Vertalo, Inc.
Austin, Texas

September 6, 2026

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

Re: File No. S7-2026-30, Release No. 34-106246, RIN 3235-AL55, Transfer Agent Rules

Dear Ms. Countryman:

Thank you to the Commission and its staff for a thoughtful proposal, and for the opportunity to comment on a subject that matters a great deal to the hundreds of members of the transfer agency ecosystem, to other financial market infrastructures, and most of all to the issuers and investors who hold tokenized and digital asset securities today and will hold them in the years ahead.

This letter supersedes the letters dated September 1 and September 3, 2026 that Vertalo submitted under this file number, and we ask that it be treated as our comment of record. It corrects the description of Vertalo's recordkeeping architecture at Sections II.6 and III.2: our master securityholder file is an off-chain shared ledger, and the on-chain record is a component of that file within the meaning of proposed Rule 17ad-9(b), not the file itself and not a mirror of it. One sentence at Section III.3 that rested on the earlier description is withdrawn, the further-rulemaking request in the opening asks is clarified to match, and the condition on proposed paragraph (c)(4) at Section IV.4 is reworded to address alternative trading systems. It carries forward the September 3 corrections to Section VII, which proceeds from Request for Comment 95

(Release at 164), to the ask labels in Sections VIII, IX and X, and to the web address at Section VII.3. The per-request statements of Vertalo's interest are removed; our interest is stated once, under Who is asking. Our positions are unchanged.

With that consideration, we respectfully submit our comments on S7-2026-30 and hope that you find them to be coherent, constructive, and most importantly, actionable.

This is a long and detailed submission, and readers will come to it with particular topics in mind and will want our response to the specific rules that concern them. A table of contents follows, and our commentary follows that.

Thank you again for a timely proposal. We look forward to continuing a constructive dialogue with the Commission, and we hope this submission advances those conversations, the industry, and the interests of everyone who depends on it.

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Who is asking

Vertalo, Inc. is a transfer agent registered with the Commission. We filed Form TA-1 on November 15, 2019, our registration became effective on November 20, 2019, and we have filed a Form TA-2 in every annual reporting period since. Our CIK is 0001793379 and our file number is 084-06663. Registration does not imply endorsement by the Securities and Exchange Commission. Vertalo is a commercial participant in the market these rules govern, and the Commission should read what follows with that in mind.

Vertalo ran its own Regulation D offering beginning in October 2017 and issued its equity in tokenized form in March 2018, on a smart contract we wrote because nothing existed to buy. The fashionable instrument that year was the SAFT, and we did not use one. We treated the token as the security it was and carried the obligations that came with it, offering to accredited investors under Rule 506(c) and to qualified investors outside the United States under Regulation S. We called the security VEST, for Vertalo Equity Security Token. The name did double duty, because the trade, transfer and seasoning restrictions were written into the token, so a holder's vesting schedule was a property of the instrument and not a covenant recorded somewhere else. VEST is still live on Ethereum at 0x5349f587d5b594bc324265c3449a8cccf671fc67, where the deployed contract returns the token name Talos Token and the symbol TALOS. It bears no relation to any company or token adopting that name since. The token turned out to be the easy part. What took the work was the securityholder record and the eligibility checks around it, and we did not find a way to treat either as an afterthought to an offering. So in May 2018 we started building the platform, on the view that the next issuer should not have to build a recordkeeping system in order to sell its own stock. Registering as a transfer agent in 2019 followed from that.

In January 2020, six weeks after our registration took effect, we presented to Commission and FINRA staff on custody and control of digital asset securities. What we showed was already running: a direct-custody wallet that holds no private key, and authority over a token divided into an owner role, a transfer controller role and an allowance controller role, with every action written to the record as it happens. We told the staff the unsolved problems were lost keys, stolen assets, and transfers that could not be reversed once made, and that the answer was to give the correcting authority to a party the rules could name. Eleven months later the Commission's statement on custody by special purpose broker-dealers required written procedures for "blockchain malfunctions, 51% attacks, hard forks, or airdrops," for court-ordered freezes, and for transfer to a successor. That presentation is Exhibit A, with the December 2020 statement reproduced at its last page. We showed the same architecture to the UAE Securities and Commodities Authority in May 2020, and our April 8, 2025 meeting with Crypto Task Force staff appears in the Commission's meeting log memorandum.

In 2020 we expected to keep the master securityholder file in a conventional system and publish the ledger alongside it. The ledger has since become capable of being the file, which is the question this proposal reaches. The control design is unchanged from what we brought to the staff six years ago.

We supply tokenization and recordkeeping infrastructure to issuers, and we are building a business licensing it to other registered transfer agents. The two roles do not always point the same way. We have marked the places where they diverge, and the requirements discussed below apply to a register we run ourselves.

Our registration came after the Commission's 2015 concept release and before this proposal, and we have reported under the regime throughout.

Dave Hendricks, who signs this letter, is Co-Chair of the Securities Transfer Association's Tokenization Committee. This letter is submitted by Vertalo, Inc. in its own capacity. It states Vertalo's views and not those of the Securities Transfer Association, its members, or any committee of it.

What Vertalo asks of the Commission

Define exclusive control. Proposed Rule 17ad-9(b) permits a distributed ledger to serve as the master securityholder file on the condition that the transfer agent maintain exclusive control over it, and then supplies no term by which an agent could test whether it has that control. Define it and the rule works. Leave it undefined and the conservative reading is control of the environment the record sits in. No one has control of a public network, so United States registers move to private chains by default, not by decision. We propose the definition at Section II.10.

Price the cost findings the Commission has already made. The Commission has already found that agents may exit, that agents may consolidate, that agents may be kept from entering, and that fixed costs fall harder on smaller agents. It has also found that its own single per-registrant figure cannot be right for every firm. We ask the Commission to price the findings it has made, not restate them, and to publish a decomposed cost table, not a smaller one.

Modernize the filing system. Forms TA-1 and TA-2 are filed on EDGAR in a custom XML data language under a requirement dating from 2006, and the Commission prices the expanded forms against a fillable web form. A fillable web form does not scale to an attachment listing every issue a transfer agent services. We ask the Commission to publish a documented, versioned, machine-writable submission path, and to move to a standard published schema. An agent whose records are already structured could then file from its system of record without rekeying them. A submission path built that way reduces burden instead of shifting it.

Commit to a further rulemaking within four years. We ask the Commission to state in the adopting release that recording securities ownership on a distributed ledger is the expected direction for the master securityholder file. The Commission should also commit to a further rulemaking within four years to consider requiring it, with proportionality for smaller agents built in from the start and not added later. The outcomes that matter are accuracy that is continuous and not periodic, and a history that is append-only and auditable. Reconstructing holdings as of any past date matters too. The requirement we would support is that the master securityholder file include a distributed ledger component on which each holder's position is recorded and independently verifiable, within the "multiple linked files or systems" that proposed Rule 17ad-9(b) permits. We do not ask that the off-chain file be abolished or that the chain be the only place the record exists; a rule requiring that would remove the redundancy that lets a transfer agent keep operating through a network outage. Our own preference is a requirement, not a direction, and we do not rest this letter on it.

Put artificial intelligence in the record of this rulemaking. In December 2015 the Commission's transfer agent concept release asked one question about distributed ledger technology, numbered 70, near the end of 208 pages. The answer to it is this proposal, ten years later. Artificial intelligence sits today about where distributed ledger technology sat then. The release reasons from it, AI being part of why Rule 17ad-6 must be updated (Release at 127) and why six-year retention is essential (Release at 146), and it asks one question about it: whether the definition of "electronic recordkeeping system" accommodates "AI-driven recordkeeping tools" (Request for Comment 95, Release at 164). That question is about where records sit. None asks who is answerable when software acts on them, and the words "agentic," "machine learning" and "autonomous" do not appear. Many transfer agent functions will shortly be performed by software acting under a person's delegated authority, and some are being performed that way now, including on our own platform. We ask the Commission to put the question in the record in this rulemaking. Section VII, beginning at page 67, sets out what to ask and why the answer should be an outcome and not a technology.

Confirm the parts of the proposal that are already right. Independent access on a public network is right. So is the association of onchain and offchain records. So is treating immutability as a recordkeeping virtue and not a defect to be exempted. Favorable positions that no commenter defends are the ones that disappear between proposal and adoption.

A drafting gap in proposed Rule 17ad-7(f). The proposal contains a scope gap we believe is inadvertent. The electronic recordkeeping controls in proposed Rule 17ad-7(f) do not reach the master securityholder file, which proposed Rule 17ad-9(b) separately requires be maintained electronically. We set the gap out at Section III.3 and ask the Commission to close it, in the adopting release or in the rule text.

