# Letter from the Investment Company Institute

November 3, 2026

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: *Transfer Agent Rules; File Number S7-2026-30*

Dear Ms. Countryman:

The Investment Company Institute[1] appreciates the opportunity to comment on the Securities and Exchange Commission's (Commission) proposal to modernize the rules governing transfer agents.[2] ICI strongly supports this important and overdue step toward aligning the transfer agent regulatory framework with current industry practices. ICI has long supported updating these rules,[3] and we commend the Commission and its staff for advancing a proposal that would benefit investors and other market participants by seeking to enhance the security and integrity of transfer agency services. Our comments relate principally to the rules and amendments as they affect mutual fund transfer agents.[4]

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[1] The Investment Company Institute (ICI) is the leading voice of the asset management industry serving individual investors. ICI represents mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in other jurisdictions. Its members manage $47.7 trillion invested in funds registered under the US Investment Company Act of 1940, serving more than 135 million investors. Members manage an additional $11.5 trillion in regulated fund assets managed outside the United States. ICI also represents its members in their capacity as investment advisers to collective investment trusts (CITs) and separately managed accounts (SMAs) for individual investors. ICI associate members include service providers to funds, including financial communications firms, custodians and transfer agents, and CIT trust companies. ICI has offices in Washington, DC, Brussels, and London.

[2] Transfer Agent Rules, 91 Fed. Reg. 56946 (Sept. 4, 2026) (the "Proposal"), *available at* https://www.govinfo.gov/content/pkg/FR-2026-09-04/pdf/2026-18190.pdf.

[3] *See, e.g.*, Letter from David Blass, General Counsel, ICI, to Secretary Brent J. Fields, SEC, Re: Concept Release on Transfer Agent Regulations; SEC File No. S7-27-15 (Mar. 10, 2016) ("2016 ICI Letter"), *available at* https://www.ici.org/system/files/attachments/29757.pdf.

[4] We use the term "mutual fund transfer agent" throughout our letter. We intend our comments in this regard to capture transfer agent activities related to all applicable regulated fund products, including retail alternative products.

The existing transfer agency regulatory framework is rooted in a service environment of more than four decades ago, when many shares were certificated and modern technology did not exist. When the Commission adopted the transfer agent rules in the late 1970s and early 1980s, transfer agents primarily performed manual, paper-based recordkeeping and transaction-processing in a market where most securities were held in certificated form.

Today, transfer agents play an expanded role in the national clearance and settlement system. They operate in highly interconnected electronic markets and increasingly interact with evolving technologies such as distributed ledger systems, tokenized securities, cloud-based platforms, and artificial intelligence. As the Proposal recognizes, the existing regulatory framework has remained largely unchanged despite these fundamental shifts in transfer agent activities, business models, and technology. We support updating the rules to reflect these shifts and to strengthen the processing ecosystem.[5] An updated framework should appropriately address the risks associated with contemporary transfer agent functions while continuing to support investor protection, accurate ownership records, and the safe and efficient operation of the national clearance and settlement system.[6]

As we advocated in our 2016 letter[7] responding to the Commission's Transfer Agent Regulations Concept Release,[8] we strongly support treating mutual fund transfer agents differently throughout any rule amendments. In light of the unique nature of their services, their distinct fund-specific terminology, which is commonly understood by relevant market participants and investors, and their distinct responsibilities under the Investment Company Act of 1940 (1940 Act), we recommend that the Commission incorporate specific terminology and related requirements tailored to mutual fund transfer agents into each applicable rule amendment. Further, as discussed below, we believe the Commission could similarly establish specific requirements within each rule to accommodate the registry-like services provided to tokenized funds.

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[5] This rulemaking provides the Commission with an appropriate opportunity to remove obsolete provisions and references that no longer reflect current transfer agent operations, including references to outdated technologies and recordkeeping media. We support proposed amendments to Rule 17ad-7 removing references to microfilm and microfiche to make the rule more technology-neutral. We further recommend the Commission consider amending or rescinding other obsolete references such as problems related to Y2K in Rule 17ad-18.

[6] Section 17A of the Securities Exchange Act of 1934 (Exchange Act) frames the transfer agent function in operational terms, describing "the prompt and accurate clearance and settlement of securities transactions, including the transfer of record ownership and the safeguarding of securities and funds related thereto."

[7] *See* 2016 ICI Letter, *supra* note 3.

[8] Transfer Agent Regulations, 80 Fed. Reg. 81948 (Dec. 31, 2015), *available at* https://www.govinfo.gov/content/pkg/FR-2015-12-31/pdf/2015-32755.pdf.

## I. Executive Summary

ICI supports the Commission's modernization of the transfer agent rules and tailoring of the rules to reflect the business of mutual fund transfer agents. We also have concerns with certain other aspects of the Proposal. To this end, we recommend that the Commission:

- separately consider mutual fund transfer agents in each rule, recognizing the distinct, routine-transaction-based nature of fund-share processing and the comprehensive regulation of mutual fund transfer agents under the 1940 Act;

- retain the longstanding exemptions in Rule 17Ad-4 for mutual fund (and dividend reinvestment program and limited-partnership) processing and for small transfer agents, or, at a minimum, tailor amended rules, including those regarding turnaround, prompt posting, and recordkeeping, to routine fund-share transactions, and allow for more flexibility for processing of non-financial transactions;

- recognize the variety of outsourced and hybrid operating models used by transfer agents and clearly allocate responsibilities among registered transfer agents, co-transfer agents, recordkeeping vendors, affiliated oversight entities, and other service providers. A registered transfer agent may not always be in a position to have "exclusive control" over records and should be permitted to rely on data, records, and controls maintained by third parties where appropriate contractual access, oversight, and escalation arrangements are in place, rather than being required to recreate those functions or records independently;

- decline to tie the turnaround standard in Rule 17ad-2 and the prompt-posting standard in Rule 17ad-10 to the settlement cycle in Exchange Act Rule 15c6-1(a);

- adopt the proposed Rule 17ad-12 safeguarding framework and the proposed recordkeeping modernization on a flexible, principles-based footing, confirming that fund- or manager-level and subledger segregation satisfies the "for the benefit of" requirement;

- not adopt a definition of "inactive securityholder" and not introduce any inactivity-based triggers or holder obligations in Rule 17ad-17;

- avoid recasting transfer agents as "gatekeepers" responsible for policing issuer or market conduct beyond their ministerial clearance, settlement, recordkeeping, and safeguarding functions;

- tailor new Rule 17ad-30 to accommodate mutual fund transfer agents' existing policies and oversight, and reconsider the board approval requirement for a transfer agent's compliance policies and procedures;

- revisit the Proposal's economic analysis, which materially understates the costs of implementing the proposed changes, and supplement it with realistic, data-driven estimates and a fuller consideration of less burdensome alternatives; and

- allow for ample time, at least 24 months, for orderly implementation of any final rules.

## II. Proposed Rescission of Rule 17Ad-4

Rule 17Ad-4 contains two important and longstanding exemptions. Rule 17Ad-4(a) exempts the processing of redeemable securities of registered investment companies (mutual fund shares), dividend reinvestment plan shares, and limited-partnership interests from many of the turnaround, processing, and related recordkeeping requirements. Rule 17Ad-4(b) exempts small transfer agents—those that receive fewer than 500 items for transfer and fewer than 500 items for processing during any six consecutive months—from many of those same requirements.

The Proposal would rescind both exemptions, subjecting currently exempt entities to the full complement of transfer agent rules. We strongly oppose the rescission of Rule 17Ad-4 and urge the Commission to retain both exemptions. We support the modernization and "clean-up" of the transfer agent rules, but rescinding these exemptions would not advance that objective; it would instead impose a substantial implementation and compliance burden with little or no commensurate benefit to investors. For example, one ICI member estimates that eliminating the exemption under 17Ad-4(a) would result in the need to double certain staff to meet the proposed reduced turnaround processing time requirement.

We support the Commission's view at the time of the rules' original adoption that "improper regulation [should be] avoided, that the benefits of regulation [should] outweigh the burdens, and that costs of regulation [should be] held to an absolute minimum, consistent with the protection of investors and the public interest"[9] and encourage the Commission to apply that same philosophy in evaluating the industry's feedback on the Proposal, particularly feedback related to the Rule 17Ad-4 exemptions.

### A. Securities-Based Exemption

Rescinding Rule 17Ad-4(a) would subject mutual fund transfer agents to the full transfer agent framework, including the proposed one-business-day processing standards, expanded recordkeeping obligations, the new compliance program requirement, the safeguarding and business continuity requirements, and new performance monitoring and reporting expectations. These requirements would be particularly ill-suited to mutual fund processing, which involves forward pricing, net-asset-value-dependent processing, omnibus accounts, and

[9] SEC Commissioner John R. Evans, *Transfer Agents Meet the SEC* (Oct. 9, 1975), *available at* https://www.sec.gov/files/news/speech/1975/100975evans.pdf.

as-of corrections that differ fundamentally from traditional stock-transfer activity. The operational rationale for the exemption rests on the distinct, transaction-based nature, open-end structure, and processing of routine/non-routine items germane to fund-share processing: a mutual fund must satisfy redemptions within seven days under Section 22(e) of the 1940 Act, and fund shares are priced on a forward basis at the net asset value (NAV) next computed after receipt of an order under Rule 22c-1. Both of these rules ensure rigor and integrity in mutual fund transfer agent processes. Mutual fund transfer agents maintain policies that serve to ensure financial transactions are processed on the day of receipt. Many non-financial requests (e.g. transfers, re-registrations) that do not affect the fund's NAV, however, are processed promptly, but may extend beyond the same-day turnaround standard. Subjecting fund-share processing to the proposed turnaround and recordkeeping regime is a poor fit and would be disruptive to an established and smoothly functioning fund ecosystem, without adding investor benefit or reducing investor risk.

