

**Supporting Statement for the  
Notice Claiming Status as an Exempt Transfer Agent  
(FR 4013; OMB No. 7100-0137)**

**Summary**

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the mandatory Notice Claiming Status as an Exempt Transfer Agent (FR 4013; OMB No. 7100 0137). Banks, bank holding companies (BHCs), savings and loan holding companies (SLHCs), and trust companies subject to the Federal Reserve's supervision that are low-volume transfer agents submit a notice to the Board certifying that they qualify for this exemption. Transfer agents are institutions that provide securities transfer, registration, monitoring, and other specified services on behalf of securities issuers. The purpose of the notice, which is effective until the agent withdraws it, is to claim exemption from certain rules and regulations of the Securities and Exchange Commission (SEC). The Federal Reserve uses the notices for supervisory purposes because the SEC has assigned to the Federal Reserve responsibility for collecting the notices and verifying their accuracy through examinations of the respondents. There is no formal reporting form (the FR 4013 designation is for internal purposes only) and each notice is filed as a letter.

The Board proposes to provide the option of electronic submission of the FR 4013 to a secure Board email address. The current annual burden for the FR 4013 is estimated to be 20 hours.

**Background and Justification**

Pursuant to Section 17A(d) of the Securities Exchange Act of 1934, as amended in 1975 (the Act), the SEC has full authority to issue rules and regulations governing the conduct of all institutions registered as transfer agents pursuant to the Act. The Act requires transfer agents that are banks or BHCs to register with their primary banking regulator, that is, the Board, the Federal Deposit Insurance Corporation (FDIC) or the Office of the Comptroller of the Currency.<sup>1</sup> SEC rule 240.17Ad-4 allows low-volume transfer agents, whether registered with the SEC or with one of the bank regulatory agencies, to claim exemption from certain of the SEC's rules applicable to registered transfer agents. In the case of Board-registered transfer agents, a notice is filed with the Board. The Federal Reserve reviews the notices for conformity with SEC requirements. Also, the Federal Reserve conducts separate examinations of registered banks' transfer agent operations, and the notices help staff determine which entities may be eligible for extended examination frequency. This information is not available elsewhere.

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<sup>1</sup>This includes nondeposit subsidiary trust companies, which are banks within the meaning of section 3(a)(6) of the Act.

## **Description of Information Collection**

The Act requires registered transfer agents to maintain a log that accumulates monthly totals of items received "for processing" and "for transfer." If a transfer agent can affirm that its processing and transfer volumes during the most recent six-month period (including the current month) were each less than 500 items, then it can claim the exemption. For registered transfer agents that file with the Board, the notice claiming the exemption is a letter that certifies that the transfer agent has met the requirements for qualifying it as an exempt transfer agent under SEC regulation (17 CFR 240.17Ad-4(b)). The letter of notice must contain the required affirmations specified in the rule, but otherwise there is no standard format.

Although the exemption may continue indefinitely, the transfer agent must recalculate data for the exemption with each succeeding month's activity for the most recent six-month period. A transfer agent whose processing or transfer volume fluctuates enough so that its status alternates between exempt and nonexempt usually opts to withdraw the exemption claim and operates as a nonexempt transfer agent. Currently, 10 transfer agents registered with the Board have an exemption notice on file.

## **Time Schedule for Information Collection**

Board-registered transfer agents wishing to claim an exemption from certain SEC regulations file a notice with the Board if they are eligible. The notice is filed within 10 business days following the six-month period mentioned above. If the notice conforms to regulatory requirements, the Board sends a letter of acknowledgment to the agent stating that it is an exempt transfer agent pursuant to this provision. As indicated above, the exemption remains in effect as long as the processing and transfer volumes for the most recent six-month period remain under the exemption threshold. Board-registered transfer agents withdraw from exempt status by sending a letter to the Board. The Board does not publish the information it collects in the notices.

## **Sensitive Questions**

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

## **Consultation Outside the Agency**

On April 7, 2016, the Federal Reserve published a notice in the *Federal Register* (81 FR 20384) seeking public comment for 60 days on the extension, without revision, of the mandatory Notice Claiming Status as an Exempt Transfer Agent. The comment period for this notice expires on June 6, 2016.

## **Legal Status**

The Board has determined that the FR 4013 is mandatory and authorized pursuant to Section 17A of the Act, 15 U.S.C. § 78q-1, 17 C.F.R. § 240.17Ad-4, and 12 C.F.R. §§ 208.31 and 225.4(d). Section 17A(a)(2)(A)(i) of the Act, 15 U.S.C. 78q-1(a)(2)(A)(i), directs the SEC to use its authority under the Act “to facilitate the establishment of a national system for the prompt and accurate clearance and settlement of transactions in securities.” Pursuant to this Congressional directive, the SEC promulgated regulations governing the performance of transfer agent functions by registered transfer agents. See 17 C.F.R. §§ 240.17Ad-2, 240.17Ad-3, and 240.17Ad-6(a) (1) through (7) and (11). SEC Rule 17Ad-4 exempts certain low-volume transfer agents from certain of these regulations provided that the transfer agent files a notice with its appropriate regulatory agency certifying that it qualifies for the exemption. 17 C.F.R. § 240.17Ad-4. Pursuant to the Act, the SEC’s transfer agent rules as well as the low-volume transfer agent exemption are applicable to all registered transfer agents, including those regulated by the Board. See Section 17A(d)(1) of the Act, 15 U.S.C. § 78q-1(d)(1). The Board’s regulations further provide that Board-regulated transfer agents are subject to the SEC’s transfer agent rules, including the low-volume transfer agent exemption. See 12 C.F.R. § 208.31(b) (applicable to state member bank transfer agents); 12 C.F.R. § 225.4(d) (providing that the Board’s regulations governing state member bank transfer agents are equally applicable to BHCs and certain nonbank subsidiaries that act as transfer agents); 12 C.F.R. § 238.4(b) (requiring reports from SLHCs). Because the information regarding a transfer agent’s volume of transactions is public information through the filing and publication of the agents’ Form TA-2 with the SEC, the individual respondent data collected by the FR 4013 is not confidential.

### Estimate of Respondent Burden

The annual reporting burden for the FR 4013 is estimated to be 20 hours, based on an estimated average response time of two hours for 10 respondents. However, because this information collection is event-generated, it is not possible to predict exactly how many notices would be filed in a particular year. Although in recent years the Federal Reserve has been receiving an average of five notices per year, there are currently 10 transfer agents registered with the Board that have an exemption notice on file. This notice requirement represents less than 1 percent of total Federal Reserve System paperwork burden.

	<i>Number of respondents<sup>2</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated total annual burden hours</i>
FR 4013	10	1	2	20

<sup>2</sup> Of the respondents, none are small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) [www.sba.gov/content/table-small-business-size-standards](http://www.sba.gov/content/table-small-business-size-standards).

The total estimated annual cost to the public is \$1,035.<sup>3</sup>

### **Estimate of Cost to the Federal Reserve System**

The annual cost associated with the FR 4013 is negligible.

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<sup>3</sup>Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$17, 45% Financial Managers at \$63, 15% Lawyers at \$64, and 10% Chief Executives at \$87). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages May 2014, published March 25, 2015, [www.bls.gov/news.release/ocwage.t01.htm](http://www.bls.gov/news.release/ocwage.t01.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).