Vertalo's standing under the proposed rules

Vertalo is an SEC-registered transfer agent, CIK 0001793379, File No. 084-06663, effective November 20, 2019, and we have filed a Form TA-2 in every annual reporting period since. We are not a small transfer agent and we seek no relief for ourselves. Our volumes are well past the Rule 17ad-4(b) exemption for agents that "received fewer than 500 items for transfer and fewer than 500 items for processing within a consecutive six month period" (Release at 121). The form we file is the full Form TA-2, not the abbreviated version Rule 17ac2-2(a)(1) allows below 1,000 items and 1,000 accounts (Release at 18). And Rule 17ad-13 reaches us without regard to the proposed deletion of Rule 17ad-13(d)(2) (Release at 125).

We already run the architecture this proposal describes. The Vertalo Securities Protocol, our own tokenization standard, "splits authority over a security into separate on-chain roles so that your counterparties can act on the ledger without any of them having to own it," on a ledger that is chain-agnostic and jurisdiction-agnostic. That description is ours and not a finding of the Commission's. It is working evidence that control of a record is achievable without control of a network.

The argument in Section I rests on the Commission's own economic analysis and not on ours, so it can be tested without reference to who is making it.

Master list of asks

#	What we ask	Rule or RFC	Release page
1	We ask the Commission to answer Request for Comment 77 with a quantified finding: how many transfer agents it expects to exit or consolidate, and which of the two competitive effects it has already identified it expects to dominate, the proportionally higher cost borne by smaller agents, or the "less favorable competitive position especially for large or complex transfer agents that are not dually registered."	RFC 77	126, 325, 326
2	We recommend the Commission publish Table 17 decomposed by measured item-volume band before adoption, using the Form TA-2 item counts already reported in Table 6, and report how many registered transfer agents maintain securityholder records on a distributed ledger today.	RFC 76, 143, 144, 146; Tables 6 and 17	126, 223, 319, 349
3	We recommend the Commission scale the timetable rather than the duty: 24 months from the effective date for agents reporting fewer than 1,000 items for transfer, 12 months for all others, with every obligation applying in full at the end of that period.	RFC 66, 78, 79, 103, 124	117, 126, 175, 200
4	We recommend the Commission adopt three proportionality devices together: obligations keyed to activity and not to registration, a transition for newly covered agents, and a de minimis item floor below which a month does not count toward the consecutive-month tests in Rules 17ad-2(c), 17ad-2(d) and 17ad-3.	RFC 59, 68, 79, 155	116, 120, 126, 352
5	We recommend the Commission recognize published industry control frameworks as one non-exclusive means of satisfying proposed Rule 17ad-30, subject to Commission review, and we do not support chartering a self-regulatory organization for transfer agents.	RFC 131	202
6	We recommend the Commission retain the 95% threshold in Rule 17ad-3(b) but apply it only where the agent received at least a stated minimum of routine items in each of the two consecutive months the rule measures. We propose 100 items and invite the Commission to set a different figure.	Rule 17ad-3(b); RFC 68, 69	119, 120

#	What we ask	Rule or RFC	Release page
7	We do not support limiting the own-determination path in proposed Rule 17ad-31(c)(3) by transfer agent size or resources. We recommend conditioning it instead on the agent evidencing the controls the determination rests on.	Rule 17ad-31(c)(3); RFC 135	207, 210
8	We ask the Commission to explain the assumption behind the Rule 17ad-31 cost split, under which 10 agents make their own determination and the other 317 obtain an opinion of counsel, when Table 17 prices both routes identically at $6,600 initial and $8,300 annual.	RFC 135, 173; Table 17	210, 317, 320, 356
9	We support proposed Rule 17ad-31(a) and (b) substantially as proposed.	Rule 17ad-31(a), (b)	203, 204
10	We recommend the Commission add a program-level method of establishing the reasonable basis to proposed Rule 17ad-31(c) as new paragraph (c)(4), with per-transaction class verification and per-transaction escalation on any red flag.	Rule 17ad-31(c); RFC 133	206, 209
11	We recommend the Commission condition that program-level method on the absence of a public market in the security, re-tested at each legend removal, not only at program approval.	Rule 17ad-31(c)	206
12	We ask the Commission to state that a transfer restriction enforced in contract logic, under the transfer agent's exclusive control within the meaning of amended Rule 17ad-9(b), satisfies the enforcement element of a program determination.	RFC 140	211
13	We recommend replacing "issuer employees" in proposed Rule 17ad-31(a)(1) with "persons authorized by the issuer."	Rule 17ad-31(a)(1)	203
14	We do not support exempting any category of original issuance from proposed Rule 17ad-31.	RFC 132	209
15	We urge the Commission to define "exclusive control" in Rule 17ad-9, keyed to the authoritative state of the record that the transfer agent alone can change rather than to who operates the network. Vertalo operates this way today.	Rule 17ad-9(b); RFC 50	84, 104
16	We ask the Commission to state in the adopting release that exclusive control is not defeated by a network operated by others, by a service company, by a co-transfer agent under Rule 17ad-10(c), by an outside registrar, or by a key custodian contractually bound to act only on the transfer agent's instruction.	Rule 17ad-9(b), Rule 17ad-10(c); RFC 50	86, 104, 171
17	We do not support permitting multiple recordkeeping transfer agents to maintain one master securityholder file jointly.	RFC 104	175
18	We ask the Commission to confirm that the business continuity plan under proposed Rule 17ad-12(c) reaches network deprecation, network halt, designation of the authoritative record after a chain split, and a tested ability to reconstruct the file on another substrate.	Rule 17ad-12(c)	184

#	What we ask	Rule or RFC	Release page
19	Our answer to Request for Comment 98, as to commercial node and RPC providers, is that an agent able to reach the ledger only through a single commercial gateway must obtain the Rule 17ad-7(h)(1) agreement or establish an independent path.	Rule 17ad-7(h)(1); RFC 98	156, 165
20	Our answer to Request for Comment 100 is no. Instead of a duplicate copy of every record, we ask the Commission to confirm that a distributed ledger used as the master securityholder file is an electronic recordkeeping system for the purposes of proposed Rule 17ad-7(f), governed by the standards in proposed Rule 17ad-7(f)(2).	Rule 17ad-7(f); RFC 100	149, 165
21	Our answer to Request for Comment 105 is no. You cannot delete an entry on a public blockchain, which is why no exemption from Rule 17ad-10(f) is needed for a file kept on one: an entry that cannot be deleted is an auditable entry, and correction by compensating entry is what the rules should require.	Rule 17ad-10(f); RFC 105	172, 176
22	We do not support setting the receipt trigger for rejected onchain transfers by rule. We recommend the Commission set it by observation, through the policies and procedures approach at Request for Comment 62.	RFC 61, 62	116
23	We urge the Commission to define "tokenized security" in Rule 17ad-9, turning on the status of the underlying instrument, not on the technology used to record it.	Rule 17ad-9; RFC 51	104
24	We ask the Commission to state in the adopting release that a security recorded in tokenized form remains subject to the transfer agent rules to the same extent as the same security in any other form, and that the exemption under which it was sold does not change that.	RFCs 21, 27, 132	69, 97, 209
25	We ask the Commission to identify who is expected to maintain the holder record for a security sold under an exemption where no registered transfer agent is engaged.	RFC 132	209
26	We ask the Commission to revisit its assumption that a transfer agent receives an average of three requests a year to remove restrictive legends. It does not match our own experience as an agent whose ordinary business is securities sold in exempt offerings.	RFC 141, 144, 172	315, 349, 356
27	We urge the Commission to define "funds" broadly in Rule 17ad-9, so that proposed Rule 17ad-12 reaches every value-bearing balance an agent holds for a third party.	Rule 17ad-9; RFC 113	187
28	We recommend the Commission put the eligibility condition in proposed Rule 17ad-12(b) itself, including that the agent hold no key capable of moving the balance.	Rule 17ad-12(b); RFC 113	184, 187