Similarly, certain types of securities, notably private market assets, would require substantial infrastructure and systems development to capture information relating to complex, non-traditional assets. The Proposal does not appear to reflect the material operational differences that exist between traditional investment funds and alternative investment funds. This includes investments in non-traditional assets that do not settle on a T+1 basis and transactions conducted through registered investment advisers or broker-dealers rather than with issuers.

Entities relying on Rule 17Ad-4(a) have operated for many years without the additional recordkeeping and turnaround-reporting requirements applicable to other transfer agents. Building the operational framework necessary to comply with those requirements, including a reporting oversight framework, would be a significant undertaking. Because most transactions are required to be processed at the next available NAV regardless of classification, creating processes and procedures to determine, code, and track routine/non-routine items would be a purely administrative exercise with no benefit to the investor.

If the Commission does not retain the exemption, we urge it instead to tailor the final rules, including those related to turnaround, prompt posting, and recordkeeping, to (i) differentiate processing time requirements for financial, routine, and non-routine transaction requests, as well as non-traditional and digital assets, and (ii) provide adequate transition time for affected transfer agents to develop and implement the necessary policies and processes to comply.

### B. Small Transfer Agent Exemption

Rescinding Rule 17Ad-4(b) would subject small transfer agents that currently rely on this exemption to the full suite of processing, recordkeeping, compliance, cybersecurity, safeguarding, and business continuity requirements. The costs associated with this change would not be trivial. Small transfer agents serve issuers and new market entrants that larger transfer agents often decline, and the significant fixed costs of the new requirements would fall disproportionately on them. The result could be industry exits and consolidation that would reduce issuer choice and competition, without a commensurate benefit.

We recommend that the Commission conduct a tailored small-entity analysis, consider risk-based exemptions where the underlying activity is low-risk or already subject to comparable controls, quantify the impact on affected entities, and explain why less burdensome alternatives would not meet the Commission's objectives. Instituting appropriate baseline protections for the modern operating environment can be achieved without revoking the exemptions that allow small registrants to manage their processing and reporting commensurate with the relatively low risk of their activities. For example, some broker-dealers register as transfer agents solely to operate core cash-sweep vehicles and rely on this exemption, as do boutique firms and smaller transfer agents that offer registry services to a modest investor base, and often for thinly traded funds or securities. Subjecting such limited, low-risk activity to the full complement of rules would impose high fixed compliance costs disproportionate to any incremental investor benefit.

## III. Proposed Amendments to Turnaround Time and Prompt Posting

### A. Turnaround Timing (Rule 17ad-2)

Rule 17ad-2 currently requires a transfer agent to turn around at least 90 percent of routine items within three business days and to devote diligent and continuous attention to non-routine items. The Proposal would replace this metrics-based standard with a requirement to establish, maintain, and enforce written policies and procedures reasonably designed to ensure that all routine items are turned around within the shorter of one business day or the settlement period specified in Rule 15c6-1(a) under the Exchange Act. The Proposal would also eliminate the noon-receipt convention, and require written notice to the presentor within one business day of any item the transfer agent rejects.

We strongly oppose a fixed one-business-day standard for all routine items, and we oppose tying the turnaround standard to the settlement requirement in Rule 15c6-1(a), which is currently T+1. Linking the two would automatically compress transfer processing whenever the settlement cycle is shortened, without the notice and comment process and consideration that such a significant operational change warrants. The turnaround period for financial transactions should remain no shorter than T+1, and non-financial requests should not be subject to this requirement. For example, a change of ownership within the registry should have additional processing timeline flexibility and not be tied to the settlement cycle for financial transactions. A regulation tying a turnaround standard to any single process or utility runs the risk of causing unnecessary disruption.

The Commission should also distinguish between automated and manual transactions in the turnaround standard. A final rule should make clear that a reasonable delay to investigate suspected fraud or financial exploitation would not be treated as a processing failure. The turnaround standard should not create an incentive to prioritize speed over protecting investors. More fundamentally, while we support prompt processing, moving from a 90-percent standard to an "all routine items" standard is a significant operational shift, which could materially impact operational staffing requirements and costs.

We urge the Commission to provide a clear exception framework for items that are: incomplete or defective (not in good order); subject to issuer or intermediary dependencies; subject to legal holds or temporary holds pending the investigation of suspected fraud or exploitation; affected by third-party disruptions, including outages within industry utilities; or otherwise reasonably determined to need additional processing time.[10] As an example, retirement account transactions or requests dependent on settlement may require more than one business day to process. The Commission should define a reasonable processing standard, address items that require judgment or manual review, and specify how "all" is measured. As the industry moves toward same-day and potentially atomic settlement, the risk of untimely processing in the normal course will diminish. Many investors, however, continue to transact directly with funds and agents, outside of industry utilities and brokerage accounts. Eliminating the noon-receipt without a reasonable alternative will create unnecessary burdens for investors and transfer agents that continue to engage in manual processing. Transfer agents are best positioned to develop timely processing policies based on how and when shareholders present their instructions. Definitional clarity of "routine" and recognition of needed exceptions are both critical to a smooth implementation of the proposed new requirements.

We also have concerns with the proposed requirement to provide written notification within one business day for items that are not in good order. As a general matter, transfer agents work to resolve deficiencies with shareholders and intermediaries promptly rather than formally rejecting an item, and an inflexible one-business-day written-rejection requirement could limit the transfer agent's ability to assist shareholders and could result in the unnecessary rejection of items, when a phone call to clarify such request or correct an error would suffice. We recommend that any rejection-notice requirement run from the transfer agent's discovery of the deficiency rather than from receipt, afford an opportunity to cure, permit flexible methods of notice, and apply only to items the transfer agent ultimately rejects.[11] Further, we recommend that any final notification requirement recognize the need for maintaining confidential treatment due to regulatory or legal restrictions.

### B. Prompt Posting (Rule 17ad-10)

The Proposal would modernize Rule 17ad-10 by applying it expressly to both certificated and uncertificated securities, replacing "certificate detail" with "position detail," and redefining "promptly" as the shorter of one business day or the period specified in Rule 15c6-1(a). The Proposal would also shorten the communication timelines between co-transfer agents and recordkeeping transfer agents to one business day.

Prompt and accurate posting is a core transfer agent function, and we support standards that reflect timely, electronic processing. For the reasons discussed in connection with Rule 17ad-2

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[10] *E.g.*, orders for which the NAV is struck on the trade date, but funding is not received until a later date.

[11] Proposed Rule 17ad-2(e)(2) would require written notification only for items rejected by the transfer agent.

(see above), however, we oppose tying the posting standard to Rule 15c6-1(a) and we oppose setting a blanket one-business-day timeframe under Rule 17ad-10. We instead recommend that "promptly" be defined as within three business days to allow for proper settlement and posting for more complex products. We also ask the Commission to:

- specify that the posting clock does not start until the master securityholder file receives the item;
- clarify how corrections and reversals should be treated (e.g., when there is a documented hold pending an investigation, and when a complex or compound request, including one involving secondary or dependent transactions, cannot be processed until the first transaction settles); and
- clarify how the standard applies to transactions processed through industry utilities (such as DTCC and NSCC), compared to instructions sent directly to a transfer agent by an investor or an investor's agent.

## IV. Proposed Amendments to Registration and Reporting Requirements

### A. Registration Requirements

Transfer agents register with the Commission by filing a Form TA-1. The Commission uses the information reported on the form to, among other things, understand the nature and scope of the transfer agent's business. The Proposal would amend the instructions, add new questions, and remove two questions to capture information more reflective of today's operating environment.[12]

We support this objective. We note, however, that certain proposed amendments, such as amended Question 12 requiring a diagram depicting the relationship of control affiliates within the transfer agent's organization, may be overly burdensome. Gathering, validating, and maintaining such dynamic data would require significant resources, and keeping organizational charts and affiliate information current may require multiple amendments and data-collection processes, particularly for transfer agents within larger corporate groups and for sizeable third-party transfer agents.

We therefore recommend that the Commission permit a registrant to provide a simplified, roles-based diagram showing the transfer agent's place within the broader organization and how its functions are overseen. Such a diagram would show the transfer agent's control function and governance structure without requiring granular title or headcount detail that may frequently change and be difficult to compare across organizations. If the Commission nonetheless requires more detailed organizational data, we recommend that it narrow the

[12] *See* Proposal (proposing Form TA-1 Question 7 (control affiliates), required organizational diagram, new Question 3(f) (website), and additional organization-type checkboxes).

scope (for example, for “control affiliates”), adopt a materiality threshold for amendments, include a reasonable timeframe for submitting amendments, protect sensitive information by not requiring public disclosure, and provide an adequate transition period for existing registrants.

The definition of “control affiliate” should be sufficiently precise to produce useful information and avoid inconsistent interpretations across large registrants, and we ask the Commission to clarify that indirect control affiliates, certain joint ventures, entities with no staff, and affiliates whose records are not reasonably accessible to the registrant are outside the scope of “control affiliate.” The proposed requirement would be unduly burdensome for transfer agents that are subsidiaries of large, complex, and/or diversified companies.

Accordingly, we urge the Commission to limit the scope of affiliates to those directly related to the business and operations of the registrant. The requirement could cover control persons that are directly or indirectly controlling or controlled by the registrant, and/or with which the registrant has material business dealings, shared operations, and/or shared supervised persons. We strongly encourage that such control person data be sufficiently limited to identify the role(s), and not be made publicly available. Alternatively, the Commission could adopt a framework similar to Form BD, in which required disclosure is limited to affiliates engaged in the securities or investment advisory business. Reporting of disciplinary history should follow the same limited framework.

