



How To Complete SEC Form TA-2



- STA Free Webinars
- Introduction of Karen Fisher
- Next Planned Session
 - ***TBD***
- Want to hear from you about future topics
 - Exit survey



Today's Session:
How To Complete
SEC Form TA-2

Our Presenter:
Richard Johnson
Chief Compliance Officer
Computershare



Disclaimer

The information provided in this webinar represents the current understanding of the presenter and the Securities Transfer Association. It is subject to change. In no way should this information be construed or relied upon as legal or operational advice. You should consult with your own legal counsel, compliance officer and/or other subject matter experts.



Housekeeping

- Questions/Comments
 - Type them
 - Anonymous
- Short survey following webinar
- Additional follow-up questions –
karenfisher9288@gmail.com



Why Are We Presenting This Topic?

- SEC spokesperson has indicated to the STA that many transfer agents are making errors in their filing of SEC Form TA-2 or not filing the form at all
- As such, the STA would like to review the requirements for completing SEC Form TA-2

Some Common Errors

- Failure to file
- Failure to file electronically
- Failure to file by due date
- Percentages or statistics don't "add up"
- Information is inaccurate or incomplete
- Persons responsible for filing SEC Form TA-2 do not fully understand the business at the ground level
- Documentation does not support statistics and data entered on the form (Audit issue)

Completion of Form TA-2

- The first few items are relatively straightforward.
- Information that is needed for completion (as of Dec. 31st):
 - **Item 2(a)** – Check the box appropriately as to whether or not the TA has engaged another TA (“service company”) to perform TA functions.
 - **Item 2(b)** – Service companies engaged by the TA.
 - Example – corporate actions processor, or another TA performing some or all TA functions, or a co-transfer agency relationship.
 - **Item 2(c)** – Check the box appropriately as to whether or not the TA has been engaged another TA (“named transfer”) to perform TA functions.
 - **Item 2(d)** – Another TA who has engaged your TA as a “service company”.
 - Example – TA who is named transfer agent and your TA is the “service company”; or a co-transfer agency relationship.

Transfer agent functions are defined in Section 3(a)(25) of The Securities Exchange Act of 1934.

Completion of Form TA-2

- **Item 3(a)** - Indicate Appropriate Regulatory Authority (ARA). Examples –
 - U.S. Securities and Exchange Commission
 - The Office of the Comptroller of the Currency
 - Federal Reserve Board
 - FDIC
- **Item 4(a)** - Number of all transfers received during the calendar year, both routine **and** non-routine items.
- **Item 4(b)** - Number of security holder accounts
 - Example – all accounts on the TA's Master Securityholder File (MSHF)

Note: *Statistics should be consistent between Items 4 and 5.*

Account Detail

Now it can get a bit tricky...

- **Item 5(a)** – This number may exceed Item 4(b) because you need to, if applicable, add to the MSHF accounts number in Item 4(a)...
 - the number of co-transfer agent accounts
 - (i.e., TA that transfers securities but does not maintain the MSHF)
- **Items 5(b)** – Dividend Reinvestment Plan (DRP) and Direct Stock Purchase Plan (DSPP) accounts. This may require specific systematic requests so you accurately include participants in both DRP and DSPP
- **Item 5(c)** – Direct Registration System (DRS) accounts. (Coded as DRS / book > 0)
- **Item 5(d)** – “Approximate” percentage of client base within each security category to be entered. Approximate is key.
 - Be aware that the percentage should equal 100%, so if you need to round the percentages or extend the decimal places, please do so.

Recordkeeping TA / Co-Transfer Agent

- **Item 6(a)** – You perform both transfers and maintain the MSHF for each issue. Be mindful not to put in issuer statistics.
- **Item 6(b)** – You perform transfers but do not maintain the MSHF for issues.
- **Item 6(c)** – You maintain the MSHF, but do not perform transfers for issues.

Note: American Depositary Receipts (ADR) are counted as corporate equity securities, as well as closed end funds.

DRP / DSPP / Dividend / Interest Paying Agent

Additional Activities -

- **Item 7(a)** – Number of issues as DRP or DSPP service provider.
- **Item 7(b)** – Number of issues that are DRS
- **Item 7(c)** – Dividend disbursement and interest paying agent services, broken down as:
 - **Item 7(c)(i)** – number of issues; and
 - **Item 7(c)(ii)** – amount in dollars
 - *For Item 7(c) exclude payments for corporate actions.*

Aged Record Differences and Buy-ins

- **Item 8(a)** – Ensure back-up documentation supports what is entered, which includes:
 - prior agent aged record difference (occurred at prior TA before business was assumed)
 - number of issues; and
 - market value as of December 31st
 - current agent aged record difference (occurred at your TA)
 - number of issues; and
 - market value as of December 31st
- **Items 8(b) and 8(c)** – For buy-ins, indicate if the TA submitted quarterly report(s) to the Commission (or other Appropriate Regulatory Authority (ARA)) regarding any buy-ins during the calendar year (in excess of \$100,000 in the aggregate of all issuers).

Compliance with Turnaround Requirements

- **Item 9(a)** – Report if TA has not complied with turnaround requirement as set forth in 17Ad-2.
 - Requirement is to “turnaround” 90% for all routine transfer items received during the month within 3 business days of receipt.

Open – End Mutual Fund Requirement

- **Item 10** – Indicate number of open-end securities purchase and redemptions ('transactions') **excluding**:
 - Dividend and interest and distribution postings, and
 - Address changes processed.
- **Item 10(a)** – Total of number of transactions processed
- **Item 10(b)** – Total number of “As-of” transactions

Database Searches for Lost Shareholders

- **Item 11(a)** – Reporting Lost Shareholder Searches during the calendar year.
- TA may conduct a number of different searches.
 - Some TAs, such as Computershare, conduct searches twice per year, every 6 months, which results in full compliance with Rule 17Ad-17.
- **Item 11(b)** – list the number of accounts that had underlying securities, which were remitted to states during the calendar year, as applicable to escheat procedures at the TA.
 - Care must be given here as you should not report accounts with just dividends and interest remitted, but include only those that include underlying securities.

Validate Data and Keep Records

- Have independent party, such as Internal Audit Department validate the information that is being entered in the TA-2.
- If the information being entered doesn't "look right", question the source materials and validate.
- Retain documentation to support the data being entered into the Form.
 - This is helpful for:
 - Regulators,
 - Internal audit, and
 - External auditors (*i.e.*, PwC, KPMG, Ernst & Young, etc.)

Electronic Filing

- SEC Form TA-2 must be filed electronically with the SEC by March 31st of each calendar year
- All Form TA-2s are to be filed using the SEC's *EDGAR* ("*Electronic Data Gathering, Analysis, and Retrieval*") system, filed in an XML format using Microsoft *InfoPath*
- In order to use the *EDGAR* system, you must register
- Information on filing electronically on *EDGAR* can be found on the SEC's website
- Don't forget to print, sign, and maintain a copy.

STA
THE
SECURITIES TRANSFER
ASSOCIATION, INC.
Established 1911



karenfisher9288@gmail.com

