement would not be changed by the proposed amendments. Therefore, as a result of the proposed amendments

every registered transfer agent would be required to file a Form TA-2 annually.

## B. Form TA-2

Current Form TA-2 contains questions regarding the volume and nature of a transfer agent's business activities. The Commission proposes to amend Form TA-2 to obtain more complete information regarding service companies, the transfer agent's amendments to its Form TA-1, direct purchase and dividend reinvestment plan accounts, buy-ins,<sup>17</sup> lost securityholders, and turnaround time for routine items. The proposal also includes numerous technical and conforming changes.

### 1. Form TA-2 Instructions

Currently, the box at the top left corner of the first page requests the month, day, and year of the filing period. This format enables registrants to put in a date other than the required reporting period. The box at the top left corner of every page of Form TA-2 would be changed to "For the reporting period ending June 30, YYYY." This change would help ensure that the correct reporting period for which Form TA-2 is being submitted is indicated.

For clarity and to ease filling out Form TA-2, the proposed form would add definitions for the following terms to the form's instructions: aged record difference, lost securityholder, named transfer agent, outside registrar, record difference, reporting period, and service company. These definitions are the same definitions currently set forth in the existing transfer agent rules. In addition, the proposal would revise the filing requirements to conform with the amendments to Rule 17Ac2-2 discussed above.

Currently, in determining the number of investment company securities for which they act as transfer agents, registrants are instructed to count each prospectus as one issue. The Commission believes that it is more informative to count investment company securities by CUSIP numbers rather than by prospectuses. Therefore, registrants would be instructed to count investment company securities as one issue per CUSIP number.

### 2. Form TA-2 Questions

Revised Form TA-2 would contain a question asking if the registrant has

amended Form TA-1 as required by existing transfer agent rules.<sup>18</sup> In addition, the revised Form TA-2 would request that the transfer agent provide an explanation if it failed to file a required amendment to its Form TA-1. Form TA-2 also would contain a new question asking about the registrant's use of service companies. This information would help the Commission to obtain more complete information about transfer agents and their business activities.

Throughout the form, the request for numbers with "000s omitted" or "in millions—000,000s omitted" would be deleted to prevent confusion and to ease the staff's analysis. The amended Form TA-2 would request the actual figures with no zeros omitted.

Currently, Form TA-2 requests transfer agents to report the number of items received for transfer and processing during the six months ending June 30. The proposal would amend this reporting period from six months to twelve months ending June 30 in order to have a uniform annual reporting period.

Currently, Form TA-2 elicits information regarding only the number of issues for which dividend reinvestment plan services are provided. However, the number of transfer agents providing direct purchase and dividend reinvestment plan services and the number of direct purchase and dividend reinvestment plan accounts have increased substantially in recent years. Revised Form TA-2 would require that transfer agents reflect direct purchase and dividend reinvestment plan accounts in the total number of individual securityholder accounts maintained, and separately state the number of individual securityholder direct purchase and dividend reinvestment plan accounts.

Currently, Form TA-2 requests the percentage of individual securityholder accounts maintained in six categories: corporate equity securities, corporate debt securities, investment company securities, limited partnership securities, municipal debt securities, and other securities. Revised Form TA-2 would clarify the question by

<sup>12</sup> The master securityholder account element would not change. A transfer agent with this level of activity would be required to complete only Questions 1 through 5, 10, and 11 and the signature section of Form TA-2.

<sup>13</sup> "Named transfer agent" is defined in Rule 17Ad-9(j) as the registered transfer agent that is engaged by an issuer to perform transfer agent functions for an issue of securities but has engaged a service company to perform some or all of those functions. 17 CFR 240.17Ad-9(j).

<sup>14</sup> "Service company" is defined in Rule 17Ad-9(k) as the registered transfer agent engaged by a named transfer agent to perform transfer agent functions for that named transfer agent. 17 CFR 240.17Ad-9(k).

<sup>15</sup> 17 CFR 240.17Ac2-2.

<sup>16</sup> These questions on Form TA-2 would request basic information such as the transfer agent's name, its use of a service company, the name of its ARA, whether it filed any amendments to its registration, and the number of items it received for transfer and processing during the reporting period.

<sup>17</sup> Rule 17Ad-11(c)(2) generally requires that within ten business days following the end of each calendar quarter, every recordkeeping transfer agent shall report certain information when the aggregate market value of all buy-ins executed pursuant to Rule 240.17Ad-10(g) during that calendar quarter exceeds \$100,000. 17 CFR 240.17Ad-11(c)(2).

<sup>18</sup> Transfer agents registered with the Commission 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. 17 CFR 240.17Ac2-1(c). Federal bank regulators (FBRs) also require their registrants to amend their Form TA-1 within 60 calendar days following the date on which the reported information became inaccurate, incomplete, or misleading. FBRs send copies of the submitted filings to the Commission on behalf of their registrants.

renaming one of the six categories. The category of investment company securities would be renamed as open-end investment company securities. In addition, for purposes of clarification, the Form TA-2 instructions would be amended to state that the corporate equity category would include closed-end investment company securities.

Currently, Form TA-2 requires the transfer agent to determine the number and type of securities issues for which it acted in various transfer agent capacities.<sup>19</sup> Form TA-2 directs the transfer agent to combine corporate debt and equity into one category. In order that the Commission have more precise information on a transfer agent's operations, revised Form TA-2 would require the transfer agent to report separately the number of corporate equity and corporate debt securities issues for which it acted in a specified capacity.<sup>20</sup>

Where a change in transfer agents for an issuer has occurred, current Form TA-2 requests information about the number and aggregate market value of (1) securities record differences<sup>21</sup> that the current transfer agent received as an out of balance issue from the prior transfer agent, and (2) securities record differences resulting from the current transfer agent. The format of this section has been confusing to many registrants. Therefore, because the Commission believes that the current record difference information is the most significant, the form would be revised to require reporting of the current number and aggregate market value of securities differences with no detail as to whether the securities differences occurred before or after the change in transfer agents.

