

Unresponsive Payees

SEC Rule 17Ad-17(c) – Notice Requirements

Section 929W of the Dodd–Frank Act

- ▶ Added to Section 17A of the Exchange Act the requirement that “paying agents” provide a single written notification to a securityholder who has been sent a check that has not yet been negotiated
- ▶ State escheatment laws not affected
- ▶ Amendments become effect March 25, 2013 and the compliance date is January 23, 2014.

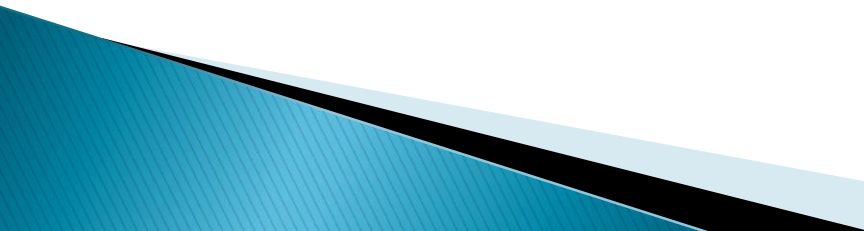
Paying Agents

- ▶ Paying agents include:
 - Any issuer;
 - Transfer agent;
 - Broker;
 - Dealer;
 - Investment adviser;
 - Indenture trustee;
 - Custodian; or
 - Any other person that accepts payments from the issuer of a security and distributes the payments to the holders of the security.

Unresponsive Payee

- ▶ A securityholder is considered an unresponsive payee when:
 - The paying agent sends the securityholder a check; and
 - The check is not negotiated by the earlier of;
 - The sending of the next regularly scheduled check; or
 - Six months or 180 days after the not yet negotiated check.

Notice

- ▶ Notification must be send no later than seven months after the sending of the not yet negotiated check;
 - ▶ Notice may be sent with a check or other notification subsequently sent to the unresponsive payee;
 - ▶ No notification if check is less than \$25; and
 - ▶ No notification needed if the unresponsive payee would be considered a lost securityholder by a transfer agent, broker, or dealer.
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Recordkeeping Requirements

- ▶ Paying agent must maintain records to demonstrate compliance with the rule;
 - ▶ Records must include written procedures describing the methodology for complying with the requirements; and
 - ▶ Records must be maintained for a period of not less than 3 years, the first year in an easily accessible place.
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