We offer several additional suggestions with respect to the proposed Form TA-1 and -2 changes:

- In addition to a primary contact, a registrant should be permitted to report an alternate contact so that communications are not delayed during absences, turnover, or organizational changes.[13]
- Under the form-of-organization question, the Commission should retain an “other” option and permit an explanation where an entity’s legal structure does not fit the listed category choices.
- Under the control-disclosure section, we recommend that the instructions specify which roles exercising actual control should be reported. A clear definition would improve the accuracy and completeness of reporting without capturing immaterial relationships.[14]

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[13] The instructions should also clarify that a designated contact need not personally perform every transfer agent compliance function or possess authority to make every substantive decision affecting the transfer agent. Transfer agents often delegate form preparation and submission to staff or third parties. The names and personal details of the designated contacts should remain non-public, consistent with the Proposal’s treatment of this information.

[14] The Commission has proposed to define “control” for purposes of Form TA-1 as the power to direct, or cause the direction of, the management or policies of a person, with a presumption of control at a 25% voting or profits interest. Proposal at 56957. We support a clear, functional definition of this kind.

Should the Commission adopt these suggestions, we request that they apply equally to the corresponding instructions on Form TA-2. We recommend not requiring the disclosure of disciplinary history of control affiliates, but to the extent the Commission retains new Question 7 in Form TA-1, we request that such information not be made public and that the Commission provide clarity regarding the scope of covered affiliates.

Finally, we suggest that the Commission review the existing instructions for completing Form TA-1 and Form TA-2 and consider providing additional guidance where needed to reflect changes to each applicable question.

### B. Annual Reporting Requirements

Transfer agents file a Form TA-2 annually to provide the Commission information that helps to identify and assess risks, identify trends across transfer agents, and evaluate compliance with Commission rules. The Proposal would amend Form TA-2 to add several new reporting requirements.

We support better reporting of this kind and offer recommendations to improve the clarity, comparability, and appropriate confidentiality of the data collected. Amendments should establish clear and consistent definitions, tailor reporting methodologies to different transfer-agent models, and protect competitively sensitive information. Because transfer agents frequently source the underlying data from third-party recordkeeping vendors, we ask the Commission to minimize new or redefined data elements and to allow sufficient lead time for systems development before any new reporting takes effect.

Definitions and methodology. The Commission should define "securityholder" (for example, at the customer or account level, and whether retirement and non-retirement accounts are treated separately), "issue," "routine item," "received," "processed," and "directly supports." These terms have distinct meanings for funds and affect adherence to Rules 17ad-2, -4, and -10. With respect to proposed Question 4(b), which would standardize the methodology for counting individual securityholder accounts,[15] we support a consistent methodology and ask the Commission to specify how to count joint registrations, omnibus positions, zero-balance accounts, fractional interests, and multiple classes of securities; to specify the reporting date; and to address accounts that remain open but unfunded. With respect to proposed Question 4(c) and the consolidated activity table in proposed Question 6(a), we support replacing percentage estimates with actual counts where the data can be reliably extracted, and we ask the Commission to provide guidance on assigning an account that holds multiple security types to a single category; to clarify whether DRS (direct registration system) and plan accounts remain included in the overall count (to prevent inadvertent double counting); and to use the

[15] For example, if a transfer agent maintains the master securityholder file for two securities, each held by the same five individual securityholders, the Proposal's methodology would report ten accounts. Proposal at 56961 (Proposed Form TA-2 Question 4(b)).

same definitions across Questions 4(c), 6(a), and 6(b) so the data can be reconciled. This is an area in which registered-fund and digital-registry obligations may warrant parallel but separate requirements. Additionally, we request that securityholder metrics not be made publicly available given the competitive sensitivity of this data.

Turnaround reporting. We recognize the Commission's need to assess processing performance and understand that proposed Question 9 would conform the reporting of turnaround data to proposed Rule 17ad-2. For the reasons discussed above in connection with Rule 17ad-2, we urge the Commission to ensure that "routine item," "received," and "processed" carry consistent meanings in the rule and the form, with distinct definitions as appropriate for corporate-issuer transfer agents, mutual fund transfer agents, and digital-registry service firms. The form instructions should address incomplete requests that are not in good order, items subject to fraud review or legal restrictions, items dependent on sub-transfer-agent processing, system outages (including those within industry utilities), and items received outside of business hours, and should provide a standardized calculation method that does not penalize transfer agents for circumstances outside their reasonable control.

Service providers, staffing, and money movement. We support enhanced visibility into material third-party dependencies, particularly where a service provider's failure could affect investors. We ask the Commission to clarify the term "directly supports;" to distinguish critical providers from ordinary vendors whose products are incidental to transfer agent operations; and to address the treatment of subcontractors, providers that support multiple reporting categories, and services provided through a parent company. With respect to the proposed staffing count,[16] we ask the Commission to clarify whether the count includes full-time, part-time, temporary, shared-service, and contract personnel and employees who perform transfer agent functions only part of the time, and whether it measures year-end headcount, average headcount, or unique individuals performing covered work during the year. Many issuers fully outsource transfer agency, and even registrants that maintain their own registration frequently operate a hybrid model in which a limited number of staff oversee third-party providers and sub-transfer-agency arrangements. Without context, raw headcount may provide little value and could even distort the Commission's analysis. Generally, reporting of employee headcount can be quite challenging when internal systems are not set up to automatically identify which individuals support specific business units or to identify particular job responsibilities. Employees shared across business units and functions present additional challenges.

With respect to the proposed money-movement reporting, we support consolidation, provided that "paying agent services" is defined broadly enough to capture intended activities, but not so broadly as to reach unrelated payment-processing functions, and we ask the Commission to

[16] Proposed Form TA-2 Question 5(a) would require disclosure of the number of employees engaged in transfer agent functions (as defined in Section 3(a)(25) of the Exchange Act) or activities incidental thereto; the Proposal notes that such individuals are subject to the fingerprinting requirements of Exchange Act Rule 17f-2. Proposal at 56963.

specify whether reported amounts are gross or net, how reversals and returned items are treated, and how to report activity where the transfer agent never takes possession or control of funds or lacks visibility into underlying sub-accounting records.

Confidentiality. Consistent with our longstanding position that competitively sensitive transfer agent information should be available to the Commission on examination rather than disclosed publicly,[17] we ask the Commission to confirm that the number of securityholders, detailed service-provider and fund-movement data, staffing data, and the list of issues serviced will not be made publicly available (for example, through EDGAR). We appreciate that the Proposal already provides that the staffing and service-provider information in proposed Questions 5(a) and 5(b) would not be made public, and we ask the Commission to extend that treatment to these other competitively sensitive items.

Tokenization reporting. We support collecting data that helps the Commission understand the operational environment and risks associated with tokenized securities. We are concerned, however, that the proposed two-model framework (issuer-sponsored and third-party-sponsored) in Question 6(b) may not adequately describe arrangements involving multiple technology providers, authorized platforms, third-party intermediaries, or hybrid models. The Commission should define "issuer-sponsored" and "third-party-sponsored," explain how registrants should classify hybrid models and tokenized equity-linked instruments, and permit a reasonable explanatory response where an issue does not fit the stated categories. The Commission should not require a transfer agent to determine independently a tokenization model where that information is controlled by the issuer or platform, and we recommend that the Commission periodically review these categories as market practices evolve.

## V. Proposed Amendments to Definitions, Limitation on Expansion, Recordkeeping, Safeguarding, and Lost Securityholders

### A. Definitions

Rule 17ad-1. The Proposal would expand the definition of "item" to add two subsections reaching transfer instructions submitted through a central securities depository's deposit-or-withdrawal service and any other transfer instruction submitted to the transfer agent, or to an electronic system it controls, operates, or enables, to be accomplished without the physical issuance of certificates. The Commission should clarify the scope of this change and provide examples (e.g., whether an instruction to sell is an "item"). Also, the Commission should address how tokenized securities, and an instruction communicated by means of a digital token, are treated under the definition. Expanding the definition of "item" may have distinct implications depending on whether the item is presented through a central depository, directly

[17] *See* 2016 ICI Letter at 10-11 (opposing public disclosure of competitively sensitive transfer agent information, including fees and client identities, and noting that such information is available to the Commission under the recordkeeping rule, Rule 17Ad-6, 17 C.F.R. 240.17Ad-6).

to a transfer agent by a fund shareholder, or through an intermediary. Any expanded definition should be appropriately tailored to account for these differing presentments. We also ask the Commission to define "routine item" more clearly and specifically for mutual fund processing. The definition should more clearly identify when a transaction is routine and distinguish transactions that require additional information, validation, intermediary action, funding, fraud review, legal review, or exception processing. The Commission should also clarify whether purchases, redemptions, exchanges, systematic transactions, corrections/as-of activity, account maintenance, and intermediary-submitted transactions are "items" and when each should be considered received.

We support the Commission's proposal to modernize the definition of "receipt." Because receipt determines when turnaround obligations begin and affects downstream reporting, posting, and retention duties, a technology-neutral definition is appropriate. The rule should, however, distinguish actual receipt by the transfer agent from delivery to another entity—such as an issuer, custodian, mailroom, portal, or third-party system the agent does not control—and should provide explicit guidance on the treatment of incomplete instructions, after-hours submissions, system outages, fraud holds, and items received through multiple channels. Without these clarifications, the amendment could create material timing and reporting inconsistencies. Further, as we stated above, the receipt definition should account for the types of items subject to the amended definition.

