ADISA
ALTERNATIVE & DIRECT INVESTMENT SECURITIES ASSOCIATION
Education ▲ Networking ▲ Advocacy

510 E. 96th Street
Suite 120
Indianapolis, IN 46240

317.663.4180 *main*
317.815.0871 *fax*
866.353.8422 *toll free*

www.adisa.org

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Via Electronic Submission

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Proposed Transfer Agent Rule Modernization (File No. S7-2026-30)

Dear Ms. Countryman:

On behalf of the Alternative & Direct Investment Securities Association ("ADISA")[1] and its members, we respectfully submit this comment letter regarding the Securities and Exchange Commission's ("Commission" or "SEC") proposed Transfer Agent Rule Modernization rulemaking (File No. S7-2026-30) (the "Proposal"). ADISA appreciates the opportunity to comment on this important initiative.

ADISA generally supports the Commission's efforts to modernize the transfer agent regulatory framework, including the Proposal's recognition of distributed ledger technology, modernization of recordkeeping concepts, strengthening of safeguarding requirements, enhancement of business continuity planning, and adoption of technology-neutral standards. ADISA agrees that the transfer agent rules should reflect today's electronic environment rather than the largely paper-based environment in which many of those rules were originally adopted.

However, the Proposal frequently appears to apply standards developed around exchange-traded securities and the national clearance and settlement system to securities that operate under fundamentally different business, contractual, and regulatory structures. The non-traded alternative investment marketplace includes securities that are not listed on national securities exchanges, are not DTC-eligible, are not subject to a T+1 settlement cycle, and often require issuer consent, suitability review, accreditation review, transfer restriction review, custodial participation, or other contractual approvals before a transfer may occur.

As a result, ADISA respectfully requests targeted modifications in the areas discussed below to ensure that the Commission's objectives are achieved without unnecessarily increasing costs, reducing

[1] ADISA (Alternative & Direct Investment Securities Association) is the nation's largest trade association for the non-traded alternative investment space (i.e., retail vs. institutional). Through its 5,000 financial industry members (over 1,000 firms), ADISA reaches over 220,000 finance professionals, with sponsor members raising in excess of $200 billion annually, serving more than 1 million investors. ADISA is a non-profit organization (501(c)(6)), registered to lobby, and also has a related 501(c)(3) charitable non-profit (ADISA Foundation) assisting with scholarships and educational efforts.

competition among transfer agents, impairing capital formation, or limiting investor access to alternative investments.

I. EXECUTIVE SUMMARY

ADISA respectfully requests that the Commission:

1. Retain a modernized exemption replacing rescinded Rule 17ad-4 for non-exchange-traded securities that are not DTC eligible and do not operate within a T+1 settlement environment.
2. Modify proposed Rule 17ad-31 so that original issuances under Regulation D, Regulation A, and Regulation S are not subject to transaction-by-transaction legal opinion requirements.
3. Clarify that consent-based transfers, suitability reviews, accreditation reviews, IRA custodian processing, and repurchase programs constitute non-routine transactions not subject to a one-business-day processing standard.
4. Scale compliance, risk management, and recordkeeping requirements according to the size and complexity of the transfer agent.
5. Revise the economic analysis to more accurately reflect activity levels and operational realities in the alternative investment sector.
6. Add Form TA-2 reporting categories for non-traded REITs, non-traded BDCs, interval funds, tender offer funds, and Regulation D issuers.
7. Clarify inactive account standards so that routine investor communications and distributions constitute account activity.
8. Provide extended implementation periods and regulatory accommodations for smaller transfer agents.

II. RESCISSION OF RULE 17AD-4

ADISA Supports a Tailored Modernized Exemption Rather than Complete Rescission of Rule 17ad-4

The Commission proposes rescinding Rule 17ad-4 based largely upon technological advancements and increased automation within the transfer agent industry. While technological improvements have unquestionably enhanced operational capabilities throughout the industry, those developments have not eliminated the operational distinctions between exchange-traded securities and non-exchange-traded securities.

The Commission's economic analysis estimates that 51 transfer agents are covered by Rule 17ad-4(a), comprising 47 processing fund shares and four processing limited-partnership interests. It also identifies up to 143 transfer agents potentially within the small-transfer-agent exemption under Rule 17ad-4(b). These are estimates of potential coverage, not a count of firms independently established to be relying on the exemptions.

Taken together, these estimates suggest that as many as 194 transfer agents may fall within the affected categories, although the estimates should not be added as an unduplicated count without confirming possible overlap. ADISA requests that the Commission assess the operational effects of rescission across the full range of non-traded securities and smaller providers, rather than focusing only on four limited-partnership specialists.

