

SEC Eyes Mutual Fund Transfer Agents

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The SEC's December advance notice of proposed rulemaking, concept release and request for comment (ANPR) concerning its transfer agent rules, may foreshadow significant changes for mutual fund transfer agents. Even though they provide some of the same basic services as other transfer agents, mutual fund transfer agents are currently exempt from several otherwise applicable federal securities laws requirements. This includes exemption from certain processing, turnaround, performance, and recordkeeping obligations. Mutual fund transfer agents typically present somewhat unique issues in servicing redeemable securities, the relationships that may exist between mutual funds and their transfer agents, and how the transfer agents are compensated. For example, mutual fund transfer agents often play a larger role in processing purchases or redemptions by shareholders than more conventional transfer agents. Their larger role might include determining the number of shares or the per share-price of an order and coordinating with administrators and other service providers of the fund. The mutual fund industry's growth and increased complexity has led the SEC to question whether it should significantly revise the current transfer agent rules with respect to mutual funds. The SEC did not propose any specific rule amendments. Among other things, however, the ANPR sought comment on whether:

- mutual fund transfer agents should be required to provide more detailed disclosures;
- exemptions currently afforded to mutual fund transfer agents should be eliminated; and
- the SEC should adjust its regulatory oversight of mutual fund transfer agents.

The ANPR specifically excludes from its scope questions about the relationship between mutual funds' 12b-1 plans and payments that are made for what are commonly referred to as "sub-transfer agent" services. Nevertheless, some information provided in response to the ANPR probably will be useful to the SEC as it continues to consider such questions. See "SEC Payments 'In Guise' Case Resolves Little" in the Fall 2015 *Expect Focus*.

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