#	What we ask	Rule or RFC	Release page
29	We ask the Commission to specify minimum requirements for the banks holding the separate accounts proposed Rule 17ad-12(b) would require, and we do not support permitting an additional intermediary in the same arrangement as a bank-maintained wallet.	Rule 17ad-12(b); RFC 113	184, 187
30	We recommend adding to new Form TA-2 Question 7 a field capturing the form in which funds moved and were held, so the Commission holds the answer to Request for Comment 167 for the next reporting year and not only from comment.	Form TA-2 Q7; RFC 167	59, 355
31	We support proposed Rule 17ad-30 as proposed: uniform, outcome-based, with no chief compliance officer and no dedicated compliance function. We recommend the governing body be identified by function and not by title, and that no documentation requirement be added that a tested, logged control cannot satisfy on its own.	Rule 17ad-30; RFC 124, 126, 127	197, 200, 201
32	We support rescinding Rule 17ad-4 as to Rules 17ad-2, 17ad-3 and 17ad-6, with the transition at ask 3.	RFC 74, 75	125
33	We recommend the Commission rewrite Rule 17ad-13(d)(2) as a self-standing activity test rather than deleting it as a conforming change.	Rule 17ad-13(d)(2); RFC 156	125, 352
34	We ask the Commission to publish in the adopting release its reconciliation of the two populations behind the Rule 17ad-13 cost estimate: the 16 agents Table 17 prices at $40,000 a year, against the 143 agents covered by Rule 17ad-4(b), of which 57 reported zeros on all applicable Form TA-2 questions.	RFC 156; Table 17	228, 283, 319, 352
35	We recommend the Commission address the dormant registrant population, being 327 registered transfer agents against 253 Form TA-2 filers in 2025, through a periodic activity affirmation on Form TA-2.	Form TA-2; Table 6	221, 223
36	We ask the Commission to conform footnotes 270 and 271 to the regulatory text: each cites proposed Rule 17ad-7(h)(3) and (h)(4) where the accompanying text describes proposed Rule 17ad-7(h)(2) and (h)(3).	Technical	156, 158
37	We recommend the Commission express authority to instruct a transfer agent as authority held and traceable to a person who may grant it, and not by employment status.	Rule 17ad-31(a)(1)	203
38	We ask the Commission to add a request for comment, or address in the adopting release, the operation of transfer agent functions by automated and agentic systems.	Release generally	8, 9, 127, 146, 164
39	We recommend the Commission answer that question with outcomes and not by prescribing a technology.	Release generally	8, 9, 127, 146, 164

I. The proposal falls hardest on the firms that built what it describes

The release opens by describing firms developing models for "blockchain-based recordkeeping, tokenized fund administration, and cross-chain interoperability" (Release at 8). Table 17 then charges every one of the 327 registered transfer agents the same $74,380 to build and $26,700 a year to run (Release at 319-320). The $74,380 is our sum of six rows the Commission applies to all 327. We support these rules and ask the Commission to price them by activity, not at one number per registrant.

I.1 The cost table charges one price to every registrant

The firms that built the capabilities this proposal describes paid for the work themselves over roughly the last decade, and most of them are small and thinly capitalized, which is our observation and not a release finding. Vertalo is one of them. We registered with the Commission as a transfer agent on November 20, 2019 (CIK 0001793379) and have filed a Form TA-2 for every reporting period since. The transfer agency and tokenization platform has been in operation since 2018. In our own description of it, the Vertalo Securities Protocol "splits authority over a security into separate on-chain roles so that your counterparties can act on the ledger without any of them having to own it." Every write carries a delegation record. We built to that standard at our own expense before a rule required it, and so did our competitors. A compliance floor set in fixed dollars is not neutral between a firm like that and an agent inside a bank holding company.

The risks posed by an agent that "engages in wallet whitelisting" and "incorporates distributed ledger technology as a component of its master securityholder file will differ from the risks posed by" a mutual fund transfer agent (Release at 33). That is the release's finding. Table 17 charges the two the same price. Risk is activity-specific in the Commission's analysis and flat in its cost table.

The cost reaches the issuer. The smallest issuers "may have difficulty replacing smaller, exiting transfer agents currently serving them" (Release at 329), and where they cannot obtain services the proposal "may come at a net cost to those issuers" (Release at 328). Vertalo agrees with the Commission's due diligence reason for not worrying, since the small issuers most likely to lose access because of proposed Rule 17ad-31 "are those that engage in transactions that fail to meet a heightened due diligence standard for transfer agents of issuers" (Release at 329). No request below would preserve access for such an issuer.

Substitution holds only where the service is the same service. The Commission reasons that "many or most transfer agents serve at least some small issuers, including a majority of the top five transfer agents by issuers served," so small issuers would still be served "albeit from larger and more sophisticated transfer agents" (Release at 328). An issuer that needs securityholder records kept on a distributed ledger and smart-contract-driven processes administered cannot be handed to a larger agent that does neither. The release nowhere says how many registered transfer agents can do that today. Ask 1 asks the Commission to count them.

I.2 We support the proposal and ask for no weaker standard

"[T]he current transfer agent rules are silent with respect to information security, cybersecurity, disaster recovery, operational risk, or other requirements related to their use of connected and automated electronic systems," even at agents that are "essentially enterprise software providers" (Release at 9). The Commission's diagnosis is right. Its "transfer agent rules have not been substantively updated since the first rules were adopted in the late 1970s and early 1980s" (Release at 9). We ask the Commission to weaken no requirement, to exempt no class of transfer agent and to lower no standard of investor protection. Every request below changes only timing or the form in which compliance is evidenced.

I.3 The Commission has found that agents may exit, and has not measured how many

Registered transfer agents "may choose to exit the transfer agent industry," and others "may choose to combine with other registered transfer agents through mergers or acquisitions." The burdens "might act as a barrier to potential new entrants into the transfer agent industry" (Release at 324). Incumbents are then free to respond by "increasing fees charged to clients, reducing the quantity and quality of services provided to clients, or both" (Release at 325).

Table 17 reaches $74,380 initial and $26,700 annual by charging all 327 registrants one price each (Release at 319-320):

- Form TA-2: $3,900 a year
- Rule 17ad-2: $34,000 initial, $8,500 a year
- Rules 17ad-6 and 17ad-7: $1,000 initial, $3,100 a year
- Rule 17ad-7, additional records: $480 initial, $1,500 a year
- Rule 17ad-12: $7,900 initial, $2,000 a year
- Rule 17ad-30: $31,000 initial, $7,700 a year

Proposed Rule 17ad-31 adds $6,600 initial and $8,300 annual for the 317 agents assumed to obtain an opinion of counsel (Release at 320). The release totals the proposal at $78,132,960 initial and $27,776,470 annual (Release at 319).

"Transfer agents whose current risk management systems and business continuity plans are closely aligned with the requirements of the proposed amendments would likely incur lower initial compliance costs." Costs "would vary significantly among firms depending on the complexity of the transfer agent's operations, such as number of issues and individual accounts" (Release at 303). $74,380 cannot be right for every firm, and the Commission has said so twice. Vertalo accepts both findings and asks for a decomposed table, not a smaller one, because the Initial Regulatory Flexibility Act Analysis states the design outright: "If adopted, the proposed amendments would apply to small entities to the same extent as other entities, irrespective of size" (Release at 376).

A fixed-dollar floor charges an agent inside a bank holding company and a firm of eight people the same amount. As many as 55 of the 327 registered transfer agents "may be subject to oversight and supervision by banking regulators" (Release at 221). Form TA-2 filers fell from 287 in 2016 to 253 in 2025, an industry "gradually contracting over this period." Of the 2025 filers, 143 received "fewer than 1000 items for transfer," roughly 57% (Release at 223). The Commission separately counts 143 agents that "may meet the definition of small entity" (Release at 376) and 143 covered by Rule 17ad-4(b), of which 57 "reported zeros on all applicable questions in their Form TA-2 filings," leaving 86 (Release at 228).

The release reports no distribution of transfer agent revenue, only issuer revenue, so the Commission has the direction without the magnitude: fixed costs "could represent a higher percentage of revenue for smaller transfer agents" (Release at 325). Ask 1 asks for the magnitude.

Table 17's largest annual per-entity figure is $40,000, "associated with retaining an independent accountant to study and report on the transfer agent's internal accounting control system." The $40,000 falls on the 16 agents that the proposed rescission of Rules 17ad-4(b) and 17ad-13(d)(2) brings within Rule 17ad-13 (Release at 283, 319).

I.4 The three findings in the release that cut against Vertalo's position

"[T]he flexibility afforded by a policies and procedures approach may encourage transfer agents to deploy new technologies and practices that may reduce their costs" (Release at 325), and "there are cost mitigation measures that registered transfer agents could" use. Competitive effects are two-sided, and the release identifies real mitigants. Where reduced competition is driven by firms "low in transparency, poor at regulatory compliance, or unable to assure operational resilience," service quality may improve (Release at 326). We agree with each of those findings and do not defend agents that cannot meet the standard.