Rule 17ad-9. The Proposal would define "transfer journal" to mean a record of all issuances, cancellations, transfers, distributions of cash or securities, additions and cancellations of position detail, and other information necessary to enable the transfer agent to track and document changes in security ownership, the movement of securities, and other changes. The Commission should clarify, for mutual fund transfer agents, whether existing transaction histories and related records maintained within linked recordkeeping systems (i.e., the master securityholder file) satisfy the proposed requirement, and how the transfer journal concept applies to fund purchases, redemptions, exchanges, and omnibus account structures. We also suggest that the term "*transaction* journal" be used instead to capture the full range of activity described in the definition.

The Proposal assumes there to be only one recordkeeping transfer agent for a given issue of securities. We ask the Commission to clarify that, in some situations, more than one transfer agent may be used, as long as responsibilities and liability are clearly delineated between them. This standard should be principles-based to accommodate varying service models. Where the same class of a security is held in both tokenized and conventional form, the rules should allow for maximum flexibility as long as there is clear accountability to ensure investor protection. For example, a single recordkeeping transfer agent could maintain the on-chain and conventional holdings as linked components of one master securityholder file, including by engaging a service company or co-transfer agent to operate the on-chain component under its authority.

### B. Limitation on Expansion (Rule 17ad-3)

Rule 17ad-3 restricts a transfer agent's ability to expand its business when it repeatedly fails to meet the performance standards of Rule 17ad-2, serving as an early-warning and remediation mechanism. The Proposal would tighten the performance standard that triggers expansion limitations—raising the required performance level in Rule 17ad-3(b) from 75% to 95%—so that a transfer agent that fails, for two consecutive months, to timely process more than 5% of applicable items would be subject to the expansion limitation and be required to notify the chief executive officer of each issuer for which it acts.

We oppose tightening this threshold in conjunction with the compressed turnaround standard in proposed Rule 17ad-2. The restriction would constrain business continuity and, in the case of third-party transfer agents serving multiple unaffiliated clients, could cause significant adverse effects on fund clients and their shareholders—including the inability to bring new funds and products to shareholders. We support escalation mechanisms that address persistent underperformance, but recommend that any such restriction apply only after clear notice, an opportunity to explain exceptional circumstances, and a defined remediation process. The Commission should also clarify that externally caused delays and isolated events do not count toward the threshold and should ensure the trigger does not prevent a transfer agent from taking the corrective steps needed to stabilize its operations.

### C. Recordkeeping (Rule 17ad-6)

Rule 17ad-6 requires transfer agents to create and maintain records necessary to monitor turnaround performance, document transfer agent activities, and permit examination. The Proposal would modernize these requirements by (i) replacing references to specific paper-based records with broader, technology-neutral obligations that can accommodate modern electronic systems and distributed ledger technologies, and (ii) requiring records relating to item receipt, turnaround, rejections, non-routine-item determinations, transfer journals, control books, and master securityholder files.

We support this modernization. We are concerned, however, that the Proposal does not include a functional definition of "records" and, as drafted, is broad enough to encompass records that are within the transfer agent's control but outside the scope of its registry services. We urge the Commission to define narrowly the records to which the retention requirements apply—for example, records consistent with the transfer agent's services to shareholders and clients—and list them in Rule 17ad-6 so that the rule does not sweep in unrelated materials. For an integrated mutual fund recordkeeping platform, the Commission should confirm that linked electronic records can collectively satisfy the requirement and that duplicative standalone records need not be created where the required information can be reconstructed accurately and promptly.

### D. Record Retention (Rule 17ad-7)

The Proposal would adopt a largely uniform six-year retention period for records required under the Exchange Act, with the first two years maintained in an easily accessible place; replace media-specific requirements with technology-neutral standards for electronic recordkeeping systems (including controls for integrity, accessibility, reproducibility, audit trails, and recovery); require prompt production of records on demand; and require the transfer of issue-related records to the issuer or its designee within 15 calendar days after a transfer agency relationship ends. A uniform six-year retention period is a reasonable baseline, but we encourage the Commission to provide guidance on reconciling it with the differing retention periods covering shareholder records that are imposed by other functional regulators (for example, the IRS, FINRA, Department of Labor, Federal Reserve, and FDIC), and to provide clear rules for distributed-ledger and other electronic records both within and outside the transfer agent's control.

We recognize that records must be complete and retrievable, but we ask the Commission to confirm that the "promptly" production standard affords a reasonable period keyed to the nature, location, volume, and accessibility of the records.[18] Records are frequently maintained by third parties that may be contractually bound to produce them on request but not within a few hours or a single business day, and the standard should accommodate those arrangements. In addition, the Proposal states that delays beyond one business day should be unusual. We disagree. Larger and more structured transfer agents typically have protocols to ensure that documents are thoroughly reviewed prior to their release to regulatory bodies to ensure that they are complete, accurate, and responsive to the regulator's request, and it is not practicable that the compilation and review of these documents can be, in all cases, achieved within one business day.

We oppose the proposed requirement to transfer issue-related records to an issuer or designee within 15 calendar days after service ends. A change of transfer agent involves significant processes affecting storage, vendor contracts, cybersecurity, and client transition. Certain record types and relationships require more time to transfer records from one provider to another. Further, large historical populations can be costly and time-consuming to assemble and transfer, particularly where image-file volumes are significant, and 15 days would in many cases be insufficient to support an orderly transfer, especially in cases of large or complex relationships. Transition services and the timely transfer of records are usually established by contractual terms by and between the client and transfer agent (successor and predecessor), and as such, subjecting a predecessor transfer agent to a regulatory timeframe for transferring client and shareholder records is unnecessary. The transition from one transfer agent to another involves execution of a detailed list of tasks that are typically negotiated and agreed

[18] The Proposal describes the production standard as "promptly" for proposed Rule 17ad-7(g), noting that transfer agents can typically furnish records within a few hours and that only in unusual circumstances would delay beyond one business day still meet the standard. *See* Proposal at 56989.

upon by all parties involved. The data and associated records can vary from one conversion to another. The proposed 15-day timeframe could be seen as overriding reasonable commercially negotiated agreement terms. As an alternative to a rigid 15-day requirement, we suggest including an "or otherwise make available" standard that would rely on written transition service agreements to support the orderly transition of services from one transfer agent to another while ensuring all applicable records remain available to the new transfer agent.

### E. Safeguarding (Rule 17ad-12)

The Proposal would reframe Rule 17ad-12 as a comprehensive risk management rule, requiring written policies and procedures reasonably designed to (i) protect securities and funds and to identify, measure, monitor, and mitigate material custody, operational, cybersecurity, and other risks; (ii) maintain issuer, securityholder, and other third-party funds in a bank account designated as a "for the benefit of" account separate from the transfer agent's other accounts (without requiring client-by-client segregation); and (iii) establish and annually test a written business continuity plan.

We support this framework. Transfer agents already maintain written policies and procedures supporting these obligations. We recommend that the Commission preserve flexibility in how a transfer agent documents its safeguarding policies, which are necessarily tied to the types and level of assets handled, operational complexity, and reliance on third parties. Consistent with our longstanding preference for principles-based requirements in this area,[19] we urge the Commission to avoid a "check-the-box" formulation that could quickly become outdated.[20]

The Commission should confirm that segregation at the level of the fund or manager, and segregation accomplished through subledger recordkeeping, would satisfy the proposed "for the benefit of" requirement, and clarify the treatment of omnibus accounts and funds held by or through third-party intermediaries and other service providers. For mutual fund transfer agents, the banking arrangements used to hold fund assets are already addressed under the 1940 Act framework, including the daily reconciliation of demand deposit accounts, and any new segregation requirement should not be redundant of, or inconsistent with, those existing requirements.[21] We support the proposed business continuity requirement and note that

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[19] *See* 2016 ICI Letter at 18 (urging a principles-based, flexible approach to safeguarding and cautioning against prescriptive mandates).

[20] The Commission has long enforced transfer agents' safeguarding obligations under Section 17A(d) of the Exchange Act and Rule 17ad-12 through administrative proceedings addressing the misuse or inadequate protection of client funds. *See*, *e.g.*, In re Direct Transfer LLC, Exchange Act Release No. 34-101924 (Dec. 16, 2024) (failure to reconcile client escrow accounts); In re VStock Transfer LLC, Exchange Act Release No. 34-89687 (Aug. 27, 2020) (premature release of escrowed subscription funds). These existing enforcement tools confirm that a flexible, principles-based safeguarding rule is sufficient to protect investors.

[21] *See, e.g.*, 17 C.F.R. 270.17f-1; 17 C.F.R. 270.38a-1.

business continuity programs are typically maintained at the enterprise level. The Commission should confirm that an enterprise-level program that encompasses the transfer agent function would satisfy the requirement.

## F. Lost Securityholders (Rule 17ad-17)

The Proposal includes amendments to Rule 17ad-17 intended to help protect investors from the inappropriate or premature escheatment of their securities to states under state unclaimed property laws. We commend the Commission for its focus on this complex and important issue. Investors' property has been more at risk in recent years than ever before. Recent state activity—including shortened dormancy periods, a movement away from unsuccessful-delivery triggers toward pure inactivity standards, and the use of third-party contingent fee audit firms—poses increased risks to long-term investors. We welcome the Commission's recognition that these state activities are putting hard-earned investor assets at risk of premature escheatment.

