STATEMENT

Statement on Proposed Amendments to the SEC's Transfer Agent Rules

Commissioner Mark T. Uyeda (/about/sec-commissioners/mark-t-uyeda)

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Today, the Commission proposes a comprehensive set of amendments to the rules governing registered transfer agents. Transfer agents play a vital role in the U.S. securities markets. They facilitate the orderly settlement of securities transactions and ensure the accuracy of securities ownership records. Transfer agents form part of the essential infrastructure that allows securities to travel smoothly from issuer to investor and from seller to buyer.

Accelerating Change

It has been 40 years since the Commission last significantly updated its transfer agent rules.[1] In 2015, Commissioners Luis Aguilar and Dan Gallagher warned that the rules were already "anachronistic" and out of sync with industry practices.[2] They urged that critical reforms were overdue.

In the intervening years, the pace of technological innovation has only accelerated. Developments such as distributed ledger technology and tokenization, which were barely on the horizon in 2015, are now reshaping how transfer agents perform their core functions. With transactions increasingly conducted electronically, and settlement times picking up even more speed, updating the regulatory framework is urgent.

A Long-Haul Rulemaking Effort

The journey to this rulemaking has been long and winding. At the end of 2015, the SEC published a concept release on transfer agent rule modernization and received substantial public feedback,[3] reflecting broad interest and a diversity of perspectives on how to update the regulatory framework.[4] Despite this engagement, no rulemaking emerged for over a decade. Instead, during the period that followed, the Commission pursued a regulation-by-enforcement approach, which was a piecemeal strategy that provided neither clarity nor predictability for transfer agents or investors.[5]

Today's proposed amendments represent a return to a more appropriate and durable path: rulemaking grounded in study, public engagement, and careful consideration of market developments.

A Roadmap to Modern Rules for Transfer Agents

The proposed amendments would modernize several essential aspects of the transfer agent regulatory framework.

Among other things, they update transfer agents' reporting requirements to provide investors and market participants transparency into important aspects of transfer agents' operations, such as their handling of funds and securities as well as turnaround performance. They clarify and enhance requirements for handling lost securityholders, removing restrictive legends, and documenting agreements with clients, aiming to reduce investor harm and operational risk. Most fundamentally, they reflect the reality that the majority of securities

transactions today occur electronically, rather than via physical exchange of certificates, and settle at T+1 or faster.

Closing

The Commission has waited far too long to make common-sense updates to its transfer agent rules. With today's proposal, the public can now provide feedback on how we can modernize the rules governing our securities settlement infrastructure.

In doing so, we can better protect investors, support innovation, and strengthen the foundation of the markets we have today *and* the markets we expect tomorrow.

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[1] *See* Adoption of Revised Transfer Agent Forms and Related Rules, Exchange Act Release No. 23084 (Mar. 27, 1986), 51 FR 12124 (Apr. 9, 1986); *see also* Transfer Agent Regulations, Exchange Act Release No. 76743 (Dec. 22, 2015), 80 FR 81948 (Dec. 31, 2015) ("2015 Concept Release") for an overview of the history of the Commission's transfer agent rules.

[2] *See* Commissioner Luis A. Aguilar and Commissioner Daniel M. Gallagher, "Statement Regarding the Need to Modernize the Commission's Transfer Agent Rules" (June 11, 2015), *available at* https://www.sec.gov/news/statement/modernize-sec-transfer-agent-rules.html (https://www.sec.gov/news/statement/modernize-sec-transfer-agent-rules.html).

[3] *See* 2015 Concept Release, *supra* note 1.

[4] The comment file for the 2015 Concept Release is available here: https://www.sec.gov/rules-regulations/2015/12/transfer-agent-regulations (https://www.sec.gov/rules-regulations/2015/12/transfer-agent-regulations).

[5] *See* Commissioner Hester M. Peirce and Commissioner Mark T. Uyeda, "UnRulemaking: Statement Regarding DST Asset Manager Solutions, Inc." (Aug. 17, 2023), *available at* https://www.sec.gov/newsroom/speeches-statements/peirce-uyeda-statement-dst-asset-manager-solutions-inc-081723 (https://www.sec.gov/newsroom/speeches-statements/peirce-uyeda-statement-dst-asset-manager-solutions-inc-081723).

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