

Advocacy Submits Comment on SEC's Proposed Rule on Securities Transfer Agents

On June 27, the Office of Advocacy filed a letter with the Securities Exchange Commission (SEC) recommending that the SEC commence proceedings to disapprove its *Proposed Rule Change Amending FAST and DRS Limited Requirements for Transfer Agents*. The rule was proposed by the Depository Trust Company, a self-regulating organization, in accordance with Section 19(b)(1) of the Securities Exchange Act. Advocacy believes that the rule will have a disproportionate impact on small businesses and their ability to compete, to the extent that these businesses will no longer be able to offer their services as securities transfer agents. A copy of Advocacy's letter to the SEC can be accessed at <http://www.sba.gov/advo/laws/comments>.

- The Depository Trust Corporation (DTC) proposed the rule “to amend its rules to update, standardize, and restate the requirements for the Fast Automated Securities Transfer program (FAST) and to delineate the responsibilities of DTC and the transfer agents with respect to the securities held by transfer agents as part of the FAST program, and to restate the requirements for transfer agents participating in the Direct Registration System (DRS).”
- The FAST program allows for transfer of securities without the need for physical deliveries of securities, reducing the risk of loss or other mishandling of certificates. Major exchanges are requiring that issues be eligible for processing through the DRS; registration as a FAST agent is required for participation in the DRS.
- The proposed rule would require securities transfer agents to become DRS-eligible, if they are not already, and to participate immediately in FAST, and would require increases in insurance coverage. It specifies new requirements for vaults within which certificates must be stored, and would prohibit transfer agents from using certain forms of business relationships which are now commonly used. The proposed rule also requires an independent evaluation of internal controls, even though SEC rules already require such a report.