The proposed amendments to Rule 17ad-17, however, would not achieve the Commission's intended goal and would instead create unintended consequences, including investor confusion, substantially increased costs, and potentially increased harmful state actions. We therefore recommend that most of the proposed amendments be withdrawn. In particular, the Commission should not define an "inactive securityholder" or tie any concept of activity to the determination of whether a securityholder is deemed to be lost. Although we support incorporating electronic communication and payment into Rule 17ad-17, we disagree with the overly simplistic approach in the Proposal and recommend changes to account for important practical considerations and to avoid unintended consequences.

### 1. The Current State Unclaimed Property Landscape

#### *The Risk to Long-Term Investors*

State escheatment laws play an important role in reuniting lost owners with their property. ICI does not, however, support state laws that force premature escheatment and liquidation of securities, as often happens when states adopt inactivity standards or inappropriately short dormancy periods. When securities escheat to a state, they are typically liquidated soon thereafter, taking the investment decision out of the investor's hands and freezing the value of the investment; the investor loses any future income and appreciation and potentially suffers

unanticipated tax consequences.[22] The loss can be financially devastating.[23] ICI supports any efforts to prevent harm to investors through premature escheatment.

These harms are not hypothetical. State unclaimed property regimes are increasingly enforced through audits conducted by third-party firms that are frequently compensated on a contingent-fee basis, that routinely examine ten to twenty reporting years, and that estimate liability for periods in which records are unavailable—practices that have drawn constitutional scrutiny.[24] These dynamics compound the harm to long-term investors and reinforce why the trigger for treating securities as unclaimed should be objective evidence that the owner has become unreachable, not mere inactivity.

***Returned Communication Versus Inactivity***

Most states include one of two triggers to deem securities "unclaimed" or "abandoned" under their unclaimed property laws. A returned-mail (or "RPO") trigger requires that mail be returned as undeliverable before an owner is considered lost. An inactivity (or "no-contact") standard requires the owner to engage in affirmative account activity to avoid being considered lost. Premature escheatment can occur under either standard, but the risk is far greater under an inactivity standard. Additionally, states often narrowly interpret "activity" under their laws, regularly neglecting to treat investor contact with broker-dealers or systematic transactions as activity. ICI strongly opposes an inactivity standard in state unclaimed property laws and considers a returned-communication standard[25] far more appropriate for determining when securities should be subject to additional outreach by holders. Inactivity alone is not an appropriate measure for triggering escheatment of securities or investment accounts. Full stop. An investor pursuing a buy-and-hold strategy may deliberately leave an account untouched for years to allow it to grow—a pattern especially common in retirement accounts and those

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[22] In the case of certain types of accounts (*e.g.*, IRAs) the account owner may be subject to IRS withholding and penalties associated with the escheatment of the account. *See* IRS Rev. Rul. 2018-17, Withholding and Reporting With Respect to Payments From IRAs to State Unclaimed Property Funds, *available at* https://www.irs.gov/pub/irs-drop/rr-18-17.pdf.

[23] Further, the costs associated with third-party contingent fee audit firm activities frequently are borne by escheated account owners (or their heirs), increasing the ultimate financial impact to investors.

[24] *See Temple-Inland, Inc. v. Cook*, 192 F. Supp. 3d 527, 541 (D. Del. 2016) (holding that applying an estimation methodology to a twenty-two-year look-back with no statutory record-retention period violated substantive due process); Thomson Reuters Practical Law, Unclaimed Property: Holder Beware (Practice Note 4-529-0747) (describing the third-party audit-firm model, multi-decade look-backs, and estimation, and noting that Delaware eliminated contingent-fee compensation for audit firms in 2021).

[25] We use "returned communication" rather than "returned mail" or "RPO," which describe only physical mail, to capture all forms of communication with owners, including electronic communications. Many states incorporate electronic communication into their escheatment laws.

established for minors.[26] For securities to be subject to escheatment, the standard should require something far more than a mere lack of owner activity.

The federal rule, although not an escheatment law, reflects this principle: Rule 17ad-17 currently defines a "lost securityholder" by reference to correspondence returned as undeliverable, *not by inactivity*, and requires a recordkeeping transfer agent to conduct two database searches to ascertain the correct address of a lost securityholder.[27]

### *Dormancy Period*

Under either trigger, the dormancy period in a state's law determines how long a holder must wait before an account becomes subject to escheatment. Dormancy periods were historically as long as 20 years; today, some states apply periods as short as three years.[28] Especially for an account intended for a long-term goal such as retirement or education, three years is far too short, particularly when paired with an inactivity standard. ICI supports a substantially longer dormancy period for securities and securities accounts.

### *Holder Obligations*

Transfer agents are subject to obligations under both Rule 17ad-17 and state escheatment laws. Under the federal rule, when communications are returned undeliverable, holders must conduct searches for potentially lost owners. Under state laws, holders are frequently required to perform additional due-diligence outreach to notify owners of the risk of escheatment. The ultimate outcome under state unclaimed property laws may be escheatment to a state. Rule 17ad-17 does not govern escheatment; it does, however, help ensure that holders maintain good owner addresses through the searches required under Rule 17ad-17(a)(1).

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[26] For example, Section 529 accounts established for minors are particularly at risk under inactivity standards. Given the distinctive purpose, investment structure, and expected lifespan of 529 accounts, inactivity-based standards could classify properly functioning accounts as inactive even though the account owner remains fully engaged with the account's long-term purpose. Trump accounts also present a new potentially vulnerable account type under aggressive state inactivity laws.

[27] Rule 17ad-17(a)(1), (b)(2). The Commission adopted Rule 17ad-17 to require reasonable-care database searches triggered by correspondence returned as undeliverable, not by inactivity. *See* Lost Securityholders, Exchange Act Release No. 34-39176 (Oct. 1, 1997). It has enforced that obligation where search failures caused investor assets to escheat prematurely. *See* In re The Bank of New York, Exchange Act Release No. 34-53709 (Apr. 24, 2006) (search failures caused approximately $11.5 million in securityholder assets to escheat and approximately $743,000 in avoidable third-party recovery fees).

[28] The Uniform Law Commission first promulgated the Uniform Unclaimed Property Act in 1954, most recently revising it in 2016 as the Revised Uniform Unclaimed Property Act (RUUPA). RUUPA provides that a security is presumed abandoned a specified number of years after a second communication sent to the apparent owner is returned undelivered—a returned-mail standard. Many states have adopted some form of RUUPA, often with a three-year period for securities. *See, e.g.*, Colo. Rev. Stat. 38-13-208; Ark. Code Ann. 18-28-202 (incorporating Rule 17ad-17).

### 2. The Need for a Federal Standard

The best way to ensure the protection of long-term investors from harmful state unclaimed property laws and to reduce the risk of premature securities escheatment is to establish a uniform federal standard for the escheatment of securities. A federal standard would preempt the state law patchwork, including the most aggressive current laws, that creates varying levels of investor risk and inequitable treatment depending on an investor's address of record. It would define a holder's obligations clearly regardless of a customer's location, simplify the process of communicating with and locating potentially lost owners, and curb the detrimental effects of third-party contingent-fee audit practices.[29]

A federal preemptive standard, however, would most likely require federal legislation,[30] and amending Rule 17ad-17 may not be a workable vehicle for achieving the preemption necessary to protect investors. We nonetheless strongly support a uniform federal standard and request that the Commission, at a minimum, express its support for one in the adopting release to any final rule. A uniform federal standard is well within Congress's constitutional authority.[31]

### 3. Proposed Amendments to Rule 17ad-17

The Proposal would define "inactive securityholder" as a securityholder for whom the transfer agent has not observed any account activity for 18 months, define "account activity" broadly, and require two written notifications to inactive securityholders—the first no later than six months after the securityholder becomes inactive and the second no later than six months after the first.[32] We do not support these amendments, for the reasons below.

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[29] Congress has established federal escheatment rules before, displacing the judicially created priority rules for certain financial instruments, which confirms that a federal standard is both constitutionally permissible and achievable. *See Delaware v. Pennsylvania*, 598 U.S. 115 (2023) (Federal Disposition Act, 12 U.S.C. 2501-2503, displaces the judicial escheat-priority rules for money orders and similar instruments); *see also Texas v. New Jersey*, 379 U.S. 674 (1965).

[30] *See, e.g.,* Safeguarding Americans' Fairly Earned Retirement (SAFER) Act of 2026, H.R. 8338, 119th Cong. (2026) (pending).

[31] The rules that currently allocate among the States the power to escheat abandoned intangible property are themselves federal law, adopted by the Supreme Court precisely because "there is no applicable federal statute" to govern the question. (*Texas v. New Jersey*, 379 U.S. 674, 677-78 (1965).) Congress may displace those rules by statute, as it did in the Disposition of Abandoned Money Orders and Traveler's Checks Act—a "federal statute that abrogates [the Court's] precedent" and "partially displaced those rules," grounded in congressional findings regarding equity among the States and the burden on interstate commerce. (*Delaware v. Pennsylvania*, 598 U.S. 115, 122-24 (2023); *see* 12 U.S.C. 2501.)

[32] Proposed Rule 17ad-17(b)(3) and 17ad-17(a)(3).

### *Definition of Inactive Securityholder*

We strongly oppose creating a definition of "inactive securityholder" in Rule 17ad-17. Inactivity is not an appropriate measure of whether an investor is lost under any state or federal standard. So long as an owner is receiving account statements and other communications that are not returned as undeliverable, the holder can reasonably assume the investor is reachable at the address of record. Some states nonetheless treat inactivity as an indication that an owner is lost or has abandoned the account. Introducing the concept of an "inactive securityholder" into the federal rule would implicitly endorse that approach. The proposed 18-month period would compound the problem: it is far shorter than typical investor behavior would warrant and appears to be derived from the most aggressive states' dormancy periods, again implicitly endorsing those extreme standards.