Second, the release names Vertalo's own group as worst placed, not the small agents we write about. It finds a "less favorable competitive position especially for large or complex transfer agents that are not dually registered or otherwise currently required to have in place the particular compliance and safeguarding infrastructure contemplated by the proposal" (Release at 326-327). Vertalo is not a broker-dealer, investment adviser, investment company or bank, so we hold no compliance department built for another regulator that this proposal can reuse. The finding fits us better than it fits the small agents, and it is one reason we seek no relief for ourselves.

Third, the release finds the opposite of what we argue about smaller agents: "smaller transfer agents with simpler operations are likely to face lower total compliance burdens, resulting in lower incremental costs imposed by the proposal given comparable initial compliance infrastructure, which may nevertheless be proportionally higher than larger but similarly complex transfer agents, placing the smaller ones at a competitive disadvantage" (Release at 326).

The comparison that decides the question is not small against large but small against similarly complex. A small agent running a technically complex ledger-based operation carries a large agent's complexity against a small agent's balance sheet. Scale runs the other way in the same passage. Larger agents "may be able to partially offset higher absolute compliance costs through" economies of scale (Release at 327). Dually registered agents "may already have a compliance infrastructure with respect to their activities in other markets, potentially reducing incremental compliance burdens from the proposal compared to those without" (Release at 326).

We ask the Commission to price a finding it has already made.

I.5 What Section I asks

The Regulatory Flexibility Act already directs the Commission to consider "the establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities" and "the use of performance rather than design standards" (Release at 377). Neither is an exemption.

"Should the rule apply uniformly to all registered transfer agents, or should the Commission adopt a tiered or scaled approach based on factors such as size, transaction volume, number of issuer accounts serviced, or complexity of services provided?" Request for Comment 124 asks that question (Release at 200). Scaling should key on transaction volume and complexity, not on registration status. What scales is timing and evidentiary form; the duty itself does not.

#	What we ask the Commission to do	Rule or Request for Comment
1	Publish Table 17 decomposed by measured item-volume band before adoption, and report how many registered transfer agents keep securityholder records on a distributed ledger	Table 17 (Release at 319-320); Requests for Comment 76 (Release at 126), 88 (Release at 141), 142, 143 and 144 (Release at 349)
2	Give agents reporting fewer than 1,000 items for transfer 24 months to complete the initial build under proposed Rules 17ad-2, 17ad-12 and 17ad-30, and all others 12 months, with every obligation applying in full at the end of that period	Requests for Comment 66 (Release at 117), 78 and 79 (Release at 126), 124 (Release at 200)
3	Confirm that a control enforced programmatically and logged to an append-only record satisfies the evidentiary element of proposed Rules 17ad-2(a), 17ad-12(a) and 17ad-30(a), subject to the four exclusions below	Requests for Comment 108 (Release at 186) and 123 (Release at 200)
4	Recognize published industry control frameworks as one non-exclusive means of satisfying proposed Rule 17ad-30, subject to Commission review, and charter no transfer agent self-regulatory organization	Request for Comment 131 (Release at 202)
5	Impose no size, resource or expertise limit on the own-determination alternative in proposed Rule 17ad-31(c)(3)	Request for Comment 135 (Release at 210)
6	Retain the 95% threshold in amended Rule 17ad-3(b) and apply it only where the agent received at least 100 routine items in each month measured	Rule 17ad-3(b) (Release at 119); Requests for Comment 68 and 69 (Release at 120)
7	Permit the 16 agents newly subject to Rule 17ad-13 to file a readiness assessment in year one, and permit reliance on an equivalent independent examination covering the same control objectives	Table 17 (Release at 319); Requests for Comment 112 (Release at 187) and 156 (Release at 352)
8	Adopt 45 days for Form TA-1 effectiveness as the default, with effectiveness at 30 days where the Commission has requested no supplement or further information within that period	Rule 17ac2-1 (Release at 248)

Ask 1. We ask the Commission to re-run Table 17 on the Form TA-2 item counts it already holds and reports in Table 6 (Release at 223). One per-entity figure applied to 327 firms cannot support a finding on competition when costs "would vary significantly among firms depending on the complexity of the transfer agent's operations" (Release at 303). The ledger count matters because the substitution reasoning at Release 328 depends on it. A decomposed table also answers the Commission's solicitation of comment and data on "Any potential effect on competition, investment, or innovation" under the Congressional Review Act (Release at 380).

Ask 3. We propose these words for the adopting release: *"A transfer agent satisfies the requirement to maintain written policies and procedures with respect to any control that is enforced programmatically, where the transfer agent retains and can produce system output sufficient to demonstrate that the control operated on each applicable transaction during the period."* A restriction enforced in code and logged to an append-only record is at least as reliable evidence of operation as a written procedure reviewed once a year. It is also cheaper to produce for the firm that already built it. Both points are our engineering judgment and not release findings. Vertalo already operates this way, with authority over a security split into separate on-chain roles and a delegation record on every write. Four controls are excluded, each turning on human judgment or an external party. Proposed Rule 17ad-30(b) requires review and approval by the board or governing body (Release at 199). Rule 17ad-13 requires the independent accountant's report. Proposed Rule 17ad-12(c)(iv) requires the business continuity plan to be tested, reviewed and updated annually (Release at 378). Proposed Rule 17ad-31 requires the reasonable basis determination, and its paragraph (d) already requires written documentation "reviewed and approved by management of the transfer agent" (Release at 208).

Ask 4. We considered recommending a self-regulatory organization for transfer agents and recommend against it. With 327 registered firms, the cost of standing one up and funding it falls on the same population this section is about.

Ask 5. Request for Comment 135 asks whether there should be "any limitations on which transfer agents may use this alternative (for example, based on size, resources, or expertise)" (Release at 210). We recommend conditioning it instead on the agent evidencing the controls its determination rests on, a test a small agent with strong systems can meet and a large agent with weak ones cannot. Table 17 prices the opinion of counsel route and the own determination route identically at $6,600 initial and $8,300 annual (Release at 320). A size limit therefore forecloses the alternative without saving anyone money.

Ask 6. Rule 17ad-3(b) trips where an agent falls below the threshold "for each of two consecutive months" (Release at 119). Below 20 routine items in a month a single missed item puts an agent under 95%, while at 100 items it may miss five before the threshold trips. A denominator of a handful of items measures nothing and should not limit an agent's expansion or trigger notice to every issuer it serves. We propose 100 and invite the Commission to set a different figure.

Ask 7. Request for Comment 112 asks whether agents should obtain independent assessments "such as SOC 2 reports (i.e., the compliance and privacy standard developed by the AICPA) or similar third-party attestations" (Release at 187). SOC 2 addresses cybersecurity and operational risk, not internal accounting control. The corresponding instrument is a SOC 1 Type 2 examination. Where one already covers the same control objectives as Rule 17ad-13(a), we ask the Commission to permit reliance on it. The release does not discuss SOC 1. The substitution is ours, and we ask for no exemption.

Ask 8. Moving Form TA-1 effectiveness from 30 days to 45 "may delay new entrants into the transfer agent industry from providing such services to issuers by 15 days." The Commission accepts that delay because the longer period "may provide the Commission with additional time to review the information contained in Form TA-1" and so "may enhance Commission oversight over the transfer agent industry" (Release at 248).

Our request preserves that reason. An applicant that files a complete form gives the Commission nothing further to review in the extra 15 days, and one whose filing prompts a question keeps the full 45.

None of the eight asks lowers a standard. Each moves cost away from firms whose behavior the Commission is not trying to change, and away from the firms that already built what these rules are being modernized to describe.

II. Exclusive control over a master securityholder file kept on a distributed ledger

II.1 The Commission conditioned the use of a distributed ledger on "exclusive control" and then defined nothing

"The master securityholder file is the authoritative record of who owns an issuer's securities" (Release at 84), and the agent should retain "exclusive control over, and responsibility for, such a crucial record" (Release at 86). The requirement itself has our support, because an agent that cannot control the record cannot answer for it. Proposed Rule 17ad-9(b) lets a transfer agent compose the master securityholder file as it sees fit, "provided the transfer agent maintains at all times exclusive control over the master securityholder file" (Release at 84). It nowhere says what exclusive control is. The phrase appears four times (Release at 84, 86, 396) and is defined in none of them, so an agent deciding whether to put a register on a ledger has no test to run against its own architecture.