Revised Form TA-2 would add a question about the number of quarterly reports that were filed and that should have been filed by the registrant with its ARA during the reporting period

pursuant to Rule 127Ad-11(c)(2).<sup>22</sup> The addition of this question to Form TA-2 would help the Commission monitor registered transfer agent over-issuance and buy-in activities.

The proposal would eliminate the collection of information about transfer agent custodian (TAC) arrangements.<sup>23</sup> The current question tends to glean erroneous responses from many transfer agents while accurate information is readily obtainable from The Depository Trust Company.

As discussed above, the Commission proposes to use a uniform reporting period in Form TA-2. Accordingly, information relating to a transfer agent's dividend disbursement and interest paying agent activities, and information relating to the volume of openend investment company securities purchases and redemptions a transfer agent processes would be reported for the twelve months ending June 30 instead of for the preceding calendar year ending December 31.<sup>24</sup>

Current Form TA-2 requests both the number of transactions processed on a date other than the date of receipt of the order and the "number of transactions processed on other than on date of receipt of order, expressed as a percentage of total transactions processed." Because the Commission can compute the percentage based on other data in the form, the percentage inquiry would be eliminated.

Finally, the proposal would add a question regarding turnaround time. Revised Form TA-2 would ask transfer agents to report the number of months during the reporting period in which the registrant was not in compliance with the specified turnaround time for routine items pursuant to Rule 17Ad-

2.<sup>25</sup> Revised Form TA-2 also would ask transfer agents to report the number of written notices the transfer agent filed and should have filed during the reporting period documenting its noncompliance with turnaround time for routine items pursuant to Rule 17Ad-2.

### C. Rule 17a-24

Rule 17a-24 requires registered transfer agents to report the aggregate number of lost securityholder accounts as of June 30 of each year and the percentage of total accounts represented by such lost securityholder accounts. These figures currently must be reported for lost securityholder accounts outstanding for: one year or less, three years or less, five years or less, or more than five years. As noted in the adopting release, the Commission adopted Rule 17a-24 to require the reporting of information on aged lost securityholder accounts in order to assess the effectiveness of search techniques employed by transfer agents. Rule 17a-24 also requires information on lost securityholder accounts that escheated to state unclaimed property administrators.

In 1998, transfer agents were required to report information on the aging of lost securityholder accounts for the first time on Form TA-2. Transfer agent representatives, however, have informed Commission staff that compiling information on the aging of lost securityholder accounts has proved to be extremely difficult. Many transfer agents have indicated that their record systems are not designed to produce such information and that to program their systems to provide such information would be extremely burdensome and in some situations not possible.<sup>26</sup>

The Commission has reviewed the information required by Rule 17a-24. The Commission believes that the Commission should refine transfer agents' reporting requirements so that the information transfer agents are required to file would give a better indication of the effectiveness of the data base searches. The new reporting requirements should also be less burdensome for transfer agents to implement. Therefore, the Commission is proposing that: (1) transfer agents be required to report on Form TA-2 the number of lost securityholders for which a first and for which a second

<sup>19</sup> The identified capacities are: (a) receives items for transfer and maintains the master securityholder files; (b) receives items for transfer but does not maintain the master securityholder files; and (c) does not receive items for transfer but maintains the master securityholder files.

<sup>20</sup> The registrant would continue to report the number and type of other securities issues for which it acts in the specified transfer agent capacities.

<sup>21</sup> "Record difference," as defined in Rule 17Ad-9(g), occurs when either (1) the total number of shares or total principal dollar amount of securities in the master securityholder file does not equal the number of shares or principal dollar amount in the control book, or (2) the security transferred or redeemed contains certificate detail different from the certificate detail currently on the master securityholder file, which difference cannot be immediately resolved.

<sup>22</sup> 17 CFR 240.17Ad-11(c)(2). Generally, Rule 17Ad-11(c)(2) requires a transfer agent to file a report at the end of each quarter during which it has an aged record difference (*i.e.*, where the number of shares on the securityholder file does not equal the number of shares authorized and issued by the issuer). The report contains information such as the size and dollar value of the record difference, the reason for the record difference, and the size and dollar value of any buy-ins executed to remedy the record difference. (A buy-in is required when a registered transfer agent overissues shares. The registered transfer agent within 60 days of the discovery of such overissuance buys-in securities equal to the number of shares in the case of equity securities or equal to the principal dollar amount in the case of debt securities. 17 CFR 240.17Ad-10(g).)

<sup>23</sup> TAC agreements, which are more commonly referred to as fast automated securities transfer (FAST) accounts, exist between large transfer agents and The Depository Trust Company.

<sup>24</sup> Revised Form TA-2 would use the more commonly used industry term "purchases and redemptions" instead of "transactions" when referring to open-end investment company securities processing.

<sup>25</sup> Turnaround times for routine items are set forth in Rule 17Ad-2. 17 CFR 240.17Ad-2.

<sup>26</sup> Because of these conversations, the Commission believes that at this time transfer agents have not made or undertaken any major systems changes.

data base search has been conducted and for which a correct address has been obtained as a result of these searches; (2) transfer agents continue, as required by Rule 17a-24, to report on Form TA-2 the current number of lost securityholder accounts and the number of lost securityholder accounts that were remitted to the states during the last year; (3) the remaining information (*i.e.*, aging of lost securityholder accounts) will no longer be required; and (4) Rule 17a-24 then be rescinded.

### III. General Request for Comments

The Commission solicits commenters' views on all aspects of the proposed amendments to Rule 17Ac2-2 and Form TA-2 and the proposed rescission of Rule 17a-24 under the Securities Exchange Act of 1934 (Exchange Act). In particular, the Commission requests comment as to whether the proposed amendments would provide the most effective means for the Commission to obtain adequate information regarding transfer agent operations. Are there other questions that the Commission could ask on Form TA-2 to obtain useful information on transfer agent operations? Is there other specific information regarding transfer agent operations that the Commission should require to be provided on Form TA-2?