### *Holder Obligations*

Proposed Rule 17ad-17(a)(3) would require a transfer agent to send two written notices stating that the securityholder has not been active and that some jurisdictions may consider inactive accounts to be unclaimed or abandoned and subject to escheatment. We strongly disagree with the proposed notice provision. Many states use returned-communication standards, which would render the notices inapplicable and likely confusing to investors. There is no federal or state requirement that investors interact with their accounts, yet the proposed notices could create the mistaken impression that there is such a requirement, and could prompt actions contrary to an investor's interest, such as an unplanned purchase or sale. The proposed amendments would impose two new obligations: one on holders, to repeatedly contact long-term investors (once every 18 months), and a second obligation on investors, forcing them to act to demonstrate they remain aware of their investment. As proposed, this would actually be more radical than states with shortened dormancy periods and inactivity triggers. While both shift additional burdens onto investors, the Proposal would do so every 18 months. For investors in returned-communication states, the proposed notices would risk obscuring other important communications, and the mailing and other compliance-related costs would ultimately be borne by shareholders. Unnecessary notices would produce unnecessary costs.

What the Commission has proposed is inconsistent with prudent long-term investing behavior. Additional arbitrary holder obligations would be inappropriate and costly, and ultimately create investor confusion and potential harm, rather than adding investor protections. Any additional holder obligations should be carefully and thoughtfully designed to protect investors, standardize holder processes, and reduce premature escheatment, without imposing undue compliance costs or investor confusion.

### *Electronic Communication and Payment*

The proposed amendments to Rules 17ad-17(b)(2) and 17ad-17(c) contemplate electronic communication with securityholders and electronic payments by paying agents. We support amendments to modernize the transfer agent rules to reflect current communication and payment practices, but urge the Commission to reconsider the Proposal's approach and

instead incorporate more nuanced electronic communication and electronic payment provisions.

A single returned email or other electronic communication, by itself, should not lead to a securityholder being deemed a lost securityholder under Rule 17ad-17(b)(2). A final rule should allow for sufficient flexibility to successfully communicate with a securityholder through different channels prior to considering them a lost securityholder under the rule. Further, the Commission should harmonize any amendments to 17ad-17(b)(2) with proposed Regulation E-Delivery.[33] If adopted as proposed, under Regulation E-Delivery an electronic bounce-back indicating that an address is invalid would be treated as an electronic delivery failure requiring reasonable and prompt remediation. The covered entity could use paper delivery while attempting to obtain a valid electronic address, and persistent failures could require a broader reversion to paper delivery. That framework treats a bounce-back as evidence that a particular delivery channel has failed, not that the securityholder cannot be reached, or should be considered lost. ICI supports this flexible framework for e-delivery generally,[34] and it would work well for purposes of monitoring successful communication with securityholders under Rule 17ad-17.

Proposed Rule 17ad-17(c)(3) would treat an electronic payment that is "rejected and returned as undeliverable" as a trigger for the paying agent's unresponsive-payee requirements. Unlike the existing trigger for an unnegotiated check, the proposed requirement could apply immediately upon a single rejected payment, without an aging period demonstrating that the payee failed to claim the funds. The Proposal also does not define the covered payment methods or the circumstances under which a payment would be considered rejected, returned, or undeliverable.

Electronic payment failures may result from administrative, technical, account information, legal, financial institution, or payee-initiated circumstances that do not reasonably indicate that the payee is unresponsive or cannot be reached. Moreover, when funds are returned to the sender or restored to the securityholder's account, the payment does not remain outstanding in the same manner as an unnegotiated check. Transfer agents maintain policies that ensure payment failures are acted upon timely, including, for example, reprocessing the payment, contacting the investor or its agent for updated instructions, and contacting the receiving institution for direction. These events should not result in any adverse "inactive or lost" designation to an investor, if promptly resolved.

The Commission should consider narrowing the circumstances when an electronic payment should be considered unnegotiated. For example, paragraph (c)(3) could apply only when an

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[33] Proposal at 57030.

[34] Letter from Paul G. Cellupica, General Counsel, ICI, to Secretary Vanessa A. Countryman, SEC, Re: Electronic Delivery of Information Under the Federal Securities Laws; SEC File No. S7-2026-25 (Sept. 21, 2026), at 16, *available at* https://www.sec.gov/comments/S7-2026-25/s7202625-1065840-3684808.pdf.

electronic payment: (i) requires affirmative acceptance or other action by the payee; (ii) remains unaccepted for a defined period or expires without acceptance; and (iii) remains payable to the securityholder outside the securities account. This standard would align the electronic payment trigger with the rationale underlying the existing unnegotiated-check provision: the funds remain available to the payee, but the payee has not taken the action necessary to receive them. A rejected or returned payment that results in the funds being returned to the sender, restored to the securityholder's account, or otherwise resolved should not, standing alone, establish unresponsive payee status.

Additionally, proposed paragraph (c)(4) should be amended to clarify that the $25 de minimis exception applies consistently to an unnegotiated check and a rejected electronic payment. As drafted, the exception continues to refer specifically to the value of a "not yet negotiated check" and does not clearly address a rejected electronic payment.

### 4. Response to NAST Comment Letter[35]

In any significant Commission rulemaking, contrasting views help ensure the Commission and its staff are adequately informed of critical industry dynamics and important factors that should be considered while finalizing new rules and rule amendments. We have reviewed the joint letter submitted by the National Association of State Treasurers and the National Association of Unclaimed Property Administrators (together, NAST), and have concerns about several aspects of the letter. We look forward to submitting supplemental comments in response to the NAST Letter with an ultimate goal of helping to ensure that the Commission and staff have an accurate view and understanding of the unclaimed property landscape as it relates to securities and investor protection.

## VI. Digital Assets Aspects of the Proposal

The tokenization of securities and the use of distributed ledger technology are among the most consequential recent developments affecting transfer agents, and ICI appreciates the Commission's attention to them. We would like transfer agent rules that are sufficiently durable and adaptable to support a product servicing landscape that will continue to evolve, while advancing two critical policy goals: maintaining robust investor protections, and ensuring competitive parity between currently regulated and registered transfer agent registry providers and emerging market participants. The rules should promote innovation and long-term sustainability without compromising the integrity of the transfer agent services developed over decades.

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[35] Letter from Shaun M. Snyder, Chief Executive Officer, National Association of State Treasurers, to Secretary Vanessa A. Countryman, SEC, Re: Proposed Amendments to Rule 17Ad-17 Regarding Transfer Agents, Brokers, and Dealers; SEC File No. S7-2026-30 (Oct. 28, 2026) ("NAST Letter"), *available at* https://www.sec.gov/comments/S7-2026-30/s7202630-1111379-3943430.pdf.

Technology neutrality. Final rules should expressly preserve the Commission staff's existing recognition that a registered transfer agent may use distributed ledger technology as its official master securityholder file, or as a component of a linked recordkeeping system, while satisfying the other applicable requirements.[36] This rulemaking is an opportunity to formalize and provide durable, Commission-level clarity around that framework. The rules should accommodate off-chain authoritative records, hybrid on-chain/off-chain records, and fully on-chain models, subject to the same core regulatory outcomes. We believe the regulatory framework should support responsible innovation and the continued development of digital transfer agency and tokenized securities, while maintaining appropriate investor protections and clear transfer agent accountability.

Exclusive control. We support retaining clear transfer agent responsibility for the authoritative ownership record and for changes to it. The concept of "exclusive control," however, should be understood functionally and should not be read to require the transfer agent to control the underlying blockchain network. Such an interpretation could effectively foreclose public blockchain models. The focus instead should be on whether the transfer agent has appropriate authority and controls over the transfer agent function and the authoritative record, including permissions, validation logic, correction and remediation capabilities, and procedures governing which record controls in the event of a fork, chain reorganization, bridge failure, or similar disruption,[37] regardless of whether the network is permissioned or public or whether smart contracts or third-party service providers are used.

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[36] *See* SEC Div. of Trading & Mkts., Frequently Asked Questions Relating to Crypto Asset Activities and Distributed Ledger Technology, FAQ 11 (Dec. 17, 2025, last updated Feb. 19, 2026), *available at* https://www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions/frequently-asked-questions-relating-crypto-asset-activities-distributed-ledger-technology (permitting a registered transfer agent to use distributed ledger technology as its official master securityholder file under Exchange Act Rule 17Ad-9(b), or a component thereof, if it complies with all other applicable federal securities law requirements, without a separate off-chain duplicate). *See also* Franklin Templeton, SEC No-Action Letter (Aug. 12, 2026), *available at* https://www.sec.gov/rules-regulations/no-action-interpretive-exemptive-letters/division-investment-management-staff-no-action-interpretive-letters/franklin-templeton-081226 (recognizing that a registered transfer agent may maintain the official record of share ownership (i.e., the master securityholder file) using a proprietary recordkeeping system that is integrated with blockchain/distributed ledger technology, where the transfer agent retains unilateral administrative control over the authoritative record); *see also* The Depository Trust Company, SEC No-Action Letter (Dec. 11, 2025), *available at* https://www.sec.gov/files/tm/no-action/dtc-nal-121125.pdf (treating a DLT-derived record as a registered clearing agency's "official books and records").

