INVESTOR CHOICE ADVOCATES NETWORK
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November 3, 2026

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Via email: rule-comments@sec.gov

Re: Comment Letter on Proposed Transfer Agent Rules
Release No. 34-106246; File No. S7-2026-30

Dear Commissioners and Staff:

The Investor Choice Advocates Network ("ICAN") appreciates the opportunity to comment on the Commission's first comprehensive modernization of the transfer-agent rules in more than four decades. ICAN is a nonprofit public interest litigation organization that advocates for small investors, entrepreneurs, and small public companies in matters before the Commission and FINRA. We commend the staff for undertaking this long-overdue rulemaking.

Our comments address six features of the proposal: (I) the architecture of issuer-sponsored, transfer-agent-administered, beneficial-owner-consent programs; (II) direct-registry blockchain architectures and the proposed "exclusive control" standard; (III) the proposed rescission of Rule 17Ad-4 and the Rule 17ad-30 compliance-program mandate as applied to small and issuer-registered transfer agents; (IV) the Rule 17ad-31 restrictive-legend framework and the proper allocation of the Section 5 analysis; (V) the Form TA-2 reporting categories for tokenized securities; and (VI) a concluding set of recommendations.[1]

I. The Modernized Rules Should Expressly Accommodate Issuer-Sponsored, Transfer-Agent-Administered, Beneficial-Owner-Consent Programs

The proposing release documents a structural decline in registered ownership. Direct Registration System accounts fell from approximately 22 million in 2016 to approximately 13

[1] ICAN has engaged with the proposal publicly as well as in this filing. *See* SEC Roundup Episode 106, Transfer Agent Rewrite Puts Blockchain Records on the Table (featuring Scott Walker, Chief Compliance Officer, Andreessen Horowitz, and Rodrigo Seira, Partner, Cooley LLP), available at https://www.icanlaw.org/post/sec-roundup-106-transfer-agent-rewrite-puts-blockchain-records-on-the-table.

million in 2025, even as individual securityholder accounts overall grew from 233 million to 281 million. Release No. 34-106246, Table 10. The release also acknowledges that "other forms of registered ownership such as tokenization have become available." *Id.* at n.20.

Those two facts frame the policy question the modernized rules should answer: whether the transfer-agent regime will accommodate, or inadvertently discourage, market-based mechanisms by which beneficial owners are given an informed, affirmative choice about how their shares are held and used. ICAN urges the Commission to use this rulemaking to confirm, in the adopting release and where appropriate in rule text, that two closely related architectures fall within ordinary transfer-agent activity.

A. Beneficial-owner-consent programs administered through the transfer agent. Under this architecture, the beneficial owner retains street-name ownership but affirmatively consents, through the issuer's transfer agent, to the terms on which the beneficial owner's shares may be lent, with the economic benefits of those loans credited back to the beneficial owner. ICAN represents CISO Global, Inc. (Nasdaq: CISO), which has designed an Investor-Consent Share Loan Program on this architecture and whose implementation is the subject of a pending no-action request before the Division of Trading and Markets.[2]

The Program is designed to replace the current system-wide, opt-out default under which beneficial owners' shares are available for lending without informed consent, with an issuer-level, opt-in default implemented through the transfer agent. That is investor protection and investor choice working in tandem.

B. Registered-holder-incentive programs administered through the transfer agent. Under this architecture, the issuer offers a benefit on terms conditioned on the recipient being a registered holder of record on the books of the transfer agent, with the transfer agent providing programmatic confirmation (typically via API) of registered-holder status. BCII Enterprises' Coupon Token and SuperCoupon Token programs, announced in January 2026 and the subject of a favorable accounting opinion under ASU 2023-08, are a public example in the current market.

Each architecture responds, in its own way, to the structural decline the release documents. Neither should be inadvertently burdened or disfavored by the modernized rules. We recommend that the adopting release confirm that a transfer agent's reasonable administration of either architecture — including maintenance of consent records, programmatic confirmation of

[2]ICAN, Request for No-Action Relief on behalf of CISO Global, Inc. (April 7, 2026), pending before the Division of Trading and Markets. The pending request addresses Rule 17Ad-20 and is not the subject of this comment. We cite the Program here solely as a public example of the architecture addressed in Part I.

registered-holder status, and periodic reporting to the issuer or its program administrator — is within the ordinary scope of transfer-agent activity.