In addition, the Commission requests comments on whether the proposed change to the information on lost securityholders collected on Form TA-2 would be a more effective method to track the effectiveness of transfer agents' data base searches than the account aging information currently required. Do transfer agents currently have the aging information readily available to report? Is the proposed change a more efficient and less costly method for transfer agents to report information on their outstanding lost securityholder accounts? What system changes and costs would transfer agents incur if they were only required to report the aging of lost securityholder accounts prospectively? (For example, it would only be five years from now that a transfer agent would be required to report the number of securityholder accounts that had been lost for five years.)

Finally, the Commission refers commenters to its policy statement establishing a regulatory moratorium to facilitate the year 2000 conversion.<sup>27</sup> The Commission anticipates that any amendments to Rule 17Ac2-2 and Form

TA-2 would be adopted before the moratorium begins on June 1, 1999. However, the Commission requests comment on the specific extent to which the proposed amendments would require registered transfer agents to make major programming changes to their computer systems.

### IV. Costs and Benefits of the Proposed Amendments and Their Effects on Competition

The Commission has identified certain costs and benefits relating to the proposals, which are discussed below, and encourages commenters to discuss any additional costs or benefits. In particular, the Commission requests comment on the potential costs for any necessary modifications to information gathering, management, and recordkeeping systems or procedures as well as any potential benefits resulting from the proposals for issuers, transfer agents, regulators, or others. Commenters should provide analysis and empirical data to support their views on the costs and benefits associated with the proposals.

#### A. Benefits

These amendments would help the Commission to:

- Keep complete records on all registered transfer agents. Currently, the Commission's staff cannot easily determine whether a transfer agent who did not file a Form TA-2 is properly using an applicable exception or whether the transfer agent has simply neglected to file.

- Use the information gathered from Form TA-2 to monitor the annual business activities of registered transfer agents, including the use of service companies, amendments to Form TA-1, direct purchase and dividend reinvestment plan accounts, buy-ins, and turnaround time for routine items.

- Achieve a consistent reporting period which should eliminate confusion from varying reporting periods. In addition, as the volume of transfer business may not be consistent throughout the entire reporting period, the current reporting requirement of only six months of data is potentially skewed.

- Elicit information regarding the data base searches for lost securityholders. This information should enable the Commission to assess the effectiveness of the search requirements of Rule 17Ad-17 and the scope of the lost securityholder problem.

#### B. Costs

The proposed amendments to Rule 17Ac2-2 and Form TA-2 should not result in any significant additional costs to transfer agents. The majority of information required by Form TA-2 is available in the internal files of the transfer agents, and a large portion of the information is already required by the Commission to be calculated or maintained.

The primary cost associated with the proposal is the time that it will take transfer agent personnel to complete the form and file it with the Commission. The amount of time needed to comply with the requirements of amended Rule 17Ac2-2 and Form TA-2 would vary. There are approximately 1,210 registered transfer agents. Of this number, approximately 300 registrants would be required to complete only Questions 1 through 4 and the signature section of amended Form TA-2. Based on their low volume of transfer business and number of shareholder accounts, approximately 410 registrants would be required to answer only Questions 1 through 5, 10, and 11 and the signature section. The remaining registrants, approximately 500, would be required to complete the entire Form TA-2.

Additionally, there may be some incremental cost associated with modifying computer systems to report all items for the twelve months ending June 30. This likely would require a simple, one-time change to database reporting functions and should have a negligible cost on transfer agents. The Commission seeks comment on this assumption and specifically requests empirical data on the cost of modifying systems to report all items for the twelve months ending June 30.

#### C. Effects on Efficiency, Competition, and Capital Formation

Section 23(a)(2) of the Exchange Act precludes the Commission in amending rules under the Exchange Act from adopting any such rule or regulation that would impose a burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act.<sup>28</sup> The Commission is considering the proposed amendments to Rule 17Ac2-2 and Form TA-2 in light of the standards cited in Section 23(a)(2). The Commission is proposing these amendments to enhance the Commission's ability to monitor more effectively the transfer agent industry. The amendments are also intended to make the Form TA-2 more efficient for

<sup>27</sup> Securities Exchange Commission Release Nos. 33-7568, 34-40377, 35-26912, IA-1749, and IC-23416 (August 27, 1998), 63 FR 47051. The policy is available at the Commission's website ([www.sec.gov](http://www.sec.gov)).

<sup>28</sup> 15 U.S.C. 78w(a)(2).

both the Commission and transfer agents. Because transfer agents of a similar size and with similar business are required to complete the form in the same manner, there should be no negative impact on competition. The Commission solicits commenters' views regarding the effects of the proposed amendments to Rule 17Ac2-2 and Form TA-2 on competition, efficiency, and capital formation. For purposes of the Small Business Regulatory Enforcement Fairness Act of 1996, we also seek comments on the proposed rule's potential impact (including any empirical data) on the economy on an annual basis, any increase in costs or prices for consumers, and any effect on competition, investment or innovation.

## V. Summary of Initial Regulatory Flexibility Analysis

The Commission has prepared an Initial Regulatory

Flexibility Analysis (IRFA), in accordance with the provisions of the Regulatory Flexibility Act,<sup>29</sup> regarding the proposed amendments to Rule 17Ac2-2 and Form TA-2 and the proposed rescission of Rule 17a-24 under the Exchange Act. As discussed more fully in the analysis, some of the transfer agents that the proposed amendments would affect are small entities, as defined by the Commission's rules.

The IRFA states the purpose of the proposal is to allow the Commission to obtain more comprehensive information from transfer agents about their activities while making Form TA-2 clearer and easier for transfer agents to complete. The proposed amendments would: elicit information regarding transfer agent business activities, such as direct purchase and dividend reinvestment plan accounts, buy-ins, and turnaround time for routine items; obtain more comprehensive lost securityholder information; enhance service company information; eliminate the filing exemption; clarify the filing requirements and instructions; conform reporting periods; delete unnecessary questions; and make technical changes.