The release engages with distributed ledgers in every respect except control. It treats a firm that engages in "wallet whitelisting," determining "whether a wallet address meets the credentialing requirements required for certain activities, such as holding tokenized securities," as a transfer agent (Release at 33). It contemplates deleted position detail "maintained, for example, by onchain records" (Release at 172). Yet "private key," "validator," "consensus," "node," "permissioned," "permissionless," and "fork" appear zero times in its 421 pages. Request for Comment 84 (Release at 140) asks how to address records existing "solely on a blockchain or distributed ledger that is not exclusively controlled by the transfer agent," and Request for Comment 50 (Release at 104) asks what conditions should apply to ledger-based files. Both assume a definition the release does not contain.

II.2 Requiring control of the network would move U.S. registers onto private chains

A transfer agent cannot control a distributed ledger the way it controls its own database, and it should not have to. Read conservatively, exclusive control means control of the environment the record sits in. No participant has that on a public network. The network orders and persists data by the agreement of operators nobody appoints or licenses, and nobody can remove them. That is the point of the technology, not a defect in it. A rule requiring a transfer agent to control the network requires it to control the one thing engineered so that no single party can.

Only a network whose operators can be counted and contracted survives that reading. U.S. issuer-sponsored registers would migrate to permissioned networks by default, not because the Commission found public networks unsuitable but because an undefined term went uncontested. Vertalo has said publicly what such a network actually is: "if you know who every validator is, if they can all be removed, if the governance council decides who participates, you don't actually have a blockchain in any meaningful sense. You have a semi-distributed database with a consensus mechanism" (Vertalo, "The Gatekeeper's Dilemma: Why the Clarity Act Threatens Permissioned Chains," vertalo.com; our analysis, not a statement of law). That architecture buys the appearance of control and gives up the independent auditability that made the technology worth adopting.

See Vertalo, "The Gatekeeper's Dilemma: Why the Clarity Act Threatens Permissioned Chains," Chain-Enabled, setting out our view that a network whose validators are known and removable is a semi-distributed database and not a blockchain in any meaningful sense.

A permissioned network is also a liability under legislation now in Congress. The Digital Asset Market Clarity Act, H.R. 3633, passed the House in July 2025 and sits in Senate markup, so it is pending and not enacted. It defines a "mature blockchain system" as one "not controlled by any person or group of persons under common control" (Vertalo, "The Gatekeeper's Dilemma," quoting the bill). A council-governed or sponsor-approved validator set cannot certify to that today. An undefined SEC condition would push registered transfer agents toward the very architecture a separate federal framework treats as disqualifying. One paragraph of the adopting release would stop that migration.

II.3 Exclusive control belongs to the record the transfer agent can change, not to the network the record is written on

A master securityholder file is a set of holders and positions, and control over it means the ability to determine that set and to stop anyone else determining it. The network is a medium that carries and orders data. Control of the medium is neither available to a transfer agent nor necessary for the file to be authoritative.

"The master securityholder file shall be maintained in electronic form and may consist of multiple linked files or systems" (Release at 396). Proposed Rule 17ad-9(b) leaves the composing technology to the agent's discretion, and the release already reads exclusivity as a statement about the record. The single recordkeeping agent requirement "would not, however, prevent a recordkeeping transfer agent from utilizing a service company or co-transfer agent, or multiple linked files or systems, or a particular technology," because that agent "nevertheless remains responsible for maintaining and updating the master securityholder file" (Release at 93). Proposed Rule 17ad-7(h) applies the same method where a third party owns the storage (Release at 392), answering with a written agreement or independent access instead of a prohibition. We ask the Commission to carry that method across to Rule 17ad-9(b) expressly. An agent whose vendor can pull the plug on its data center is worse placed than one whose register sits on a network no vendor can withdraw.

II.4 A public network is readable by anyone who runs a node

Our answer to Request for Comment 99 (Release at 165) is yes, and for the strongest reason available. Reading a public network needs no counterparty's permission and no counterparty's continued willingness, which is a higher grade of independent access than an agent has to records in a vendor's cloud, where access lasts exactly as long as the contract. Proposed Rule 17ad-7(h)(2) sets the standard as regular access "without the need of any intervention by the third party" (Release at 393), and the preamble already applies it: an agent using distributed ledger technology "would have independent access where it is able to view the records maintained on the blockchain" (Release at 156). Vertalo runs in production on Ethereum, Tezos and Aptos, public or private. On the public deployments, a counterparty who doubts the register verifies it without asking us for anything.

II.5 A modest proposal for simple definitions

Four elements define control of the record, and a fifth belongs in Rule 17ad-12. They come from our own operating experience. The definition is stricter than the one that would be commercially easiest for us: it disqualifies arrangements now in the market where a platform vendor or an issuer holds the key that alters the register. Some of our own integrations would have to change at our cost.

(1) Sole authority to make a change authoritative. No change in holders or positions becomes part of the file except by the recordkeeping transfer agent's act, or under an authorization the transfer agent maintains and can withdraw unilaterally.

Element (1) is an authorization gate. It says nothing about who may submit transactions. A holder may initiate a transfer, as a presentor tenders an item today, and where presentment is made by an appropriate person with appropriate documentation "the transfer agent has a duty to register the transfer" (Release at 97). What exclusive control requires is that no transfer becomes authoritative without passing the agent's gate, which the Commission already treats as transfer agent activity (Release at

33). Familiar arrangements survive. A co-transfer agent provides "a record of debits and credits for every security transferred or issued" and the recordkeeping agent posts it under proposed Rule 17ad-10(c)(1) (Release at 171); a service company acts under an authorization the agent grants and can withdraw. What fails is standing, ungated write authority in anyone else's hands.

Vertalo built to element (1) in 2019, out of our engagement with SEC and FINRA staff, and the central issue was control. In our own description of our systems, the Vertalo Securities Protocol splits authority over a security into separate on-chain roles "so that your counterparties can act on the ledger without any of them having to own it." The Transfer Controller moves tokens and settles trades, and "the movements this role makes carry authority over the official book of record, because the role is held by a registered transfer agent." The Allowance Controller "[d]esignates the balances a third party may move, which is what allows your ATS, your custodian and your broker-dealer to act on the register while the register itself stays in one pair of hands" (vertalo.com). What we rejected then is what element (1) rejects now: an arrangement in which "the traditional principals of a securities transaction become privileged callers on someone else's system" (Vertalo, "Aptos and the Vertalo Securities Protocol").

(2) Ability to correct acting alone, with no counterparty in the path. The transfer agent can correct or reverse any entry without the consent, cooperation, or forbearance of the holder, the issuer, a platform vendor, or any network operator.

"A registered transfer agent, in the event of any actual overissuance that such transfer agent caused and of which it has knowledge, shall, within 60 days of the discovery of such overissuance, buy in securities" (Release at 399). Proposed Rule 17ad-10(g)(1) and rules like it already assume an agent that can correct alone. Proposed Rule 17ad-2(a) would require turnaround of "routine items received for transfer within the shorter of one business day or the time period" specified by Rule 15c6-1(a) (Release at 107). A capability that waits on a second party is not a capability at one business day. We recommend the Commission state the test as the absence of a counterparty in the path: whether the agent's own personnel, following its own procedures, can correct the entry without any other person's participation.

You cannot delete an entry on a public blockchain, and for a transfer agent that is a feature. We cannot quietly remove a record, and nobody can pressure us into removing one. Every entry we ever made stays auditable by the Commission, by the issuer whose register it is and by the holder it concerns. Permanence is the footing on which Request for Comment 105 (Release at 176) should be answered. Rule 17ad-10(f) requires deleted position detail to be kept for six years, and the Commission has already recognized that "such information could be maintained, for example, by onchain records" (Release at 172), so an append-only ledger meets that purpose by construction. Vertalo does not support exempting ledger-based files from the rule, and asks the Commission instead to confirm that a compensating entry restoring the correct state discharges a correction obligation, and to confirm that persistence of the erroneous entry as history is consistent with the recordkeeping rules. The transfer journal at proposed Rule 17ad-9(n) (Release at 94) and the audit trail at proposed Rule 17ad-7(f)(2)(i)(C) (Release at 391) already assume as much.

(3) Control of the mechanism, including upgrade authority. Whoever can alter program logic that produces the record can alter the record. The upgrade key is the control key. Exclusive control fails wherever it sits with the issuer, the platform provider, a governance body, or a multi-party arrangement in which the transfer agent is one voice among several.