II. Direct-Registry Blockchain Architectures Should Be a First-Class Option, and "Exclusive Control" Should Be Replaced with "Authoritative Control"

The proposal correctly recognizes that a blockchain may serve as the master security holder file. We urge the Commission to go further in the adopting release and confirm that the direct-registry architecture — in which the blockchain itself is the register and a change in token ownership effectuates a change in registered ownership — is a permitted first-class architecture under the modernized rules, not merely a technological layer over the existing DTC-mediated book-entry stack.[3]

Recognition of blockchain as a permissible register does not and should not relax the transfer agent's other obligations. The recordkeeping, reporting, safeguarding, and disclosure requirements that protect securityholders in a conventional book-entry environment apply with equal force where the register sits on a blockchain. Indeed, a well-designed on-chain register may improve the transfer agent's ability to meet those obligations by providing contemporaneous, auditable records of ownership and transfers. The modernized rules should preserve the full scope of those requirements and apply them in form-neutral terms.

The release's "exclusive control" standard is the right instinct but the wrong word. In the custody context, "exclusive control" implies that the holder can prove no third party has any ability to affect the asset. Applied literally to a transfer agent that uses a public or permissioned blockchain for the master security holder file, that standard would require the transfer agent to prove a negative about every other participant on the chain, and would effectively require the transfer agent to operate as a validator or full node — exactly the result the release's recognition of public-chain architectures appears designed to permit.

ICAN recommends that the Commission replace "exclusive control" with "authoritative control" (or a comparable formulation) and clarify, in the adopting release, that (i) a transfer agent satisfies the standard by maintaining authoritative control over the critical functions of the token or smart contract — issuance, transfer, minting, burning, freezing, and upgrade — and over the private-key material and operational controls that govern those functions; and (ii) a transfer agent that uses a public or permissioned blockchain for the master security holder file is not thereby

[3]The Commission should also take the opportunity to recognize that the transfer-agent regime's historical rationale — the paperwork crisis of the late 1960s — does not require perpetuation of the DTC-mediated book-entry stack where modern technology permits a direct register that provides equal or greater integrity. *See* SEC Roundup Episode 106 (discussion of the paperwork-crisis origins and the direct-registry alternative).

required to operate at the network layer (whether as a validator, full-node operator, or otherwise). This clarification will materially reduce legal uncertainty for issuers and transfer agents evaluating direct-registry architectures without weakening the Commission's oversight of the register itself.

III. The Proposal's Combined Effect on Small and Issuer-Registered Transfer Agents Is Disproportionate and Should Be Reconsidered

ICAN's most significant concern with the proposal is its combined effect on small transfer agents and on operating companies that register as their own transfer agents. The proposal simultaneously (i) rescinds Rule 17Ad-4, which has long provided scaled exemptions from certain transfer-agent requirements for agents meeting defined volume thresholds,[4] and (ii) imposes a new Rule 17ad-30 compliance-program mandate that would require every registered transfer agent — regardless of size, business model, or risk profile — to adopt a board-approved compliance program with the full scope of policies, procedures, exception workflows, testing, and documentation the proposal contemplates.[5]

Taken together, these two changes materially raise the fixed cost of operating as a registered transfer agent. The transfer-agent industry is populated in meaningful part by small shops that serve small public companies, over-the-counter issuers, and private companies with limited securityholder bases. If those shops exit the business or consolidate, the issuers and shareholders who depend on them will be left to a smaller number of large-scale agents whose economics do not reward serving small accounts. The investor-protection cost of that outcome falls on precisely the retail securityholders the Commission's rules are designed to protect.

ICAN recommends three refinements.

