

Securities Regulation Daily Wrap Up, TOP STORY—SEC issues temporary exemptive relief for transfer agents affected by COVID-19, (Mar. 23, 2020)

Securities Regulation Daily Wrap Up

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By [Amanda Maine, J.D.](#)

Transfer agents who wish to take advantage of the exemptive relief must notify the Commission, identify the specific regulatory provisions with which the transfer agent is unable to comply, and state why the transfer agent is unable to comply with those provisions.

In its latest effort to extend relief to market participants affected by the coronavirus (COVID-19), the SEC has provided conditional regulatory relief for registered transfer agents. The Commission recognized that the need to comply with Exchange Act regulations pertaining to transfer agents under Section 17A and Section 17(f) may present compliance issues by those affected by COVID-19 (*Order Under Section 17A and Section 36 of the Securities Exchange Act of 1934 Granting Exemptions from Specified Provisions of the Exchange Act and Certain Rules Thereunder*, [Release No. 34-88448](#), March 20, 2020).

The order granting temporary exemptive relief cites two categories of regulatory provisions: (1) Transfer Agent Exempted Provisions (encompassing Sections 17A and 17(f)(1) of the Exchange Act, as well as Rules 17Ad-1 through 17Ad-11, 17Ad-13 through 17Ad-20, and 17f-1); and (2) Fingerprinting Exempted Provisions (encompassing Exchange Act Section 17(f)(2) and Rule 17f-2); collectively, the "Exempted Provisions."

Any registered transfer agent that is unable to comply with the Exempted Provisions due to COVID-19 is temporarily exempted from complying with those provisions subject to the following conditions: (1) written notification to the Commission that such person is taking advantage of the relief; (2) a description of the specific regulatory obligations that the person is unable to comply with; and (3) a statement of the reasons the person is unable to comply with such obligations.

The Commission emphasized that, despite the exemptions, transfer agents must still comply with the requirements of Exchange Act Rule 17Ad-12, which requires transfer agents to ensure that they adequately safeguard securities and funds in their possession or custody. If a transfer agent's operations, facilities, or systems are significantly affected as a result of COVID-19 such that the transfer agent believes its compliance with Rule 17Ad-12 could be negatively affected, to the extent possible, all security holder or issuer funds that remain in the custody of the transfer agent should be maintained in a separate bank account held for the exclusive benefit of security holders until such funds are properly processed, transferred, or remitted, the order states.

In a [press release](#) announcing the exemptive relief, SEC Division of Trading and Markets Director Brett Redfearn said, "The health and safety of all participants in our markets is of paramount importance. This temporary relief recognizes that circumstances related to COVID-19 may prevent certain transfer agents and other persons from complying with all requirements within required time frames."

The Commission encouraged transfer agents and other regulated entities and financial professionals to contact the TM staff if they have questions relating to the effects of COVID-19 on their operations. If feasible, the Commission recommended that issuers and their transfer agents place a notice on their websites or provide toll free phone numbers to respond to inquiries.

The release is [No. 34-88448](#).

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