The IRFA sets forth the statutory authority for the proposed amendments to Rule 17Ac2-2 and Form TA-2 and for the rescission of Rule 17a-24. The IRFA also discusses the effect of the proposal on transfer agents that are small entities pursuant to Rule 0-10(h) under the Exchange Act.<sup>30</sup> Rule 0-10(h) defines the term "small business" or

"small organization" to include any transfer agent that: (1) received less than 500 items for transfer and less than 500 items for processing during the preceding six months (or in the time that it has been in business, if shorter); (2) maintained master shareholder files that in the aggregate contained less than 1,000 shareholder accounts or was the named transfer agent for less than 1,000 shareholder accounts at all times during the preceding fiscal year (or in the time that it has been in business, if shorter); (3) only transferred items of issuers with total assets of \$5 million or less; and (4) is not affiliated with any person (other than a natural person) that is not a small business or small organization under Rule 0-10.

When the Commission adopted the new definition of "small entity" with respect to transfer agents, the Commission estimated that approximately 180 registered transfer agents would qualify as small entities under Rule 0-10. As a result, the Commission estimates that 180 small entities would be subject to the requirements of the proposed amendments to Rule 17Ac2-2 and Form TA-2.

The proposed amendments to Rule 17Ac2-2 would provide that a registered transfer agent that received fewer than 1,000 items for transfer and fewer than 1,000 items for processing in the twelve months ending June 30, and did not maintain master securityholder files for more than 1,000 individual securityholder accounts as of June 30, would have to complete only a portion of Form TA-2. All "small entities" as defined by Rule 0-10 would continue to have reduced reporting requirements under the proposal.

The IRFA states that the proposal would impose new reporting and compliance requirements on certain transfer agents because it would eliminate the filing exception for named transfer agents using service companies and would require every registered transfer agent to file Form TA-2 annually. In addition, questions regarding the use of service companies, amendments to its Form TA-1, direct purchase and dividend reinvestment plan accounts, buy-ins, lost securityholders, and turnaround time for routine items would be added to Form TA-2. The IRFA states that the incremental annual burden on all "small entities" would be approximately 81 hours and \$2,552. The IRFA also states that the proposed amendments to Rule 17Ac2-2 and Form TA-2 would not impose any other reporting, recordkeeping, or compliance requirements, and that the Commission

believes that there are no rules that duplicate, overlap, or conflict with the proposed amendments.

The IRFA discusses the various alternatives considered by the Commission in connection with the proposed amendments to Rule 17Ac2-2 and Form TA-2 that might minimize the effect on small entities, including: (a) the establishment of differing compliance or reporting requirements or timetables that take into account the resources of small entities; (b) the clarification, consolidation, or simplification of compliance and reporting requirements under the proposed amendments for small entities; (c) the use of performance rather than design standards; and (d) an exemption from coverage of the rule or any part thereof for small entities.

Taking into account the burden that would be imposed on small transfer agents, the Commission is proposing that transfer agents that meet the definition of a "small entity" still be required to respond to only a portion of Form TA-2. Therefore, small entities would be subject to a minimal amount of compliance cost under the proposal. Accordingly, the Commission has determined that it is not feasible to further clarify, consolidate, or simplify the proposed amendments for "small entities." The Commission also believes that it would be inconsistent with the purpose of the Exchange Act to exempt "small entities" from the proposed amendments or to use performance standards to specify different requirements for small entities.

The Commission encourages the submission of written comments with respect to any aspect of the IRFA. Comments should specify costs of compliance with the proposed amendments to Rule 17Ac2-2 and Form TA-2, suggest alternatives that would accomplish the objective of proposed amendments, or indicate how many small entities, if any, would be subject to the rule change. A copy of the IRFA may be obtained by contacting Lori R. Bucci, Office of Risk Management and Control, Division of Market Regulation, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-1001.

## VI. Paperwork Reduction Act

Certain provisions of the proposed amendments to Rule 17Ac2-2 and Form TA-2 contain "collection of information" requirements within the meaning of the Paperwork Reduction Act of 1995,<sup>31</sup> and the Commission has submitted them to the Office of

<sup>29</sup> 5 U.S.C. 603.

<sup>30</sup> 17 CFR 240.0-10(h). The Commission recently amended this definition. Securities Exchange Commission Release Nos. 33-7548, 34-40122, IC-23272, and IA-1727 (June 24, 1998), 63 FR 35508.

<sup>31</sup> 44 U.S.C. 3501 *et seq.*

Management and Budget for review in accordance with 44 U.S.C. 3507(d) and 5 CFR 1320.11. The Commission notes that it proposes to rescind Rule 17a-24. However, the Commission proposes to keep two questions generated by Rule 17a-24 on Form TA-2 and to add a question to Form TA-2 about the results of the required data base searches for lost securityholders. The title for the collection of information is: "Transfer Agents Annual Report 17 CFR 240.17Ac2-2, Form TA-2." The OMB control number for the collection of information is 3235-0337.

Under the proposed amendments, Rule 17Ac2-2 would require the collection of additional information on amended Form TA-2. First, the proposal would eliminate the filing exception for named transfer agents and would require every named transfer agent using a service company for all of its transfer and processing functions to complete only the first four questions and the signature section of Form TA-2, which request only simple information. Second, registered transfer agents that meet the criteria based on volume of transfer business and number of shareholder accounts would be required to Questions 1 through 5, 10, 11, and the signature section of Form TA-2. Finally, registered transfer agents that file a complete Form TA-2 would be required to respond to new questions regarding the use of service companies, amendments to Form TA-1, direct purchase and dividend reinvestment plan accounts, buy-ins, lost securityholders, and turnaround time for routine items.

The Commission uses the information on Form TA-2 to monitor the annual business activities of registered transfer agents. The proposed collection of information under amended Rule 17Ac2-2 and Form TA-2 is intended to facilitate greater accuracy of transfer agents' records. Furthermore, the information elicited from the additional question regarding lost securityholders should help the Commission to assess the effectiveness of the search requirements of Rule 17Ad-17 and the scope of the lost securityholder problem.

