



February 29, 2016

Brent J. Fields, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File Number S7-27-15, Transfer Agent Regulations

Dear Secretary Fields:

The National Association of Unclaimed Property Administrators (NAUPA) appreciates the opportunity to provide commentary to the Securities and Exchange Commission (SEC) on proposed rulemaking changes and updates for transfer agents.

NAUPA's role is to increase awareness of unclaimed property as a vital consumer protection program. The purpose of the association is to promote and strengthen unclaimed property administration and interstate cooperation in order to enhance the States' return of unclaimed property to rightful owners. Members represent all states, the District of Columbia, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands.

Commission Request for Comment, Number 27:

What are the industry best practices with respect to safeguarding procedures specific to residual or unclaimed funds and securities remaining in the transfer agent's possession or control post-payment but prior to the successful distribution to securityholders or escheatment to a state or territory?

Pursuant to the Commission's request, NAUPA provides the following commentary on best practices with respect to safeguarding procedures specific to residual or unclaimed funds. NAUPA believes that an effective contact and outreach program with the securityholder results in timely payment and stock distributions and limits the amount of residual or unclaimed funds remaining in the transfer agent's possession post-payment.

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The vast majority of securityholders are actively aware of their interest, and their actions reflect this awareness. However, a minority of securityholders do not undertake such actions to reflect their awareness or are actually unaware of their property. With respect to this small percentage of securityholders, NAUPA believes that transfer agents who act on behalf of issuers should take affirmative steps to alert owners about the status of their interest and obtain confirmation of the securityholder's awareness. This affirmative action should occur regardless of whether prior mailings were undeliverable. The alternative is to assume that the securityholder is aware of the existence of their property in the absence of recorded activity with respect to the property. This customer awareness initiative would be consistent with the know your customer regulations that have been instituted across various industries and regulators including as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Recognized actions reflecting the securityholder's awareness should include any owner-generated contact, communication or transaction related to the property or involving some affirmative action by the securityholder with respect to the property, which is documented in a contemporaneous record prepared by or on behalf of the transfer agent or in the possession of the transfer agent. This includes the presentment of a check or other instrument of payment of a dividend or other distribution made with respect to an account or underlying shares. In the case of a distribution made by electronic or similar means evidence that the distribution has been received would constitute owner-generated activity. Direction by the securityholder to increase, decrease, or change the amount or type of property held in the account constitutes action reflecting the securityholder's awareness, whether such activity takes place via ACH, wire, check or other transfers. This owner-generated activity is distinguishable from company-generated activity such as crediting dividends, posting account fees and mailing statements. Automated activities such as automatic payments or automatic portfolio rebalancing should not be considered owner-generated activity.

Commission Request for Comment, Number 169:

How might the transfer agent industry continue to evolve in the future, and what challenges might that evolution pose for the regulatory structure? What regulatory issues and other challenges are posed by the industry's increasing concentration and specialization? What does the decline in the number of registered securityholders mean for the industry, and for the regulatory regime? Do commenters believe that, as dematerialization progresses, the role of transfer agents to operating companies will change? If so, will it converge with that of Mutual Fund Transfer Agents? If so, what are the possible implications of this?

Related to the approach above and in recognition of modern securities recordkeeping and communications, NAUPA believes that any and all documented owner-generated activity which reflects awareness of the property is important. As a result, monitoring securityholder activity should not be limited to tracking returned mailings but should also recognize the current methods

in which securityholders increasingly transact with respect to their account. Focusing on returned mail fails to recognize the decrease in actual mailings due to increased securityholder and transfer agent electronic correspondence such as with monthly or annual statements, tax documents and trade confirmations. In addition, materials sent via first-class rate postage often will not be returned by the post office even if the securityholder is no longer at the address of record or deceased. Many documents, such as proxy vote cards and annual reports, are not even mailed at first-class postage but at a bulk mail rate; thus the sender will not be notified.

Modern methods that transfer agents should recognize which are utilized by securityholders include on-line account access and Interactive Voice Response systems. Any online activity or electronic communication in which an authentication of the securityholder's identity is documented contemporaneously with the activity or communication should be recognized as owner-generated activity with respect to the account or shares at issue. Similar to how securityholders interact via electronic methods, transfer agents have increased their electronic exchanges for the dual benefit of paper waste reduction and cost savings. Ensuring that transfer agents have the ability to recognize these securityholder activity methods would assist the transfer agent in maintaining contact with the securityholder regarding their interests and limit the residual funds and securities retained in the transfer agent's possession. Updating the methods in which transfer agents can contact and monitor securityholder activity will ensure that securityholders receive their shares and distributions in a timely manner. The alternative would result in the status quo for those securityholders who are unaware of property interests but have not met the "lost securityholders" requirements of 17Ad-17.

Lastly and responsive to both questions 27 and 169, NAUPA believes that an important safeguarding procedure is the effective limitation of pre-escheat searches. Pre-escheat searches are conducted pursuant to a contractual relationship between an issuer and a location services company and are often administered on behalf of the issuer by their transfer agent. While the SEC currently has rules in place under 17Ad-17 for "lost securityholders" and "unresponsive payees," pre-escheat searches are often conducted outside the constraints of 17Ad-17 and unclaimed property laws.

A pre-escheat search, as its name implies, is conducted prior to a state's presumption of abandonment being satisfied and statutory due diligence being conducted. As an example, a pre-escheat letter is mailed by the location services firm to a securityholder who has not had any activity with respect to their property. The letter has two points of emphasis: first, if a consumer does not respond to the letter, their property may be escheated to a state and second, a proposal to assist in reactivating the consumer's account for a fee. Most importantly, the letter fails to comment on the fact that the consumer can contact the transfer agent directly at no cost to reactivate their account. The timing of the searches, the content of the letter and the amount of the fees should be regulated.

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In conclusion, NAUPA believes that improvement of transfer agent outreach, including maintaining contact and securityholder activity tracking, and a limitation on pre-escheat searches are important to the shared consumer protection goals of both NAUPA and the SEC. NAUPA appreciates the opportunity to provide commentary on best practices and remains available and willing to provide additional information at the Commission's request.

Sincerely,



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Unclaimed Property Administrator



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