Many securities serviced by ADISA members, including non-traded real estate investment trusts, non-traded business development companies, interval funds, tender offer funds, Regulation D issuers, and other privately offered securities, share operational characteristics similar to limited partnerships. Transfers commonly require:

- issuer or general partner consent;
- review of transfer restrictions;
- suitability or accreditation analysis;
- right-of-first-refusal review;
- IRA custodian coordination;
- anti-money laundering verification;
- subscription document review; and
- other issuer-specific contractual requirements.

Such transactions fundamentally differ from exchange-traded securities moving through the national clearance and settlement system.

Accordingly, ADISA recommends that the Commission replace the proposed rescission of Rule 17ad-4 with a modernized exemption from:

- one-business-day turnaround requirements;
- related processing metrics;
- 3 percent notice thresholds; and
- certain expanded performance standards

for securities that:

- are not exchange listed;
- are not DTC eligible; and
- do not participate in a T+1 settlement cycle.

Such securities would remain subject to reasonable standards of promptness and diligent processing while recognizing their fundamentally different operating environment.

ADISA further recommends retaining a small-transfer-agent accommodation. The Proposal would indirectly impose substantial new compliance costs, including annual independent accountant costs, on smaller transfer agents that often serve specialized market sectors. These largely fixed costs would disproportionately burden smaller firms and create barriers to market entry.

ADISA also requests that the Commission clarify the effect of rescinding Rule 17ad-4 on the independent accountant reporting exception in Rule 17ad-13(d)(2). Smaller transfer agents should not automatically incur a new annual accountant-report expense solely as a consequence of eliminating a processing exemption. Any cost estimate for such reports should be separately substantiated and evaluated in the Commission’s economic analysis.

III. PROPOSED RULE 17AD-31 (RESTRICTIVE LEGENDS)

ADISA Supports a More Tailored Framework for Private Offerings

Proposed Rule 17ad-31 may represent the most significant operational impact of the Proposal for transfer agents serving private offerings.

ADISA is concerned that the Proposal appears to have been developed largely around public-company microcap transactions and restrictive legend removal scenarios rather than original exempt securities issuances.

As drafted, the rule would apply to original issuances of securities not registered under the Securities Act. This scope includes virtually all securities issued pursuant to:

- Regulation D;
- Regulation A; and
- Regulation S.

Transfer agents operating in the alternative investment space routinely process hundreds or thousands of transactions associated with exempt offerings. In these transactions, transfer agents commonly receive:

- subscription agreements;
- investor questionnaires;
- accredited investor certifications;
- offering memoranda;
- issuer certifications;
- Form D filings; and
- supporting compliance documents.

These materials can support an offering-level reasonable-basis determination, subject to transaction-specific red flags and the conditions of the relevant registration exemption; their existence alone does not conclusively establish that an issuance qualifies for an exemption.

The Proposal's economic discussion includes an illustrative estimate of approximately $6,600 in initial costs and $8,300 in annual costs per transfer agent for proposed Rule 17ad-31, based in part on assumptions about restrictive-legend removal requests. That model may not reflect the potentially much larger number of original issuances processed in continuous Regulation D and other private offerings. ADISA asks the Commission to separately analyze original-issuance volumes, the marginal cost of documented exemption review, use of standing opinions or issuer certifications, and the circumstances in which new outside-counsel work would actually be necessary. ADISA does not assume that the cost of each original issuance equals the cost of a legend-removal request.

A requirement interpreted as necessitating a separate attorney opinion or detailed management memorandum for each individual issuance could duplicate established offering-level diligence and impose disproportionate costs, without a commensurate investor-protection benefit.

Accordingly, ADISA recommends that the Commission distinguish among:

1. Original exempt issuances;
2. Consent-based private secondary transfers;
3. Affiliate resale transactions; and

   Unlike many public-market resale scenarios, non-traded securities ordinarily have no ready public market, frequently remain subject to contractual transfer restrictions, and may retain restrictive legends for long periods. These distinctions support calibrated procedures for original issuances; they do not eliminate the possibility of unlawful distributions or the need for transaction-specific review when red flags arise.

4. Restrictive legend removals.

These categories present materially different risks and should not be subject to identical requirements.

For primary issuances under Regulation D, Regulation A, and Regulation S, transfer agents should be permitted to rely upon:

- issuer certifications;

  Any offering-level framework should allow reliance, as applicable, on investor questionnaires, subscription documentation, issuer representations, and customary customer-identification, anti-money-laundering, and suitability information maintained by the responsible parties. This approach would not shift independent legal duties to a transfer agent that does not otherwise perform those functions, and would preserve escalation when circumstances indicate possible noncompliance.

- offering documentation;
- Form D or equivalent regulatory filings; and
- standing opinions issued in connection with continuous offerings.

ADISA agrees that transaction-specific legal analysis remains appropriate for affiliate resales, Rule 144 transactions, and restrictive legend removals.