The collection of information required by the proposed amendments to Rule 17Ac2-2 and Form TA-2 should not result in any new significant burden to transfer agents. All information required by Form TA-2 is available in the internal files of the transfer agents and a large portion of the information is already required by existing Commission transfer agent rules to be calculated or maintained.

The amount of time needed to comply with the requirements of amended Rule 17Ac2-2 and Form TA-2 would vary. There are approximately 1,210 registered transfer agents. From this total number, approximately 300 registrants would be required to complete only Questions 1 through 4 and the signature section of amended Form TA-2, which the Commission estimates would take each registrant about 30 minutes, for a total of 150 hours ( $300 \times .5$  hours). Approximately 410 registrants would be required to answer Questions 1 through 5, 10, and 11 and the signature section, which the Commission estimates would take about 1 hour and 30 minutes, for a total of 615 hours ( $410 \times 1.5$  hours). The remaining registrants, approximately 500, would be required to complete the entire Form TA-2, which the Commission estimates would take about 6 hours, for a total of 3000 hours ( $500 \times 6$  hours). The Commission estimates that the total burden would be 3,765 hours ( $150 + 615 + 3000$ ).<sup>32</sup>

The collection of information pursuant to the proposed amendments to Form TA-2 and Rule 17Ac2-2 does not contain any new recordkeeping requirements. Providing the information will be mandatory. Responses to the collection of information will not be kept confidential. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid Office of Management and Budget control number.

Pursuant to 44 U.S.C. 3506(c)(2)(B), the Commission solicits comments to:

- (i) evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility;
- (ii) evaluate the accuracy of the Commission's estimate of the burden of the proposed collection of information;
- (iii) enhance the quality, utility, and clarity of the information to be collected; and
- (iv) minimize the burden of collection of information on those who are to respond, including through the use of automated collection techniques or other forms for information technology.

Persons desiring to submit comments on the collection of information requirements should direct them to the following persons: Desk Officer for the

<sup>32</sup> Based on an estimated average administrative labor cost of \$31.50 per hour, the Commission's staff estimates that the total labor cost to the transfer agent industry for complying with Rule 17Ac2-2 and Form TA-2 would be \$118,597.50 annually ( $\$31.50 \times 3,765$ ).

Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10202, New Executive Office Building, Washington, D.C. 20503; and Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609, and refer to File No. S7-11-99. The Office of Management and Budget (OMB) is required to make a decision concerning the collection of information between 30 and 60 days after publication of this release in the **Federal Register**, so a comment to OMB is best assured of having its full effect if OMB receives it within 30 days of this publication.

## VII. Statutory Basis

Pursuant to the Exchange Act and particularly Sections 17, 17A, and 23(a) thereof, 15 U.S.C. 78q, 78q-1, and 78w(a), the Commission proposes to amend § 240.17Ac2-2 and Form TA-2 (referenced in 17 CFR 249b.102) of Chapter II of Title 17 of the Code of Federal Regulations in the manner set forth below.

### List of Subjects in 17 CFR Parts in 240 and 249b

Reporting and recordkeeping requirements, Securities.

### Text of Amendment

For the reasons set forth in the preamble, the Commission proposes to amend Chapter II of Title 17 of the *Code of Federal Regulations* as follows:

### PART 240—GENERAL RULES AND REGULATIONS, SECURITIES EXCHANGE ACT OF 1934

1. The authority citation for Part 240 continues to read in part as follows:

**Authority:** 15 U.S.C. 77c, 77d, 77g, 77j, 77s, 77z-2, 77eee, 77ggg, 77nnn, 77sss, 77ttt, 78c, 78d, 78f, 78i, 78j, 78j-1, 78k, 78k-1, 78l, 78m, 78n, 78o, 78p, 78q, 78s, 78u-5, 78w, 78x, 78ll(d), 77mm, 79q, 79t, 80a-20, 80a-23, 80a-29, 80a-37, 80b-3, 80b-4 and 80b-11, unless otherwise noted.

\* \* \* \* \*

#### § 240.17a-24 [Removed]

- 2. Section 240.17a-24 is removed.
- 3. Section 240.17Ac2-2 is revised to read as follows:

#### § 240.17Ac2-2 Annual reporting requirement for registered transfer agents.

(a) Every transfer agent registered on June 30 shall file an annual report on Form TA-2 (§ 249b.102 of this chapter) by August 31 of that calendar year. Form TA-2 shall be completed in accordance with the instructions contained in the form.



(1) A registered transfer agent that received fewer than 1,000 items for transfer and fewer than 1,000 items for processing in the reporting period and that did not maintain master securityholder files for more than 1,000 individual securityholder accounts as of June 30 of the reporting period shall complete only Questions 1 through 5, 10, 11, and the signature section of Form TA-2 (§ 249b.102 of this chapter).

(2) A named transfer agent, as defined in § 240.17Ad-9(j), that engaged a service company, as defined in § 240.17Ad-9(k), to perform all of its transfer and processing functions during the reporting period shall complete only Questions 1 through 4 and the signature section of Form TA-2 (§ 249b.102 of this chapter).

(3) A named transfer agent, as defined in § 240.17Ad-9(j) that engaged a service company, as defined in § 240.17Ad-9(k), to perform some but not all of its transfer and processing functions during the reporting period shall complete all of Form TA-2, (§ 249b.102 of this chapter) but shall enter zero (0) for those questions which relate to functions performed by the service company on behalf of the named transfer agent.

(b) For purposes of this section, the term *reporting period* shall mean the 12 months ending June 30 of the year for which the form is being filed.

#### **PART 249b—FURTHER FORMS, SECURITIES EXCHANGE ACT OF 1934**

4. The authority citation for Part 249b continues to read in part as follows:

**Authority:** 15 U.S.C. 78a, *et seq.*, unless otherwise noted;

\* \* \* \* \*

5. Form TA-2 (referenced in § 249b.102) is revised to read as follows:

[**Note:** Form TA-2 does not and the amendments will not appear in the Code of Federal Regulations.]