A. Preserve a scaled regime for small transfer agents. Before rescinding Rule 17Ad-4, the Commission should either retain the small-transfer-agent exemption in substance (updating its volume thresholds as warranted) or adopt a successor regime that scales substantive requirements to the size, activity, and risk of the agent. Rescinding the exemption without a successor is likely to accelerate consolidation in the transfer-agent industry at the expense of small issuers and their shareholders.

B. Make Rule 17ad-30 proportional in substance, not merely in rhetoric. The Rule 17ad-30 compliance-program requirement should be principles-based and expressly scaled to the

[4] 17 C.F.R. § 240.17Ad-4 (exemption from certain requirements of Rules 17Ad-2, 17Ad-3, and 17Ad-6(a)(2) through (10) for transfer agents meeting specified volume criteria).

[5] *See* SEC Roundup Episode 106 (observing that a small transfer-agent shop adopting a compliance infrastructure comparable to DTC would be "a total misallocation of resources").

size, market placement, and relative risk of the transfer agent. A ten-person transfer-agent shop should be able to satisfy Rule 17ad-30 with written policies and procedures proportionate to its business. The adopting release should so state, and the final rule should include explicit scaling criteria rather than leaving proportionality to case-by-case examination judgment.

C. Exempt issuer-registered transfer agents, with a narrow carve-back for exchange-listed issuers. An operating company that registers as its own transfer agent in order to maintain its own stock register should be exempted from the Rule 17ad-30 compliance-program requirement with respect to its own securities. Requiring such an issuer to adopt and maintain a board-approved compliance program for the administration of its own stock register — on top of the issuer's existing disclosure, internal-control, and governance obligations under the federal securities laws — produces cost without benefit. The Commission's contemplated exceptions for dual-registrant broker-dealers and investment advisers should be extended to this category. ICAN would support a narrow carve-back under which issuer-registered transfer agents whose securities are listed on a national securities exchange would remain subject to Rule 17ad-30, in recognition of the heightened disclosure and compliance expectations that attach to exchange-listed securities.

IV. Proposed Rule 17ad-31 Should Require a Reasoned Opinion of Counsel from the Transferor, on Which the Transfer Agent May Rely

The proposed Rule 17ad-31 would require a transfer agent to have "a reasonable basis to believe" that any unregistered transaction does not violate Section 5 of the Securities Act of 1933, with a safe harbor for reliance on an opinion of outside counsel. ICAN agrees with the Commission that transfer agents should not process restrictive-legend removals and unregistered-transfer requests without a sound basis for believing an exemption from registration is available. We respectfully submit, however, that the proposed rule locates the Section 5 analysis in the wrong place.

Current market practice is not uniform. Some transfer agents require a reasoned opinion of counsel addressing the availability of an exemption from Section 5 as a condition to processing a restrictive-legend removal or unregistered transfer; others do not. The result is uneven Section 5 analysis across the market and inconsistent treatment of economically identical transactions. The proposed rule, as drafted, responds to that unevenness by imposing an affirmative "reasonable basis" obligation on the transfer agent itself, which the transfer agent may satisfy by obtaining a counsel opinion. In practice, however, transfer agents will respond by demanding counsel opinions in every case to secure the safe harbor and by layering their own review on top of each opinion to protect against enforcement risk. The result is more cost per transfer, borne disproportionately by small issuers and holders of restricted securities, together with the quiet reclassification of transfer

agents from ministerial recordkeepers into financial intermediaries with independent legal-analysis obligations.

ICAN recommends that the Commission relocate the Section 5 analysis to the party best positioned to perform it. Specifically, the final Rule 17ad-31 should require, as a condition to the processing of a restrictive-legend removal or other unregistered transfer, that the transferor provide the transfer agent with a reasoned opinion of counsel addressing the availability of an exemption from Section 5. Where the transferor provides such an opinion, the transfer agent should be entitled to rely on it in processing the transfer, without an independent transfer-agent determination that the transaction does not violate Section 5. This structure:

(i) Produces uniform Section 5 analysis across the market, which the current regime does not;

(ii) Places the legal analysis on counsel engaged by the transferor, who has knowledge of the specific facts, holding periods, and relationships that the exemption analysis requires, and who can be held to professional and malpractice standards;

(iii) Allocates the cost of the analysis to the transaction that benefits from it, rather than imposing it on the transfer agent as a cost of doing business across all transfers; and

(iv) Preserves the transfer agent's historical role as a ministerial recordkeeper rather than reclassifying it as a financial intermediary with independent legal-analysis obligations.