Immutability is not a proxy for control. An immutable contract with no administrative authority fails element (2) precisely because it is immutable. Where the logic cannot be altered, the agent must instead hold a documented and tested ability to migrate the file to a system it controls. The migration capability is our answer to Request for Comment 97 (Release at 165) on continuity across migrations and changes of service provider, and we recommend the Commission treat it as part of the continuity controls required by proposed Rule 17ad-7(f)(2)(i) (Release at

391). Vertalo's ledger and protocol are, in our own description, "chain-agnostic and jurisdiction-agnostic." Our compliance logic "sits in a contract that can be replaced without changing the investor-visible token address or migrating any balances," and a customer "can choose a chain, change it later, or run several at once, and the register stays where it is throughout" (vertalo.com).

Key custody, which belongs in Rule 17ad-12 and not in the definition. Holding the key is not the standard. The standard is that the key is held under a documented generation and custody ceremony, with segregation of duties, no single individual able to act alone, recovery that does not depend on a third party's discretion, and an audit trail of every use and attempted use. We offer that standard as the bar the Commission should set, not as a description of prevailing practice, because key governance at transfer agents using distributed ledgers is not standardized and will not become so on its own. A key that can move securities on the register sits inside proposed Rule 17ad-12(a)(1), which reaches securities and funds in the agent's "possession, control, or custody" and would require them "protected at all times against the risk of theft, loss, misappropriation, misuse, damage, destruction, and improper or unauthorized access." The same key sits inside proposed Rule 17ad-12(a)(2), which reaches "any material custody, operational, cybersecurity, and other risks" of the business (Release at 401).

One carve-out has to be confirmed or the rule fails the market as it exists. A commercial key custodian or hardware security module vendor contractually bound to act only on the transfer agent's instruction, and unable to act on its own initiative or anyone else's, is an agent and does not defeat exclusive control. Vertalo's licensed-software model is built that way, and we describe it in our own words: "Keys sit with you or with the custodian you appoint. Vertalo runs all of the blockchain and holds none of the keys" (vertalo.com).

Without the carve-out, every transfer agent using a commercial key management service fails, and so does every deployment in which the agent instructs a custodian its customer appointed.

II.6 Whether Vertalo meets this definition, element by element

We prefer this definition and are prepared to be measured against it, including where the answer is not yet yes.

Element	Vertalo today
(1) Sole authority	**Yes** in the configuration we recommend and operate. Our protocol also permits that authority to be assigned to the issuer or the custodian, so conformance is a property of the deployment and not of the protocol. That is itself an argument for writing the rule as an outcome.
(2) Correcting alone	**Yes as to capability.** Issuance, transfer, clawback and redemption are regulated approval steps we support, and a clawback moves a balance without the holder's cooperation. Our correction is by compensating entry, because on an append-only ledger there is no other kind.
(3) Mechanism and migration	**Partly.** Our compliance logic sits in a replaceable contract and our register does not move when the chain does. Where authority to replace that contract sits with the transfer agent the element is met. Where a deployment leaves it with the issuer it is not, and should change. That reaches our own installed base, and we are not asking for the element to be written around it.
(4) Independent access	**Yes.** Our master securityholder file is an off-chain shared ledger, and each tokenized position on it is written to the blockchain that carries the security, the public ones included, where any counterparty may verify that position by running a node. The chain is a component of the file within the meaning of proposed Rule 17ad-9(b), and every event on the file is written to it in order.
Key custody	**No claim.** We will not claim conformance with a standard this market has not set, and we would rather the Commission set it than have each agent invent one.

II.7 Validators and node operators are not third parties under proposed Rule 17ad-7(h)(1)

Request for Comment 98 (Release at 165) asks: "Would there be situations in which a transfer agent is unable to obtain the agreement required under proposed Rule 17ad-7(h) from a third-party service provider?" Yes, and network participants are the clearest case. Validators and node operators have no relationship with the transfer agent, are not identifiable in advance, change composition without notice, hold nothing on its behalf, and cannot be bound by any instrument. No "duly authorized person" (Release at 392) of that population exists to sign. The same reasoning would make the internet backbone a third-party recordkeeper.

Proposed Rule 17ad-7(h)(1) already reaches the right result, applying "Unless it has and maintains at all times independent access to such records" (Release at 392). The preamble confirms that agents with independent access "would not be required to obtain an agreement from the third party" (Release at 157). The exception is continuous, though. An agent relying on it must know at every moment whether a shifting population of network participants counts as a third party under paragraph (h)(1), which puts an unresolvable classification question inside a live compliance condition. We ask the Commission to state in the adopting release:

> *Persons who operate nodes, validate transactions, or otherwise participate in the operation of a public distributed ledger network are not third parties within the meaning of Rule 17ad-7(h)(1) with respect to records a registered transfer agent maintains on that network. A registered transfer agent able to read those records by operating its own node, or by other means requiring no third party's intervention, has independent access within the meaning of Rule 17ad-7(h)(2) and is not required to obtain a written agreement from any network participant.*

A named commercial node or remote procedure call provider is a third party in the access path and still does not defeat independent access, because the agent retains the ability to run its own node. Our recommendation is that the Commission condition the point on that capability and not on its continuous exercise, and treat a contracted access provider as within paragraph (h)(1) only where the agent has no such capability. The test we propose is one we meet: Vertalo can operate its own node on each network on which it maintains records, and we would expect to demonstrate that, not assert it.

II.8 The counter-argument, and the trouble with its remedy

On a public permissionless network the record's persistence and availability, and the order it is written in, depend on parties the transfer agent cannot identify or compel, and cannot bring under contract. A halt stops the record being updated. A reorganization unsettles recent state. A split leaves two candidate records and no arbiter. Such an agent does not maintain control "at all times," while a permissioned network with named operators can be brought under written agreement.

Every transfer agent's records depend on infrastructure it does not control, so the objection proves too much. If substrate dependency defeats control, then the condition in proposed Rule 17ad-9(b) (Release at 84) is unsatisfiable, not merely restrictive. The Commission has never read control that way, and proposed Rule 17ad-7(h) (Release at 392) shows the method it actually uses.

A halt or a split is an operational disruption, and the release already has a rule for operational disruptions. The Commission has also already written this requirement once, for a different registrant. Its statement on the custody of digital asset securities by special purpose broker-dealers, Exchange Act Release No. 34-90788 (Dec. 23, 2020), 86 FR 11627, requires a broker-dealer to establish written policies and procedures that "specifically identify, in advance, the steps it will take in the wake of certain events that could affect the firm's custody of the digital asset securities, including, without limitation, blockchain malfunctions, 51% attacks, hard forks, or airdrops," that allow compliance with a court-ordered freeze or seizure, and that allow transfer to a successor. The word "fork" does not appear anywhere in this release. Vertalo is not asking the Commission to invent a condition, but to apply to transfer agents, in a business continuity plan, what it required of broker-dealers in 2020. Proposed Rule 17ad-12(c) would require a business continuity plan identifying events posing "a significant risk of disrupting the transfer agent's operations," ensuring "the timely recovery of the transfer agent's records," and "tested, reviewed, and updated no less frequently" than annually (Release at 401). A network halt is such an event. So is deprecation of the network the file sits on. We ask the Commission to say so in the adopting release, and to confirm that the plan should address designation of the authoritative record after a chain split and reconstruction of the file on an alternative substrate. That costs us a maintained reconstruction capability and its annual test, which a technology-neutral definition would not otherwise compel, and we would bear it. Reorganization is a posting question, answered by a finality threshold in the posting policy so that chain state is not treated as posted until final under the network's own settlement assumptions. Prompt posting under Rule 17ad-10(a) (Release at 169) is where that threshold belongs.

A chain split does leave the transfer agent with authority the network does not recognize, and we concede it. The designation binds the issuer and is the record a court and the Commission would look to, but it does not stop a holder transacting on the other chain or a venue quoting it. That residual risk survives our definition, and it is why the continuity plan matters. It is not a reason to prohibit the substrate.

Requiring a network with contractable operators tests whether a counterparty exists to sign something, not whether the transfer agent controls the record. A permissioned consortium network where the agent holds one vote and the issuer another gives it less control than a permissioned contract on a public network where the agent holds the only key. The remedy would approve the weaker arrangement and prohibit the stronger one.

II.9 The test should turn on who can change the record

The Commission is right to want assurance that a ledger-based record stays intact and reachable. Request for Comment 84 (Release at 140) asks whether the Commission should set specific requirements for the "integrity, accessibility, and immutability of such records for compliance purposes," and we recommend it state the outcome instead. The release's guiding principle "is to ensure that master securityholder files are securely maintained and updated as promptly as possible, regardless of the technology or platform utilized" (Release at 87). A definition naming ledger mechanics abandons that principle in the rule announcing it. Technology-specific definitions date, and firms engineer to the list instead of to the outcome.