[37] *See* Custody of Digital Asset Securities by Special Purpose Broker-Dealers, 86 Fed. Reg. 11627 (Feb. 26, 2021), *available at* https://www.govinfo.gov/content/pkg/FR-2021-02-26/pdf/2020-28847.pdf (directing broker-dealers to adopt written policies and procedures that "specifically identify, in advance, the steps [the firm] intends to take in the wake of certain events that could affect the firm's custody of the digital asset securities, including blockchain malfunctions, 51% attacks, hard forks, or airdrops," and defining those terms). For the technical mechanics of forks and chain reorganization, *see also* Nat'l Inst. of Standards & Tech., NISTIR 8202, Blockchain Technology Overview (Oct. 2018), *available at* https://doi.org/10.6028/NIST.IR.8202.

Third-party tokenization agents. In many tokenized structures, functions such as minting and burning, smart contract administration, and custody of administrative or registrar keys are performed by a tokenization agent or technology provider that is distinct from the recordkeeping transfer agent. Consistent with our view that a registered transfer agent need not itself hold exclusive control over every record or system, and may rely on data, records, and controls maintained by third parties under appropriate contractual access, oversight, and escalation arrangements, the Commission should confirm that a transfer agent may satisfy any exclusive-control expectation through governed authority over those functions where such authority is exercised through contractual, operational, and technical arrangements that give it the ability to reconcile, or to direct corrective or overriding instructions of the authoritative record, rather than only by directly holding every key or operating every system. A tokenization agent or technology provider that merely operates that infrastructure does not thereby become a recordkeeping transfer agent for the issue, provided recordkeeping responsibility and liability are clearly delineated and a registered transfer agent (or, where more than one is used, each by its delineated allocation) remains responsible for the authoritative record. Where a tokenization agent itself maintains the authoritative record or otherwise performs transfer agent functions, the regulatory framework applicable to those functions should govern that activity. The transfer agent and the tokenization agent should be permitted to allocate operational functions between them by contract.

On-chain and off-chain records. The Commission should confirm that a master securityholder file may consist of multiple linked systems—including on-chain position and transaction data and off-chain identity and other non-public information—so long as the complete record remains accurate, accessible, secure, reconcilable, and producible for examination.[38]

Role clarity. Final rules should focus on the transfer agent's own regulatory responsibilities, controls, and oversight, and should not transform the transfer agent into a broader gatekeeper for activities outside its statutory function. Recognizing a transfer agent's responsibility for the authoritative record should not make it a guarantor of every system and participant on which it relies. Its obligation is to maintain reasonably designed controls and to reconcile, correct, and produce the authoritative record that reflects policies and procedures and risk management standards commensurate with the delineated scope of its responsibilities. A failure originating in a network, protocol, or third-party system before or outside the transfer agent's own processing is not a failure of the transfer agent. Final rules should confirm that a transfer agent may rely on, and allocate operational responsibility by contract to, linked systems, service providers, smart contracts, and other infrastructure, and that doing so does not of itself impose liability on the transfer agent for the acts, omissions, or technical failures of those systems and parties.

[38] The complete record should remain producible for examination without requiring a duplicative off-chain record solely because the authoritative record, or a component of it, is maintained on-chain.

Treatment of digital tokens as "items." As noted above in connection with the definition of "item," the Commission should clarify how the amended definition applies to a digital token that functions either (1) as an instruction to the issuer to transfer registered ownership of an uncertificated security (an "instruction token") or (2) to establish a control agreement with respect to a purchaser's control of the uncertificated security (a "control agreement token"). Under existing UCC Article 8, an instruction token is not itself the security; it is the mechanism by which the holder instructs the issuer (or its transfer agent) to register a transfer of the uncertificated security,[39] while a control agreement token is the mechanism by which a holder obtains "control" over uncertificated securities. The Commission should distinguish between an instruction token and a control agreement token in terms of the timing of when a requirement attaches to the transfer agent and provide guidance on whether and how the turnaround, posting, and recordkeeping requirements attach to the processing of each.

Tokens in a hybrid or fully on-chain model. The instruction-token and control-agreement-token characterizations described above should be considered in light of the variety of tokenization models that transfer agents may adopt. The Commission should confirm that, in a hybrid or fully on-chain model in which an on-chain entry forms part of the master securityholder file itself, the turnaround, posting, and recordkeeping requirements attach when the transfer is recorded in the authoritative recordkeeping environment. Characterizing the token by the function it performs, rather than by the model in which it is used, allows the same rule text to apply coherently across the instruction-token, control-agreement-token, and hybrid or fully on-chain models as they develop.

On-chain turnaround and rejection. For models in which the blockchain forms part of the master securityholder file, final rules should reflect that turnaround is complete when the transfer is recorded in the authoritative recordkeeping environment, including the relevant on-chain record. It should also distinguish network- or protocol-level failures from transfer agent rejections: where a transfer fails at the network level due to, for example, congestion, a gas failure, or a validation error, in each case before it is processed by the transfer agent's system, the instruction is not best understood as received by, or rejected by, the transfer agent, and the rejection-notice obligation does not attach. Where a transfer is instead blocked by the transfer agent's own controls, the notice obligation would apply; and such notice would be delivered to the required recipient through a method that satisfies the rule.

Interoperability. The market for tokenized securities is unlikely to develop on a single chain, platform, or ecosystem. Consistent with the model-neutral approach described above, the final rules should support interoperability across chains, custodians, transfer agents, wallet providers, and settlement mechanisms, and should avoid prescriptive requirements that would

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[39] *See* Permanent Editorial Board for the Uniform Commercial Code, *Report on Tokenization of Securities Transfers* (Aug. 2026), *available at* https://www.ali.org/sites/default/files/2026-08/PEB-Report-Tokenization-of-Securities-Transfers.pdf (concluding that existing UCC Article 8 permits an issuer to use a digital token as the mechanism by which a holder instructs the issuer to transfer registered ownership of an uncertificated security, and that the token is not itself the Article 8 security); *see also* U.C.C. 8-401, 8-106.

anchor tokenized securities to a single technical architecture or otherwise lock the market into narrow or siloed models as it continues to evolve.

Position detail and wallet identifiers. As applied to tokenized securities, position-detail requirements should remain flexible. A wallet address may be an important element of position detail in some structures, but it need not be treated as a mandatory universal primary identifier of record. Transfer agents typically pair on-chain wallet-level data with off-chain legal-identity, contact, tax, and compliance information that together identify the holder.

## VII. The Commission Should Not Recast Transfer Agents as Gatekeepers.

Several aspects of the Proposal, if read expansively, would cast the transfer agent as a "gatekeeper" responsible for policing the conduct of issuers and other market participants. Proposed Rule 17ad-31 contemplates that a transfer agent will refrain from facilitating an unregistered transaction unless it has a reasonable basis to believe the transaction does not violate Section 5 of the Securities Act of 1933 (Securities Act) and other provisions—including the expanded definition of "item," the open-ended recordkeeping obligations, and the "exclusive control" concept for master securityholder file records—could likewise be read to assign the transfer agent responsibility for matters beyond its statutory function.

We urge the Commission not to adopt that framing. The transfer agent's role is ministerial and operational, and the final rules should reflect this. That conclusion follows from the statutory design and from settled commercial law. Section 17A of the Exchange Act defines the transfer agent function in operational terms—the prompt and accurate clearance and settlement of transactions, the transfer of record ownership, and the safeguarding of related securities and funds.[40] Under Article 8 of the Uniform Commercial Code, once the enumerated conditions for a transfer are satisfied, the issuer and its transfer agent must register the transfer as requested,[41] and the transfer agent's obligations run to the issuer and the holder for the particular functions it performs, not to the market at large.[42] Courts have accordingly described the registration-of-transfer function as ministerial and have held that a transfer agent owes no freestanding duty to the investing public.[43]

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[40] 15 U.S.C. 78q-1(a)(1)(A), (a)(2)(A) (describing the clearance-and-settlement, record-transfer, and safeguarding functions).

[41] Under Article 8 of the Uniform Commercial Code, once the enumerated conditions are satisfied the issuer (and its transfer agent) "shall register the transfer as requested," subject to liability only for unreasonable delay in, or wrongful refusal of, registration. U.C.C. 8-401; *see* 6 Del. C. 8-401; N.Y. U.C.C. Law 8-401 (McKinney).

[42] A transfer agent "has the same obligation to the holder or owner . . . with regard to the particular functions performed as the issuer has in regard to those functions." U.C.C. 8-407.

[43] *See Bender v. Memory Metals, Inc.*, 514 A.2d 1109 (Del. Ch. 1986) (construing "register the transfer" to include "those ministerial acts that normally accompany such registration"); *Concord Real Estate CDO 2006-1, Ltd. v. Bank of America, N.A.*, 996 A.2d 324 (Del. Ch. 2010) (noting "the limited and ministerial nature" of the registrar's

The securities laws likewise reserve "gatekeeper" responsibility for defined actors—such as auditors, underwriters, and counsel—whose functions involve the review or certification of disclosure, and the Supreme Court has declined to extend secondary-actor liability to participants performing ordinary operational roles.[44] Imposing gatekeeper-like duties on transfer agents would be inconsistent with that framework and with the transfer agent's limited function, and would expose transfer agents to liability for determinations that rest with issuers and their counsel. When genuine misconduct occurs, the Commission's examination and enforcement authority is sufficient and appropriate, and expansion of the transfer agent's substantive responsibilities should not supplant this regime.

Consistent with this understanding, and as discussed throughout this letter, the final rules should (i) confirm that a transfer agent may rely in good faith on a reasoned opinion of counsel in placing or removing restrictive legends rather than independently resolving Section 5 questions; (ii) define the records subject to the recordkeeping and retention rules by reference to the transfer agent's registry services rather than sweeping in unrelated materials; and (iii) make clear that "exclusive control" over an authoritative record does not require the transfer agent to police the conduct of issuers, tokenization agents, custodians, or other intermediaries. These clarifications would keep the modernized rules within the transfer agent's core statutory function while preserving robust investor protection.