In the alternative, if the Commission declines to require a transferor opinion, ICAN urges the Commission to confirm that a transfer agent's reliance on a reasoned opinion of counsel voluntarily provided by the transferor fully satisfies Rule 17ad-31, without any independent transfer-agent determination that the transaction does not violate Section 5.

More broadly, where the proposal reclassifies transfer agents from ministerial recordkeepers into financial intermediaries with independent compliance and legal-analysis obligations, the Commission should do so explicitly, with a full cost-benefit analysis and with delineations keyed to transfer-agent size, market placement, and relative risk — not through the incremental accretion of obligations in individual rule changes.

V. Form TA-2 Should Consolidate the Tokenization Categories into a Single "Token" Classification

The proposed Form TA-2 reporting categories distinguish issuer-sponsored tokenization structures from third-party structures. ICAN respectfully submits that this distinction is unnecessary at the reporting level. For purposes of Form TA-2, a token is a token, and the underlying substantive characterization — issuer-sponsored or third-party, equity or non-equity,

security or non-security — should be governed by the applicable statutes and rules, applied to the facts, and not by the form on which an activity is reported.

ICAN recommends that the Commission consolidate the proposed tokenization categories into a single reporting line for tokens on Form TA-2. If the Commission concludes that separate categories are necessary for data-gathering purposes, ICAN urges the Commission to confirm, in the adopting release, that these categories are reporting classifications only and are not intended to drive the legal analysis of any particular token, structure, or program.

VI. Recommendations

ICAN respectfully recommends that the Commission:

1. Confirm, in the adopting release, that transfer-agent administration of (a) issuer-sponsored, beneficial-owner-consent programs for securities lending and (b) registered-holder-incentive programs is within the ordinary scope of transfer-agent activity.

2. Confirm that a direct-registry blockchain architecture is a permitted first-class architecture under the modernized rules, that the full scope of recordkeeping, reporting, safeguarding, and disclosure obligations applies in form-neutral terms, and that "exclusive control" is replaced with "authoritative control," with a clarification that transfer agents need not operate at the network layer.

3. Preserve a scaled regime for small transfer agents, either by retaining Rule 17Ad-4 in substance or by adopting a successor regime that scales substantive requirements to transfer-agent size, market placement, and relative risk.

4. Make Rule 17ad-30 proportional in substance, with explicit scaling criteria in the final rule, and exempt issuer-registered transfer agents from the requirement with respect to their own securities, with a narrow carve-back for issuer-registered transfer agents whose securities are listed on a national securities exchange.

5. Relocate the Section 5 analysis under Rule 17ad-31 to the transferor by requiring, as a condition to processing a restrictive-legend removal or other unregistered transfer, a reasoned opinion of counsel from the transferor, on which the transfer agent may rely without an independent determination; in the alternative, confirm that a transfer agent's reliance on a reasoned opinion of counsel voluntarily provided by the transferor fully satisfies Rule 17ad-31.

6. Consolidate the Form TA-2 tokenization categories into a single "token" reporting line; in the alternative, confirm that any retained categories are reporting classifications only.

7. Where the proposal reclassifies transfer agents from ministerial recordkeepers into financial intermediaries, do so explicitly, with a full cost-benefit analysis and with delineations keyed to transfer-agent size, market placement, and relative risk.

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We appreciate the Commission's attention to this long-overdue modernization and welcome the opportunity to discuss any of these comments with the Commission or its staff.

Respectfully submitted,

Nicolas Morgan, President
Investor Choice Advocates Network

cc: The Honorable Paul S. Atkins, Chairman
The Honorable Mark T. Uyeda, Commissioner
Jamie E. Selway, Director, Division of Trading and Markets
Office of the Advocate for Small Business Capital Formation