An outcome definition also disciplines conventional systems on the same terms. Outsourcing is permitted (Release at 93) and should be; the question is whether the outsourced party's authority to write the authoritative record is gated by the transfer agent and revocable by it alone. A service bureau operating under an authorization that the agent grants and supervises, and can withdraw, satisfies element (1). One holding standing, ungated write authority does not, and neither does a governance-controlled token contract. That is one test applied to two technologies, and it applies to us. The release uses exclusivity in that institutional sense next door, since proposed Rule 17ad-9(h) permits only "one recordkeeping transfer agent for a given issue of securities" (Release at 92) because errors increase when multiple entities maintain the file.

"Should the Commission consider allowing multiple recordkeeping transfer agents to jointly but separately maintain the master securityholder file for a particular issue across multiple files and systems?" Request for Comment 104 (Release at 175) asks that question, and we do not support joint maintenance, for the same reason. If two agents may each make entries authoritative, neither maintains exclusive control and no person answers for the file as a whole. If the Commission permits it anyway, the definition would have to be stated per file segment, with a written allocation on record. That is not our recommendation. Exclusive control also cannot be defined while the question is open, because the answer changes what the definition must say.

II.10 The definition we ask the Commission to add to Rule 17ad-9

We recommend that the Commission adopt the following:

> *Exclusive control. A registered transfer agent maintains exclusive control over the master securityholder file if, at all times:*
> *(1) no change to the securityholder accounts or positions constituting the master securityholder file becomes authoritative except by act of the transfer agent, or under an authorization that the transfer agent maintains and can withdraw without the consent of any other person;*
> *(2) the transfer agent is able, acting alone and without the*

> *consent, cooperation, or forbearance of any other person, to make, correct, or reverse any entry in the master securityholder file within the time required by this chapter;*
> *(3) where the master securityholder file is maintained by means of a program or system whose operation may be altered, the transfer agent holds the sole authority to alter it, or maintains a documented and periodically tested ability to migrate the master securityholder file to a system over which it holds such authority; and*
> *(4) the transfer agent has independent access to the master securityholder file within the meaning of the independent access provision of § 240.17ad-7(h).*
>
> *A registered transfer agent does not fail to maintain exclusive control solely because it utilizes a service company, a co-transfer agent under § 240.17ad-10(c), an outside registrar, or another agent, or because the network, infrastructure, or facilities on which the master securityholder file is recorded are operated or maintained by persons other than the transfer agent, provided that paragraphs (1) through (4) are satisfied.*

If the Commission adopts nothing else from this section, we ask it to adopt that closing sentence, or say the equivalent in the adopting release. It separates control of the record from control of the network, and it keeps public networks available to U.S. registers.

What Section II asks of the Commission.

#	Ask	Provision or Request for Comment
II-1	Adopt the definition of exclusive control set out above as part of Rule 17ad-9	Rule 17ad-9; RFC 50 (Release at 104); RFC 84 (Release at 140)
II-2	Adopt the closing savings sentence of that definition, or state the equivalent in the adopting release	Rule 17ad-9(b) (Release at 84, 396)
II-3	State that persons who operate nodes or validate transactions on a public network are not third parties within Rule 17ad-7(h)(1), in the words at II.7	RFC 98 (Release at 165); Rule 17ad-7(h) (Release at 392)

#	Ask	Provision or Request for Comment
II-4	Confirm that a compensating entry discharges a correction obligation on an append-only record, and that keeping the erroneous entry as history is consistent with the recordkeeping rules, so no exemption is needed	RFC 105 (Release at 176); Rule 17ad-10(f) (Release at 172)
II-5	Confirm that a key custodian bound to act only on the transfer agent's instruction does not defeat exclusive control	Rule 17ad-12(a) (Release at 401)
II-6	Confirm that the business continuity plan should address network deprecation, network halt, designation of the authoritative record after a chain split, and a tested ability to reconstruct the file on an alternative substrate	Rule 17ad-12(c) (Release at 401); RFC 97 (Release at 165)
II-7	Confirm that network reorganization is answered by a finality threshold in the posting policy, not by the Rule 17ad-9(b) control condition	Rule 17ad-10(a) (Release at 169)
II-8	Do not allow multiple recordkeeping transfer agents to maintain one master securityholder file jointly	RFC 104 (Release at 175)

Because our proposed paragraph (4) cross-references the independent access provision, the citation discrepancy addressed at Section X should be conformed at adoption.

III. Independent access and the wallet address

III.1 A public ledger gives a transfer agent better independent access than a vendor's cloud does (Requests for Comment 98 and 99)

"[W]ould have independent access where it is able to view the records maintained on the blockchain or other distributed-ledger" is how the release describes a transfer agent using distributed ledger technology (Release at 156). Our answer to Request for Comment 99 (Release at 165) is yes. Ledger state is replicated identically across every node, so a transfer agent reads its own register without any counterparty's permission and verifies what comes back against the block hash. Access to a vendor's cloud lasts exactly as long as the contract does, and that is what proposed Rule 17ad-7(h)(1) polices (Release at 392). Reading the network meets Rule 17ad-7(h)(2)'s test of access "without the need of any intervention by the third party" (Release at 393). Vertalo, on its own description, "executes on chain: Ethereum, Tezos and Aptos, public or private." An examiner we hand a read endpoint can check its output against any other node and need not take on faith an extract we prepared. Rule 17ad-7(h)(1) already exempts the public network from the agreement Request for Comment 98 (Release at 165) asks about, since it applies "[u]nless it has and maintains at all times independent access to such records" (Release at 392). An agent with (h)(2) access owes no agreement, and nobody could sign one for a public network in any event. We ask the Commission to state in the adopting release: *A public distributed ledger network is not a third party from which an agreement under Rule 17ad-7(h)(1) can or must be obtained. A transfer agent that can regularly read the records maintained on such a network, permit their examination, and furnish copies satisfies Rule 17ad-7(h)(2).*

A commercial node or RPC provider is a third party. Rule 17ad-7(h)(1) reaches an agent using "servers or other storage mechanisms that are owned or operated by the third party" (Release at 392). An agent that can reach the ledger only through a single gateway it has no right to compel does not have independent access in substance, whatever the network permits. We recommend the Commission require such an agent either to obtain the (h)(1) agreement from that provider or to stand up a second, independent read path.

III.2 The wallet address is the join between the two records (Requests for Comment 83, 84 and 50)

Our answer to Request for Comment 83 (Release at 140) is yes, substantially: the amended position detail definition puts "a digital wallet address in the case of any tokenized security" inside the regulated record (Release at 79).

Vertalo runs that join in production. On its own published description, the Vertalo Securities Protocol splits authority over a security into three onchain roles.

- **Owner.** Carries the issuer's authority over the security itself.
- **Transfer Controller.** Held by a registered transfer agent, it "[m]oves tokens between wallets and settles trades."

- **Allowance Controller.** "[D]esignates the balances a third party may move, which is what allows your ATS, your custodian and your broker-dealer to act on the register while the register itself stays in one pair of hands."

The two records divide as follows:

- **Onchain:** the wallet address, the quantity held, the transfer restriction state.
- **Offchain:** the holder's legal name, address, taxpayer identification, eligibility evidence.
- **The join:** the wallet-to-holder association binds the two.

Vertalo's master securityholder file is an off-chain shared ledger, operated by Vertalo or installed inside a client's own environment. Every issuance, transfer, cancellation and restriction change is produced and recorded there first, then written to the distributed ledger, in order, where the security has an onchain component, and the datum the chain carries is the balance at a wallet address. The onchain record is therefore a component of the master securityholder file within the meaning of proposed Rule 17ad-9(b). It is not a mirror of the file and it is not the file, and a security on our register may have that component or may not. Adding a wallet to the permitted set is itself an onchain transaction, so the offchain approval and the onchain fact are timestamped against each other and neither can be backdated quietly. Vertalo began this work in early 2019 out of its engagement with SEC and FINRA staff, and names control as the central issue. Proposed Rule 17ad-9(b) now poses that same question (Release at 396). Two provisions carry that architecture and should be retained. Rule 17ad-9(b) permits the file to "consist of multiple linked files or systems" and leaves the composing technology to the transfer agent (Release at 396). The release states that a blockchain may be the master securityholder file "or a component thereof, but it would not mandate it" (Release at 87). The rules reach both cases Request for Comment 83 raises. Where the ledger is the file or a component of it, the onchain transfer is the posting and no second record can fall behind. Where a separate file is the master securityholder file, the onchain transfer is an event to be posted within "[t]he shorter of one business day or the time period specified by Rule 15c6-1(a)" (Release at 399).