## VIII. Proposed New Rules

### A. Proposed Rule 17ad-30: Compliance

Proposed Rule 17ad-30 would require (i) every registered transfer agent to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with the federal securities laws applicable to the transfer agent and to identify and remediate instances of non-compliance, and (ii) that the policies and procedures be reviewed and approved by the transfer agent's board of directors or similar governing body at least annually or following material changes.

We support a baseline requirement that transfer agents maintain written compliance policies and procedures, and the majority of transfer agents already do so. We recommend, however, that the Commission exclude from the new rule—or deem compliant—mutual fund transfer

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role); *Lenhart Altschuler Associates, Inc. v. Benjamin*, 28 Misc. 2d 602, 215 N.Y.S.2d 541 (Sup. Ct. 1961) (a transfer agent "is the agent of the corporation by which it is employed, and owes no affirmative duty to a stockholder").

[44] *See Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.*, 511 U.S. 164 (1994) (Congress's decision to impose some forms of secondary liability but not others "indicates a deliberate congressional choice with which the courts should not interfere"); *Stoneridge Investment Partners, LLC v. Scientific-Atlanta, Inc.*, 552 U.S. 148 (2008) (declining to extend liability to "the realm of ordinary business operations" and observing that the Commission's enforcement power, rather than expansive secondary-actor duties, reaches culpable actors).

agents that are already indirectly subject to Rule 38a-1 under the 1940 Act, pursuant to their contractual arrangement with funds, to avoid duplicative and inconsistent regulation. Under Rule 38a-1, a fund must adopt and implement written compliance policies and procedures that provide for the oversight of the fund's transfer agent, the fund's board must approve those policies and procedures, and the fund's chief compliance officer must report to the board at least annually on their adequacy and on any material compliance matters. Transfer agents are also subject to an annual study and evaluation of their internal accounting controls by an independent accountant under Rule 17ad-13. For firms already operating within these frameworks, a new, stand-alone compliance program requirement would be duplicative, and the Commission should provide guidance on how existing risk-based policies and control environments would satisfy the proposed new obligation.

We oppose the requirement that a transfer agent's compliance policies and procedures be approved by its board of directors. Certain third-party transfer agents, which may be part of larger, more complex organizations, have boards that are not best situated to understand and oversee the transfer agent function. Often, management over external service entities/affiliates may be better positioned to approve such policies. In the case of mutual fund transfer agents, the fund's board already approves and oversees the transfer agent's compliance policies and procedures pursuant to the Rule 38a-1 framework, and involving a separate board would add process without adding protection.

More generally, the Commission should confirm that approval by appropriate personnel or bodies with relevant compliance and/or oversight expertise—or, where applicable, reliance on a firm's enterprise-level compliance governance—could satisfy the proposed rule, and should also clarify how the requirement applies to firms, such as many third-party transfer agents, that do not have a traditional board structure; have a complex organizational structure in which the transfer agent's operational processes are spread out across multiple legal entities; or do not have a board optimally placed to understand and oversee the transfer agent. If the Commission moves forward with the board approval requirement, it should require only initial board approval and approval of only material changes going forward, instead of annual approval.

### B. Proposed Rule 17ad-31: Restrictive Legends

Proposed Rule 17ad-31 would require a transfer agent to maintain and rely on a current list of authorized issuer personnel whose instructions it may act on in placing or removing restrictive legends, and to refrain from facilitating any unregistered securities transaction unless it has a reasonable basis to believe that the transaction does not violate, or is not part of a chain of transactions that would violate, Section 5(a) of the Securities Act. The Proposal includes a non-exclusive safe harbor under which a transfer agent may establish that basis either by

obtaining and reviewing a qualifying opinion of counsel or by making its own determination that a specific exemption applies.[45]

We support clearer procedures for placing, tracking, and removing restrictive legends, but the rule as proposed creates undue responsibility, expense, and liability for transfer agents. We are concerned that the proposed rule could shift onto transfer agents legal determinations that properly rest with counsel, and that requiring a transfer agent to act only on the instructions of issuer-designated persons could conflict with the transfer agent's obligations, and potential liability, under the Uniform Commercial Code.[46] We therefore recommend that the Commission permit a transfer agent to rely in good faith on a reasoned opinion of counsel (including, where accepted by the issuer, internal counsel or a shareholder's counsel) absent actual knowledge of material facts to the contrary, and that it not require a transfer agent to re-review the documents underlying an opinion, independently determine the applicable exemption, or provide its own legal opinion. The Commission should make clear that transfer agents are not expected to resolve complex securities law questions.

## IX. The Proposal's Economic Analysis Understates the Costs of Implementation.

The Proposal's economic analysis materially understates the costs that mutual fund and other transfer agents would incur to implement the proposed changes.

Several cost categories appear to be underestimated or unaddressed. First, the rescission of the longstanding Rule 17Ad-4 exemptions, combined with the compressed turnaround and posting standards, and the new recordkeeping, safeguarding, and compliance program requirements would require significant technology development, vendor re-contracting, and staffing for firms that have operated for decades without being subject to these requirements. Members report that building the reporting oversight framework, the routine-versus-non-routine determination process, and the necessary systems changes would be a substantial, multi-year undertaking, and that much of the required data is maintained by third-party recordkeeping vendors whose systems would also need to be reconfigured. Second, because modern transfer agency is largely outsourced and intermediated with many interdependencies, per-entity estimates do not capture the coordination costs across sub-transfer agents, vendors, service providers, and industry utilities. Third, the fixed costs of the new requirements fall

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[45] Proposed Rule 17ad-31(a)-(d); *see also* 15 U.S.C. 77e(a). The Commission already reaches egregious legend-removal misconduct through enforcement under Section 5 of the Securities Act. *See, e.g.*, In re Olde Monmouth Stock Transfer Co., Securities Act Release No. 10303 (Feb. 7, 2017), *available at* https://www.sec.gov/files/litigation/admin/2017/33-10303.pdf (transfer agent that removed restrictive legends on microcap and shell-company shares based on facially deficient opinion letters was a "necessary participant and substantial factor" in unlawful distributions). That enforcement authority counsels against recasting the ministerial registration function as an independent obligation to resolve Section 5 questions that rest with counsel.

[46] *See* U.C.C. 8-401 (duty to register transfer; liability for unreasonable delay or wrongful refusal to register) and U.C.C. 8-407 (transfer agent held to the same obligations to the owner as the issuer).

disproportionately on small transfer agents. The Commission's own initial regulatory flexibility analysis indicates that a substantial share of registered transfer agents may be small entities, yet the Proposal does not adequately quantify the impact on them or explain why less burdensome alternatives would not achieve its objectives.[47]

Within the Proposal's comment period, ICI members were able to provide only a few examples of tangible cost estimates:

- One member estimated that relevant staff would need to be doubled in order to meet the proposed turnaround and posting times should the exemption in Rule 17Ad-4(a) be eliminated.
- One member provided analysis regarding staffing adjustments that would be required—particularly regarding transfer requests received via mail. Associated costs would be substantial.
- One member estimated the annual costs required to comply with the proposed amendments to Rule 17ad-17 would be multiples of the estimates the Commission includes in the Proposal.[48]
- Although not addressed in the Proposal, one member noted that the Commission has applied Rule 17ad-16 in practice to treat a transfer agent's appointment for a newly issued security as an event requiring a separate notice under the rule, rather than requiring 17ad-16 notices only when changes in transfer agent relationships occur (e.g., transfers or terminations). Notices for new issues duplicate information the depository already receives through the issuance and eligibility process, and such duplicative notices resulted in roughly $9.85 million in aggregate industry burden in 2024. Final rules or Commission guidance could clarify that Rule 17ad-16 notices are not required at initial issuance and clarify the circumstances in which a notice is required.

We recommend that, before adopting final rules, the Commission supplement its economic analysis with realistic, data-driven estimates of implementation costs—including technology build-out, vendor dependencies, and staffing—distinguish the costs borne by small and fully outsourced transfer agents, and evaluate less burdensome alternatives such as tailored requirements for mutual fund transfer agents, preservation of the Rule 17Ad-4 exemptions, and extended, phased compliance periods.

## X. Implementation Timeline

Many of the proposed amendments would require substantial implementation effort and the coordination of numerous internal departments and external parties. Certain requirements

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[47] *See* 5 U.S.C. 603(c) (an initial regulatory flexibility analysis must describe significant alternatives that minimize the economic impact on small entities).

[48] Proposal at 57030-57031.

would require significant infrastructure and systems development. The implementation period for any final rules should be long enough to account for the breadth of the impact on our members' businesses, and careful consideration should be given to phased and sequenced timelines so that related definitional, systems, data, and procedural changes become operational in the least disruptive order. We recommend a minimum implementation period of 24 months to allow for an orderly and successful transition, but some aspects of the Proposal may require more time.

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ICI appreciates the opportunity to comment on the Proposal and stands ready to provide any additional information that would assist the Commission. If you have any questions or would like additional information, please contact the undersigned (paul.cellupica@ici.org), Amy McDonald, Associate General Counsel (amy.mcdonald@ici.org), or Kelly O'Donnell, Senior Director, Operations and Transfer Agency (kelly.odonnell@ici.org).

Sincerely,

/s/ Paul G. Cellupica
Paul G. Cellupica
General Counsel

cc: The Honorable Paul S. Atkins, Chairman
The Honorable Mark T. Uyeda, Commissioner

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