ADISA further requests clarification that:

- issuer consent transfers are not automatically deemed facilitation of an unregistered securities transaction;
- gifts and estate transfers to non-affiliates should be evaluated according to the applicable facts and Section 5 requirements, rather than automatically treated as distributions requiring the same procedures as affiliate resales;
- outside counsel for the issuer may provide required opinions; and

  Proposed Rule 17ad-2 would tie routine-item turnaround to the shorter of one business day or the applicable standard settlement cycle and would revise performance and rejection-notice requirements. ADISA recommends that the Commission distinguish delays attributable to an

incomplete presentment or legally necessary third-party approvals from avoidable delays after a complete and properly authorized transfer request is received.

- the knowledge standard is applied prospectively and not through hindsight review.

IV. CLARIFICATION OF NON-ROUTINE TRANSACTIONS

Many transactions processed by transfer agents serving alternative investments do not resemble securities settlements occurring on a national exchange. The transfers of non-listed securities are frequently unique and require extensive manual intervention.

Unlike exchange-traded securities, many alternative investment transfers involve individualized contractual rights and restrictions negotiated among issuers and investors.

Accordingly, ADISA recommends that the Commission expressly provide that transactions requiring:

- issuer consent;
- general partner approval;
- suitability review;
- accreditation review;
- transfer restriction review;
- IRA custodian action; or
- right-of-first-refusal analysis

constitute non-routine transactions.

ADISA additionally requests a clearly defined commencement point for the processing period, measured from receipt of all documents and approvals necessary to process a transfer, and consideration of a tailored posting period under Rule 17ad-10 for securities processed through periodic subscriptions, net-asset-value calculations, or issuer repurchase cycles. Such flexibility should not postpone recording an otherwise complete transfer without a legitimate operational basis.

Similarly, repurchases conducted through:

- interval fund repurchase programs;
- tender offers; and
- share repurchase programs

should be processed according to issuer-established schedules rather than one-business-day processing standards.

ADISA also recommends maintaining end-of-day processing cutoffs and permitting a two-to-three business-day period for rejection notices involving non-DTC securities. The one-business-day standard is tied to secondary market settlement, yet non-traded alternative investments have no exchange market and no T+1 settlement cycle. Transfers of these securities commonly require issuer or general partner consent, suitability review, custodian re-registration and medallion signature guarantees that cannot reliably be completed in one business day.

V. COMPLIANCE, RISK MANAGEMENT, AND RECORDKEEPING REQUIREMENTS

ADISA supports the Commission's objective of improving compliance, safeguarding, and risk-management standards. However, the Proposal itself recognizes that many of these costs are relatively fixed and therefore disproportionately impact smaller transfer agents.

To prevent accelerated concentration within the transfer-agent industry, ADISA recommends:

- an eighteen-month implementation period for most requirements;
- a twenty-four-month implementation period for Rule 17ad-31 and related processing standards;
- an additional twelve months for small transfer agents;
- scaling compliance requirements according to size and operational complexity; and

  For client funds, ADISA requests clarification regarding interest earned on properly segregated trust, escrow, or omnibus for-benefit-of accounts. Any permitted contractual allocation of interest or float should be consistent with applicable law, clear issuer and investor disclosures, custody and safeguarding obligations, and written agreements. The rule should neither automatically prohibit legitimate disclosed arrangements nor categorically declare them conflict-free.

- permitting transfer agents affiliated with registered broker-dealers or investment advisers to leverage existing enterprise compliance programs.

ADISA further recommends clarification that:

- trust accounts and escrow accounts satisfy segregated account requirements;
- omnibus FBO accounts remain permissible;
- treatment of interest earned on client funds is addressed; and
- business continuity testing remains proportional to organizational size and complexity.

VI. FORM TA-2 REPORTING CATEGORIES

The Proposal notes the Commission's reliance on Form TA-2 data when conducting industry analysis and economic evaluation.

Current reporting categories obscure important distinctions between various categories of alternative investments.

ADISA recommends creating separate Form TA-2 categories for:

- non-traded REITs;
- non-traded BDCs;
- interval funds;
- tender offer funds; and
- Regulation D issuers.

Separate reporting categories would improve future Commission economic analyses and permit more informed policy development.

ADISA also recommends eliminating the proposed $300 million market-cap distinction applicable to non-listed securities.

VII. INACTIVE SECURITYHOLDERS

ADISA supports investor protection objectives underlying proposed amendments relating to inactive securityholders.

However, investors in alternative investments commonly hold positions for seven to ten years or longer. Limited account activity is often expected and does not indicate investor abandonment.

The Proposal's burden estimates appear likely to underestimate activity levels within the alternative investment industry. A transfer agent servicing numerous non-traded and private issuers may maintain records for tens or hundreds of thousands of long-term investors. Annual inactivity notice obligations may therefore be significantly greater than projected.