#### **United States Securities and Exchange Commission, Washington, D.C. 20549**

##### *Instructions for Use of Form TA-2*

Form TA-2 is to be used by transfer agents registered pursuant to Section 17A of the Securities Exchange Act of 1934 for filing the annual report of transfer agent activities.

ATTENTION: Certain sections of the Securities Exchange Act of 1934 applicable to transfer agents are referenced below. Transfer agents are urged to review all applicable provisions of the Securities Exchange Act of 1934, the Securities Act of 1933, and the Investment Company Act of 1940, as well as the applicable rules

promulgated by the SEC under those Acts.

#### **I. General Instructions for Filing and Amending Form TA-2.**

A. *Terms and Abbreviations.* The following terms and abbreviations are used throughout these instructions:

1. "Act" means the Securities Exchange Act of 1934.

2. "Aged record difference", as defined in Rule 17Ad-11(a)(2), means a record difference that has existed for more than 30 calendar days.

3. "ARA" means the appropriate regulatory agency, as defined in Section 3(a)(34)(B) of the Act.

4. "Form TA-2" includes the Form TA-2 itself and any attachments.

5. "Lost securityholder", as defined in Rule 17Ad-17, means a securityholder: (i) to whom an item of correspondence that was sent to the securityholder at the address contained in the transfer agent's master securityholder file has been returned as undeliverable; provided, however, that if such item is re-sent within one month to the lost securityholder, the transfer agent may deem the securityholder to be a lost securityholder as of the day the re-sent item is returned as undeliverable; and (ii) for whom the transfer agent has not received information regarding the securityholder's new address.

6. "Named transfer agent", as defined in Rule 17Ad-9(j), means a registered transfer agent that has been engaged by an issuer to perform transfer agent functions for an issue of securities but has engaged a service company (another registered transfer agent) to perform some or all of those functions.

7. "Outside registrar", as defined in Rule 17Ad-1(b), means a transfer agent which performs only the registrar function for the certificate or certificates presented for transfer and includes the persons performing similar functions with respect to debt issues. See also Section 3(a)(25)(B) of the Act.

8. "Record difference" means any of the imbalances described in Rule 17Ad-9(g).

9. "Registrant" means the transfer agent on whose behalf the Form TA-2 is filed.

10. "Reporting period" means the 12 months ending June 30 of the year for which Form TA-2 is being filed.

11. "Rule" or "Rules" are found in Volume 17, Section 240 of the Code of Federal Regulations (CFR) (e.g., Rule 17Ad-1 is found at 17 CFR 240.17Ad-1).

12. "SEC" means the United States Securities and Exchange Commission.

13. "Service company" means the registered transfer agent engaged by a named transfer agent to perform transfer

agent functions for that named transfer agent, as defined in Rule 17Ad-9(k).

14. "Transfer agent", as defined in Section 3(a)(25) of the Act, means any person who engages on behalf of an issuer of securities or on behalf of itself as an issuer in at least one of the functions enumerated therein.

#### **B. Who Must File; When to File**

1. Every transfer agent that is registered on June 30 shall file Form TA-2 in accordance with the instructions contained therein by August 31 of that calendar year.

a. A registered transfer agent that received fewer than 1,000 items for transfer and fewer than 1,000 items for processing during the reporting period and that did not maintain master securityholder files for more than 1,000 individual securityholder accounts as of June 30 of the reporting period is required to complete only Questions 1 through 5, 10, and 11, and the signature section of Form TA-2.

b. A named transfer agent that engaged a service company to perform all of its transfer and processing functions during the reporting period is required to complete only Questions 1 through 4 and the signature section of Form TA-2.

c. A named transfer agent that engaged a service company to perform some but not all of its transfer and processing functions during the reporting period must complete all of Form TA-2 but should enter zero (0) for those questions that relate to functions performed by the service company on behalf of the named transfer agent.

2. The date on which any filing is actually received by the SEC is the Registrant's filing date provided that the filing complies with all applicable requirements. A filing that does not comply with applicable requirements may be rejected by the SEC. The SEC's receipt of a filing, however, shall not constitute an SEC finding that the filing has been filed as required or that the information therein is accurate, current, or complete.

#### **C. Number of Copies; How and Where to File.**

The Registrant must file the original and two copies of Form TA-2 with the SEC. The original copy of Form TA-2 must be manually signed and any additional copies may be photocopies of the signed original copy. All copies must be legible and on good quality 8½×11 inch white paper. The Registrant must keep an exact copy of any filing for its records.

The Registrant must file Form TA-2 directly with the SEC at: Securities and



Exchange Commission, Office of Filings and Information Services, Mail Stop A-2, 450 5th Street, N.W., Washington, DC 20549.

## II. Special Instructions for Filing Form TA-2

A. Indicate the year for which Form TA-2 is filed in the box at the upper left hand corner. A transfer agent registered on June 30 shall file Form TA-2 by August 31 of that calendar year even if the transfer agent conducted business for less than the entire reporting period.

B. In answering Question 4, indicate the number of items received for transfer and the number of items received for processing during the reporting period. Omit the purchase and redemption of open-end investment company shares. Report those items in response to Question 9.

C. In answering Questions 5 and 6, include closed-end investment company securities in the corporate equity securities category.

In answering Question 5.a, include direct purchase and dividend reinvestment plan accounts in the total number of individual securityholder accounts maintained. In Question 5.b., include dividend reinvestment plan accounts only. In Question 5.c., include

direct purchase plan accounts only. In Question 5.d., include American Depositary Receipts (ADRs) in the corporate equity or corporate debt category, as appropriate, and include direct purchase and dividend reinvestment plan accounts in the corporate equity or open-end investment company securities category, as appropriate.

In answering Question 6, all series of debt securities issued under a single indenture are to be counted as one issue. Open-end investment company securities portfolios are to be counted as one issue per CUSIP number.

