

## **Order Under Section 17a of the Securities Exchange Act of 1934 Granting Exemptions from Specified Provisions of the Act and Certain Rules Thereunder for State Nonmember Bank Transfer Agents**

Section 3(a)(34)(B) of the Securities Exchange Act of 1934 ("the Act") (15 U.S.C. 78c(a)(34)(B)) lists the Federal Deposit Insurance Corporation ("FDIC") as the "appropriate regulatory agency" ("ARA") for transfer agents required to register under section 17A of the Act (15 U.S.C. 78q-1) if the transfer agent is a bank insured by the FDIC which is a State nonmember bank (hereinafter "FDIC-regulated transfer agents").

Sections 341.1 and 341.3 of the FDIC's regulations (12 CFR 341.1 and 341.3) provide that FDIC-regulated transfer agents subject to registration under section 17A of the Act follow the rules adopted by the FDIC, at Part 341 of the FDIC's regulations, pursuant to sections 2, 3(a)(34)(B), 17, 17A and 23(a) of the Act for registration and operational and reporting requirements.

Section 17A(c)(1) of the Act (15 U.S.C. 78q-1(c)(1)) provides that the appropriate regulatory agency, by rule or by order, upon its own motion or upon application, may conditionally or unconditionally exempt any person or security or class of person or securities from any provision of that section or any rule or regulation prescribed under Section 17A of the Act, if the appropriate regulatory agency finds that such exemption is in the public interest and consistent with the protection of investors and the purposes of this section, including the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds. Section 17A(c)(1) of the Act also requires that the Securities and Exchange Commission ("SEC") not object to the use of exemptive authority in instances where an appropriate regulatory agency other than the SEC is providing exemptive relief.

Hurricane Katrina made landfall along the Gulf Coast on August 29, 2005, causing catastrophic damage to portions of Alabama, Louisiana and Mississippi. The storm and subsequent flooding displaced individuals and businesses and disrupted communications across the Gulf Coast region. The FDIC is issuing this Order to address the compliance requirements of FDIC-regulated transfer agents located within the Presidentially Declared Disaster Areas where Individual Assistance has been authorized by the Federal Emergency Management Agency as a result of Hurricane Katrina (the "Presidential Disaster Areas"), which include the Louisiana parishes of: Acadia, Ascension, Assumption, Calcasieu, Cameron, East Baton Rouge, East Feliciana, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Orleans, Pointe Coupee, Plaquemines, St. Bernard, St. Charles, St. Helena, St. James, St. John, St. Mary, St. Martin, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington, West Baton Rouge, and West Feliciana; the Mississippi counties of: Adams, Amite, Attala, Claiborne, Choctaw, Clark, Copiah, Covington, Forrest, Franklin, George, Greene, Hancock, Harrison, Hinds, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lamar, Lauderdale, Lawrence, Leake, Lincoln, Lowndes, Madison, Marion, Neshoba, Newton, Noxubee, Oktibbeha, Pearl River, Perry Pike, Rankin, Scott, Simpson, Smith, Stone, Walthall, Warren, Wayne, Wilkinson, Winston, and Yazoo; and the Alabama counties of Baldwin, Clarke, Choctaw, Mobile, Pickens, Greene, Hale, Sumter, Tuscaloosa, and Washington. This Order also addresses the

compliance requirements of FDIC-regulated transfer agents located outside the Presidential Disaster Areas who must transact business with companies and individual located within the Presidential Disaster Areas.

### **Transfer agent compliance with Section 17A of the Act and the rules promulgated thereunder**

Section 17A of the Act, and the rules promulgated thereunder, contain requirements for registered transfer agents relating to, among other things, processing securities transfers, safekeeping of investor and issuer funds and securities, and maintaining records of investor ownership. Following the events of Hurricane Katrina, registered transfer agents located in the affected region may have difficulty complying with some or all of their obligations as registered transfer agents. In addition, transfer agents located outside the affected region in many cases may be unable to conduct business with entities or securityholders inside the region, thereby making it difficult to process securities transactions and corporate actions in conformance with Section 17A of the Act and the rules thereunder.