Accordingly, ADISA recommends that the Commission clarify that account activity includes:

- documented investor engagement with distribution-related notices or other affirmative action concerning a distribution;
- affirmative acknowledgment of an account statement or investor communication or lack of an undeliverable notice;
- affirmative response or lack of an undeliverable notice to issuer communications;
- affirmative response or lack of an undeliverable notice to custodian communications;
- authenticated investor-portal login or another documented electronic interaction evidencing the investor’s continued engagement with the account. Mere transmission without a delivery-error notice should not, standing alone, be conclusively deemed investor inactivity; ADISA separately requests an electronic-notice safe harbor when delivery is reasonably documented; and
- an investor voting a proxy in an annual or special shareholder meeting.

VIII. TOKENIZATION AND DISTRIBUTED LEDGER TECHNOLOGY

ADISA strongly supports the Commission's recognition of distributed ledger technology as a permissible component of the master securityholder file and its acknowledgment that blockchain-based records may satisfy record-retention requirements.

ADISA recommends further clarification regarding:

- the meaning of "exclusive control" in permissioned and public blockchain environments;
- treatment of immutable records for record-correction requirements;

The Commission’s economic analysis[2] reports that the ten largest transfer agents account for approximately 82% of individual securityholder accounts; the five largest increased their share from approximately 50% in 2016 to approximately 63% in 2025. The Commission also reports that the median transfer agent serves five issuers and that 46 transfer agents serve only one issuer.

[2] This data was included in the SEC’s Economic Analysis as published in the *Federal Register/Vol.91, No. 171/Friday, September 4, 2026/Proposed Rules.* See page 57006.

These data underscore the importance of examining whether additional fixed costs could reduce the viability of smaller and specialized providers. Concentration in securityholder accounts does not by itself establish concentration in the distinct market for private offering and non-traded offering transfer agent services, which warrants separate study.

- allocation of responsibility for rejected on-chain transactions; and
- interaction between smart contract governance and transfer agent responsibilities.

Such clarifications would encourage innovation while maintaining investor protections.

IX. COMPETITION AND CAPITAL FORMATION IMPACTS

The Commission is required to consider effects on efficiency, competition, and capital formation. ADISA believes these considerations are particularly important here.

Many proposed requirements impose fixed compliance costs irrespective of transaction volume. Large transfer agents may spread such costs across expansive client bases, while smaller specialized transfer agents cannot.

As a result, the Proposal may:

- accelerate industry concentration;
- reduce competition among transfer agents;
- increase issuer servicing costs;
- create barriers to entry for new transfer agents;
- reduce service-provider choice for small issuers; and
- ultimately increase investor costs.

Some providers servicing private offerings may be voluntarily registered rather than subject to a registration requirement for every service they perform. ADISA requests that the Commission evaluate whether a substantial increase in fixed compliance costs could discourage voluntary registration, potentially reducing regulatory visibility. That outcome is a risk to assess, not an established prediction; the Commission should examine the legal registration status and business models of affected firms.

Alternative investment issuers frequently rely upon specialized transfer agents willing to support smaller offerings and unique investment structures. If those firms exit the marketplace, issuers may have fewer service options and face substantially higher costs from large transfer agents.

The resulting increase in offering expenses could adversely impact Regulation D, Regulation A, and similar exempt offering frameworks relied upon by emerging companies and private issuers seeking growth capital.

For these reasons, ADISA respectfully urges the Commission to tailor final rules to preserve competition while achieving investor-protection objectives.

X. REQUEST FOR INDUSTRY ROUNDTABLE

Given the breadth of the Proposal and the unique operational considerations surrounding non-exchange-traded and private offering securities, ADISA respectfully requests that the Commission convene an industry roundtable consisting of:

- transfer agents;
- issuers;
- broker-dealers;
- compliance professionals;
- investor representatives; and
- alternative investment industry participants

that operate in the private offering and non-traded offering alternative investment space. Such a forum would assist the Commission in evaluating the practical implications of the Proposal before adoption of final rules.

CONCLUSION

ADISA appreciates the Commission's efforts to modernize the transfer agent regulatory framework and supports many aspects of the Proposal. However, targeted modifications are necessary to ensure that final rules recognize the significant differences between exchange-traded securities and non-exchange-traded and private alternative investments while preserving competition, promoting capital formation, and continuing to protect investors.

We appreciate the opportunity to comment and would welcome the opportunity to discuss these recommendations further with the Commission and its staff.

Respectfully submitted,



Catherine Bowman
Chair of the ADISA Legislative and Regulatory Committee

ADISA Drafting Committee:
Catherine Bowman (Chair, ADISA Legislative and Regulatory Committee
Aaron Pollak (Member, ADISA Board of Directors)

cc: Jade Miller, ADISA Chief Executive Officer