D. In answering Question 8.c., exclude coupon payments and transfers of record ownership as a result of corporate actions.

E. In answering Question 9, exclude non-value transactions such as name or address changes.

## III. Federal Information Law and Requirements

*SEC's Collection of Information:* An Agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number. Under Sections 17, 17A(c) and 23(a) of the Act and the rules and

regulations thereunder, the SEC is authorized to solicit from registered transfer agents the information required to be supplied on Form TA-2. The filing of this Form is mandatory for all registered transfer agents. The information will be used for the principal purpose of regulating registered transfer agents but may be used for all routine uses of the SEC or of the ARAs. Information supplied on this Form will be included routinely in the public files of the ARAs and will be available for inspection by any interested person. Any member of the public may direct to the Commission any comments concerning the accuracy of the burden estimate on the application facing page of this Form, and any suggestions for reducing this burden. This collection of information has been reviewed by the Office of Management and Budget in accordance with the clearance requirements of 44 U.S.C. 3507. The applicable Privacy Act system of records is SEC-2. This form is subject to the routine uses set forth at 40 FR 39255 (Aug. 27, 1975) and 41 FR 5318 (Feb. 5, 1976).

File Number:

For the reporting period ending June 30, \_\_\_\_\_

## United States Securities and Exchange Commission, Washington, D.C. 20549

### FORM TA-2—Form for Reporting Activities of Transfer Agents Registered Pursuant to Section 17A of the Securities Exchange Act of 1934

1. Full name of Registrant as stated in Question 3 of Form TA-1: (Do not use Form TA-2 to change name or address.)

2. a. During the reporting period, has the Registrant engaged a service company to perform any of its transfer and processing functions? (Check appropriate box.)

\_\_\_\_ All \_\_\_\_ Some \_\_\_\_ None

b. If the answer to subsection (a) is all or some, list on the lines provided the name(s) and address(es) of all service company(ies) engaged.

3. a. Appropriate regulatory agency (Check one box only.)

\_\_\_\_ Comptroller of the Currency  
\_\_\_\_ Federal Deposit Insurance Corporation  
\_\_\_\_ Board of Governors of the Federal Reserve System  
\_\_\_\_ Securities and Exchange Commission

b. During the reporting period, has the Registrant amended Form TA-1 within 60 calendar days following the date on which information reported therein became inaccurate, incomplete, or misleading? (Check appropriate box.)

\_\_\_\_ Yes, filed amendment(s)  
\_\_\_\_ No, failed to file amendment(s)  
\_\_\_\_ Not applicable

c. If the answer to subsection (b) is no, provide an explanation on the lines provided.

If the response to any question is none or zero, enter "0"

4. Number of items received during the reporting period:

a. Transfer .....  
b. Processing (outside registrar function) .....

5. a. Number of individual securityholder accounts, including direct purchase and dividend reinvestment plan accounts, maintained as of June 30 .....
- b. Number of individual securityholder dividend reinvestment plan accounts maintained as of June 30 .....
- c. Number of individual securityholder direct purchase plan accounts maintained as of June 30 .....
- d. Approximate percentage of individual securityholder accounts, including direct purchase and dividend reinvestment plan accounts, from subsection (a) maintained in the following categories as of June 30:.

Corporate equity securities	Corporate debt securities	Open-end investment company securities	Limited partnership securities	Municipal debt securities	Other securities

6. Number of securities issues for which Registrant acts in the following capacities, as of June 30:
- a. Receives items for transfer and maintains the master securityholder files;
- b. Receives items for transfer but does not maintain the master securityholder files;
- c. Does not receive items for transfer but maintains the master securityholder files:

Corporate equity securities	Corporate debt securities	Open-end investment company securities	Limited partnership securities	Municipal debt securities	Other securities
a.					
b.					
c.					

7. a. Number and aggregate market value of securities aged record differences, existing for more than 30 days, as of June 30:

- i. Number of issues .....
- ii. Market value (in dollars) .....
- b. Number of quarterly reports regarding buy-ins filed by the Registrant with its ARA (including the SEC) during the reporting period pursuant to Rule 17Ad-11(c)(2) .....
- c. During the reporting period, has the Registrant been notified by its ARA (including the SEC) that it failed to file quarterly reports regarding buy-ins pursuant to Rule 17Ad-11(c)(2)?  
     \_\_\_ Yes \_\_\_ No
- d. If the answer to subsection (c) is yes, provide an explanation for each notification on the lines provided..

8. Scope of certain additional types of activities performed:

- a. Number of issues for which dividend reinvestment plan services are provided, as of June 30 .....
- b. Number of issues for which direct purchase plan services are provided, as of June 30 .....
- c. Dividend disbursement and interest paying agent activities conducted during the reporting period:
- i. number of issues .....
- ii. amount (in dollars) .....

9. Number of open-end investment company securities purchases and redemptions ("transactions") excluding dividend and distribution postings processed during the reporting period:

- a. Total number of transactions processed .....
- b. Number of transactions processed on a date other than date of receipt of order ("as of") .....

10. a. Number of lost securityholder accounts as of June 30 .....

- b. Percentage of total accounts represented by lost securityholder accounts as of June 30 .....
- c. Number of lost securityholder accounts that have been remitted to states during the reporting period .....
- d. Percentage of total accounts represented by lost securityholder accounts that have been remitted to states as of June 30 .....

11. Number of lost securityholder accounts listed on the transfer agent's master securityholder files during the reporting period:

- a. For which a first data base search has been conducted .....
- b. For which a correct address has been obtained through the first data base search .....
- c. For which a second data base search has been conducted .....
- d. For which a correct address has been obtained through the second data base search .....

12. a. During the reporting period, has the Registrant (except when acting as an outside registrar) always been in compliance with the turnaround time for routine items as set forth in Rule 17Ad-2(a)?

\_\_\_ Yes \_\_\_ No

If the answer to subsection (a) is no, complete subsections (i) through (iii).

