

entities. The Commission also believes that creating an exemption from the requirements of the amendments would not reduce the impact of the proposed amendments on small entities. We note that Rule 17Ad-4(b) under the Exchange Act²⁵ already exempts small transfer agents from many of the recordkeeping requirements of Rules 17Ad-6 and 17Ad-7. In addition, any burdens imposed by the amendments apply only to those transfer agents that choose to use electronic or micrographic storage media.

VII. Statutory Authority

The Commission is adopting amendments to § 240.17Ad-7 of chapter II of title 17 of the *Code of Federal Regulations* pursuant to sections 17, 17A, and 23(a)²⁶ of the Act in the manner set forth below.

List of Subjects in 17 CFR Part 240

Reporting and recordkeeping requirements, Securities, Transfer agents.

Text of Amendment

■ In accordance with the foregoing, title 17, chapter II of the *Code of Federal Regulations* is to be amended as follows:

PART 240—GENERAL RULES AND REGULATIONS, SECURITIES EXCHANGE ACT OF 1934

■ 1. The authority citation for part 240 continues to read in part as follows:

Authority: 15 U.S.C. 77c, 77d, 77g, 77j, 77s, 77z-2, 77z-3, 77eee, 77ggg, 77nnn, 77sss, 77ttt, 78c, 78d, 78e, 78f, 78g, 78i, 78j, 78j-1, 78k, 78k-1, 78l, 78m, 78n, 78o, 78p, 78q, 78s, 78u-5, 78w, 78x, 78ll, 78mm, 79q, 79t, 80a-20, 80a-23, 80a-29, 80a-37, 80b-3, 80b-4, 80b-11, 7202, 7241, 7262, and 7263; and 18 U.S.C. 1350, unless otherwise noted.

■ 2. Section 240.17Ad-7 is amended by: ■ a. Adding introductory text to paragraph (f); and

■ b. In the first sentence of paragraph (f)(5)(ii), revise the phrase “Place in escrow” to read “Place, or have a third party place on your behalf, in escrow”. The addition reads as follows:

§ 240.17Ad-7 Record retention.

(f) Subject to the conditions set forth in this section, the records required to be maintained pursuant to § 240.17Ad-6 may be retained using electronic or micrographic media and may be preserved in those formats for the time required by § 240.17Ad-7. Records stored electronically or micrographically in accordance with this paragraph may serve as a substitute for the hard copy records required to be maintained pursuant to § 240.17Ad-6.

Dated: December 18, 2003. By the Commission.

Margaret H. McFarland, Deputy Secretary.

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²⁵ 17 CFR 240.17Ad-4(b). ²⁶ 15 U.S.C. 78q, 78q-1, and 78w(a).