While the national clearance and settlement system continues to operate well in light of this emergency, the FDIC recognizes that securities transfers and payments to and from securityholders in the affected region may present compliance issues for some FDIC-regulated transfer agents. Therefore, the FDIC is using its authority under Section 17A of the Act to relax temporarily certain regulatory provisions in order to provide FDIC-regulated transfer agents with flexibility in coping with the situation. The FDIC finds the following exemption to be in the public interest and consistent with the protection of investors and the purpose of Section 17A of the Act, including the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds. The FDIC has consulted with the SEC regarding this exemptive relief. The SEC has issued substantially identical exemptive relief for transfer agents under its jurisdiction.

Accordingly, IT IS ORDERED, pursuant to Sections 17A of the Act, that any registered FDIC-regulated transfer agent located in the Presidential Disaster Areas that is unable to comply with Section 17A of the Act and the rules promulgated thereunder, as applicable, is hereby temporarily exempted from complying with such provisions for the period from and including August 29, 2005 to October 17, 2005, where both of the conditions below are satisfied.

#### **Conditions**

**(a) Books and Records Maintained at Affected Locations.** A registered FDIC-regulated transfer agent that maintained books and records at locations inside the Presidential Disaster Areas must notify the FDIC at its Washington, DC headquarters in writing by October 17, 2005, if such transfer agent knows or believes that the books and records it is required to maintain pursuant to Section 17A of the Act and the rules thereunder were lost, destroyed, or materially damaged. To the extent feasible, the transfer agent should include as much information as possible as to the type of books and records that were maintained,

the names of the issuers for whom such books and records were maintained, and the extent of the loss of, or damage to, such books and records.

**(b) Securityholder Funds and Securities.** A registered FDIC-regulated transfer agent holding securityholder or issuer funds or securities must notify the FDIC at its Washington, DC headquarters in writing by October 17, 2005, if such transfer agent knows or believes that funds or securities belonging to either issuers or securityholders were lost, destroyed, stolen, or unaccountable for any reason. To the extent possible, the transfer agent should include information regarding the dollar amount of any such funds and the number of such securities.

FDIC-regulated transfer agents that have custody or possession of any securityholder or issuer funds or securities shall use all reasonable means available to ensure that all such securities are held in safekeeping and are handled, in light of all facts and circumstances, in a manner reasonably free from risk of theft, loss, or destruction and that all funds are protected against misuse. To the extent possible, all securityholder or issuer funds that remain in the custody of the transfer agent shall be maintained in a separate bank account held for the exclusive benefit of securityholders until such funds are properly remitted.

The notifications required under (a) and (b) above shall be sent to:

Anthony J. DiMilo, Examination Specialist  
Division of Supervision and Consumer Protection  
Federal Deposit Insurance Corporation  
550 17th Street, NW  
Washington, DC 20429-0002

IT IS FURTHER ORDERED, pursuant to Section 17A of the Act, that any registered FDIC-regulated transfer agent that is residing outside the Presidential Disaster Areas and is unable to comply with any provision of Section 17A of the Act or any provision of any rule thereunder due to an inability to conduct business with persons (entities or individuals) inside the Presidential Disaster Areas or an inability to remit funds or securities to securityholders residing in the Presidential Disaster Areas is hereby temporarily exempted from compliance with such provisions with respect to those specific transactions for the period from and including August 29, 2005 to October 17, 2005, on the condition that such transfer agent must make and keep a record of the extent of and the reason for noncompliance and retain those records for a period of no less than three years. As a further condition to this exemption, to the extent the transfer agent has not already done so, registered transfer agents shall maintain in a separate bank account held for the exclusive benefit of securityholders all securityholder funds to be remitted to securityholders until such funds are properly remitted to the securityholders.

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The FDIC encourages registered transfer agents and the issuers for whom they act to inform affected securityholders whom they should contact concerning their accounts, their access to funds or securities, and other shareholder concerns. If feasible, issuers

and their transfer agents should consider placing a notice on their websites or providing toll free numbers to respond to inquiries.

Transfer agents experiencing difficulties in complying with obligations after October 17, 2005, or in need of additional information, should contact Anthony J. DiMilo, Examination Specialist, Division of Supervision and Consumer Protection, FDIC, at (202) 898-7496.

By order of the Federal Deposit Insurance Corporation.

Pursuant to delegated authority.

Dated this 26th day of September, 2005.

Christopher J. Spoth

Acting Director

Division of Supervision and Consumer Protection

Last Updated 9/28/2005