- i. Provide the number of months during the reporting period in which the Registrant was not in compliance with the turnaround time for routine items according to Rule 17Ad-2(a) .....
- ii. Provide the number of written notices Registrant filed during the reporting period with the SEC and with its ARA pursuant to Rule 17Ad-2(c) that reported its noncompliance with turnaround time for routine items according to Rule 17Ad-2(a) .....
- iii. Provide the number of times during the reporting period that the Registrant was notified by its ARA that it failed to file written notices with its ARA pursuant to Rule 17Ad-2(c) to report its noncompliance with turnaround time for routine items according to Rule 17Ad-2(a) .....

- b. Has the Registrant, acting as an outside registrar, always been in compliance during the reporting period with the turnaround time for routine items as set forth in Rule 17Ad-2(b)?

\_\_\_ Yes \_\_\_ No

If the answer to subsection (b) is no, complete subsections (i) through (iii).

- i. Provide the number of months during the reporting period in which the Registrant was not in compliance with the turnaround time for routine items according to Rule 17Ad-2(b) .....
- ii. Provide the number of written notices Registrant filed during the reporting period with the SEC and with its ARA pursuant to Rule 17Ad-2(d) that reported its noncompliance with turnaround time for routine items according to Rule 17Ad-2(b) .....
- iii. Provide the number of times during the reporting period that the Registrant was notified by its ARA that it failed to file written notices with its ARA pursuant to Rule 17Ad-2(d) to report its noncompliance with turnaround time for routine items according to Rule 17Ad-2(b) .....

ATTENTION: INTENTIONAL MISSTATEMENTS OR OMISSIONS OF FACT CONSTITUTE FEDERAL CRIMINAL VIOLATIONS. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a)

SIGNATURE: The Registrant submitting this Form, and the person signing the Form, hereby represent that all the information contained in the Form is true, correct, and complete.  
Manual signature of Official responsible for Form:

Title:

Telephone number:

Name of Official responsible for Form: (First name, Middle name, Last name)

Date signed (Month/Day/Year):

By the Commission.

Dated: March 23, 1999.

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 99-7840 Filed 3-30-99; 8:45 am]

BILLING CODE 8010-01-P

## DEPARTMENT OF THE INTERIOR

### Minerals Management Service

#### 30 CFR Part 256

#### RIN 1010-AC49

#### Leasing of Sulphur or Oil and Gas in the Outer Continental Shelf—Bonus Payments with Bids

**AGENCY:** Minerals Management Service (MMS), Interior.

**ACTION:** Proposed rule.

**SUMMARY:** We are revising the current rule to allow us to require a specific payment method for 1/5 of the bonus payment due when we hold a sale to lease Federal offshore Outer Continental Shelf (OCS) lands. The current rule does not give us the authority to require bidders to use any single method for submitting 1/5 bonus payments with OCS bids. As electronic commerce becomes more efficient, reliable, and economical, we need to be able to require bidders to use automated payment methods when they are appropriate. This revision will allow us to require a specific form of bonus

payment on a sale-by-sale basis to reduce the administrative burdens for both Government and industry.

**DATES:** We will consider all comments we receive by April 30, 1999. We will begin reviewing comments then and may not fully consider comments we receive after April 30, 1999.

**ADDRESSES:** If you wish to comment, you may submit your comments (three copies) by mail or hand-carry to the Department of the Interior; Minerals Management Service; Mail Stop 4024; 381 Elden Street; Herndon, Virginia 20170-4817; Attention: Rules Processing Team.

**FOR FURTHER INFORMATION CONTACT:** Jan Arbegast, Program Analyst, at (703) 787-1227.

**SUPPLEMENTARY INFORMATION:** The Federal Government has been receiving bonus bid payments to acquire leases offered at OCS lease sales since the mid-1950s. Prospective bidders submit the required 1/5 bonus payment in the form of a check or bank draft, which accompanies a sealed bid on a specific offshore tract of land. Since August 1997, we have offered prospective bidders the option of using electronic funds transfer (EFT) to submit their 1/5 bonus payment rather than a check or bank draft. As technology has progressed and as banking transactions become routinely automated, we need to have in place a rule that allows us to require automated payment such as EFT or other methods that may be more efficient. This revision allows flexibility so that we can require the specific method of bonus payment that is most efficient and administratively advantageous to the Government and industry.

#### Procedural Matters

##### *Public Comments Procedure*

Our practice is to make comments, including names and home addresses of respondents, available for public review during regular business hours. Individual respondents may request that we withhold their home address from the rulemaking record, which we will honor to the extent allowable by law. There may be circumstances in which we would withhold from the rulemaking record a respondent's identity, as allowable by the law. If you

wish us to withhold your name and/or address, you must state this prominently at the beginning of your comment. However, we will not consider anonymous comments. We will make all submissions from organizations or businesses, and from individuals identifying themselves as representatives or officials of organizations or businesses, available for public inspection in their entirety.

*Federalism (Executive Order (E.O.) 12612)*

In accordance with E.O. 12612, the rule does not have significant Federalism implications. A Federalism assessment is not required.

*Takings Implications Assessment (E.O. 12630)*

In accordance with E.O. 12630, the rule does not have significant Takings Implications. A Takings Implication Assessment is not required.

*Regulatory Planning and Review (E.O. 12866)*

This document is not a significant rule and is not subject to review by the Office of Management and Budget under E.O. 12866.

(1) This rule will not have an effect of \$100 million or more on the economy. It will not adversely affect in a material way the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities.

Ultimately, this rule is administratively advantageous to prospective bidders on the OCS. It will save time and paperwork in their bid-preparation process and will also use current technology, improving efficiency both for industry and the Government.

(2) This rule will not create a serious inconsistency or otherwise interfere with an action taken or planned by another agency. Using EFT is common practice in private industry. Through the use of electronic commerce, we reduce the number of transactions required by bidders. This does not interfere with other agencies' actions.

(3) This rule does not alter the budgetary effects or entitlements, grants, user fees, or loan programs or the rights or obligations of their recipients. This