We ask the Commission to confirm expressly that the ledger may be the file itself, because that is the case the proposal opens the door to and the one the industry will build.

An onchain event log can compose the transfer journal, and we ask the Commission to confirm that as well. On our own register, every issuance, transfer, cancellation and change to a transfer restriction is written to the network as an event, including the addition or removal of a wallet from a permitted set. The journal is therefore a product of the transfers, not a record assembled after them. Rule 17ad-9(n) defines the journal as "a record of all issuances, cancellations, transfers, distributions of cash or securities, additions and cancellations of position detail" (Release at 397). An event log satisfies that definition for onchain events and misses cash distributions paid offchain. Rule 17ad-6(a)(10) already contemplates a journal composed from more than one source, requiring "all records, documents, and information that compose" the journal and the file (Release at 389).

One increment is missing: the association history is retained but never dated. Rule 17ad-10(f) requires a recordkeeping transfer agent to "retain a record of all position detail deleted from the master securityholder file for a period of six years from the date of deletion" (Release at 399). The release says the retained record "could be maintained, for example, by onchain records" (Release at 172). Position detail now includes the wallet address, so a wallet that ceases to be associated with a holder already sits inside that duty. A deletion dated by date of deletion still does not tell an examiner who held that wallet on a given past date. We ask that the association carry the date and block from which it was in force, the date and block on which it ceased, and the approval and evidence relied on. Section III.3 carries the request.

The Commission is right to condition the use of a distributed ledger on exclusive control. Our answer to Request for Comment 84 (Release at 140) is that the control worth measuring belongs to the record rather than to the network, which is why Section II asks the Commission to define the term. The release ties the condition to the transfer agent keeping "exclusive control over, and responsibility for, such a crucial record" (Release at 86). Rule 17ad-9(h) points the same way in providing there "can be only one recordkeeping transfer agent for a given issue of securities" (Release at 397). Under a Vertalo Securities Protocol contract with enforced restrictions, only the transfer agent's role may write the permitted set or mint, burn or compel a transfer, so a third party can broadcast a transaction and still cannot change the register. Where the contract is upgradeable by someone else, an administrative key sits with the issuer or a platform vendor, or transfers can bypass the restriction, there is no exclusive control and that ledger should not serve as the file or a component of it. Contracts of all three kinds are in use today, in our experience, and Vertalo would have to show that its own sit on the right side of that line. Our answer to Request for Comment 50 (Release at 104) is that the conditions on using a ledger as the file should be those access-control conditions plus the reconstruction standard in Section III.3, and nothing beyond them.

III.3 A retention extract, not a duplicate register (Requests for Comment 100 and 105)

Should the Commission require transfer agents to "maintain a duplicate copy of each required record, separately from the original"? Our answer to Request for Comment 100 (Release at 165) is no. That mandate would put back a mandatory duplicate the Commission dispensed with when it permitted the ledger itself to be the master securityholder file "or a component thereof" (Release at 87). Two records that each claim authority is the record-difference problem Rule 17ad-10 exists to manage. A designated master securityholder file with a linked onchain component is one record with one authority, and any difference between them at a moment in time is a record difference of the kind that rule already governs. An off-chain file that keeps operating when a network does not is the reconstruction capability we ask the Commission to require of every agent using a ledger. The substitute is a retention extract. An extract is evidence, not an operating system: not authoritative, never competing with the ledger as the register, not required to be current, and read only on examination, on succession, or when a network or vendor is unavailable.

A network is not an archive. The proposal already says as much about vendors, providing at Rule 17ad-7(h)(3) that a third-party agreement "shall not relieve a registered transfer agent from the responsibility to maintain, retain, or preserve records" (Release at 393). Explorers owe the transfer agent nothing. Historical state is generally available only from archive nodes run by a few parties. Networks prune history, and networks get abandoned. Rule 17ad-7(i) then requires delivery of records to the issuer or its designee "[w]ithin fifteen (15) calendar days of ceasing to perform transfer agent functions for an issue" (Release at 393): a blockchain cannot be delivered, and an extract can only if one was made.

"[A] system designed to maintain, retain, or preserve records in a digital format" is how Rule 17ad-7(f) defines an electronic recordkeeping system, and that rule covers "the records required to be maintained pursuant to § 240.17ad-6" (Release at 391). No new mandate is needed once the Commission confirms one link. We ask the Commission to confirm that a distributed ledger used as the master securityholder file or a component of it is such a system, so that Rule 17ad-7(f)(2)(i) governs it. That provision carries controls for "integrity, accessibility, reproducibility, redundancy, and continuity" including means to "recover altered, damaged, or lost records resulting from any cause" (Release at 391). A transfer agent whose only copy of the register is a network it does not operate, read through a vendor service, fails that provision, because "any cause" includes network unavailability.

We ask the Commission to state, in the adopting release or in Rule 17ad-7(f), that for a master securityholder file on a distributed ledger those controls oblige the transfer agent to reconstruct, without reliance on the network's availability or on any third-party explorer or indexing service:

1. position detail for every holder as of any date within the retention period;
2. the transfer journal for that period, being the time-sequenced record of changes in position detail under Rule 17ad-9(n) (Release at 397); and
3. the wallet-to-holder association in force at each such date, with the block and date from which it was in force and the block and date on which it ceased.

Item 3 adds only effective dating, since Rules 17ad-9(n) and 17ad-10(f) already require additions and deletions of position detail to be journaled and retained. An extract should also carry the chain identifier, contract address, block height and block hash at which it was taken, so an examiner can verify it against the network while the network is available and rely on it when it is not. Vertalo recommends no prescribed frequency, format or storage location for the extract, since a policies and procedures standard is consistent with the rest of the proposal.

An entry on a public blockchain cannot be deleted. For a transfer agent, permanence is a feature and not a defect: every superseded state stays where it was written and stays auditable. The release can therefore say deleted position detail "could be maintained, for example, by onchain records" (Release at 172). Our answer to Request for Comment 105 (Release at 176) is that no exemption from Rule 17ad-10(f) is needed and none should be granted. That rule requires a record of deleted position detail to be retained; it does not require that anything be deleted. The compliance question on an immutable network is retrieval after six years without the network, and item 3 answers it. If reconstruction stays implicit, the first onchain transfer agent that cannot produce a register after a network or vendor failure becomes the reason the Commission mandates a duplicate register for everyone.

III.4 A rejection produced by the transfer agent's own smart contract is the transfer agent's rejection (Requests for Comment 61 and 62)

"[A]ny other transfer instruction submitted to the transfer agent, or to an electronic system controlled, operated, or enabled by the transfer agent" is an item, on the definition in proposed Rule 17ad-1(a)(1)(v) (Release at 383). An instruction that reaches the transfer agent's own contract is such an instruction, and we do not support exempting onchain rejections from proposed Rule 17ad-2(e)(2) (Release at 385). Request for Comment 61 (Release at 116) rests on the premise that the transfer agent "was not responsible for rejecting the item." That premise does not describe the ordinary permissioned-token case. Where a transfer fails against a restriction the transfer agent authored and administers, the transfer agent made the decision and the contract executed it. The release already treats whitelisting as transfer agency work: an entity registers because "it engages in wallet whitelisting" (Release at 33). Automating a decision does not relocate responsibility for it, and an exemption would reward moving the decision into code.

Two information problems are real, and an exemption is the wrong fix for both. The presentor definition does not reach the rule that imposes the duty. Proposed Rule 17ad-9(o) defines a presentor as "the registered securityholder, the entitlement holder, and their authorized agents" (Release at 397), but Rule 17ad-9's definitions apply only "[a]s used in this section and §§ 240.17ad-10, 240.17ad-11, 240.17ad-12 and 240.17ad-13" (Release at 395), which omits Rule 17ad-2. Rule 17ad-1, whose definitions do govern Rule 17ad-2 (Release at 382), defines no presentor at all. On the recipient side there is frequently nobody to notify. In the common failure, a permitted holder sends to a recipient outside the permitted set. The initiator is a presentor and can be reached; the intended recipient has no account with us and no name or contact detail we hold, and no lawful way exists for us to learn who controls the wallet.

The one-business-day clock has no ascertainable start. Rule 17ad-1(g) sets receipt at when an item arrives at the transfer agent's premises or, in electronic form, "when the item or written inquiry or request is received by the transfer agent" (Release at 383). A transaction that reverts at the contract is broadcast to a network and never delivered to us at all. It is visible to us only if we monitor our own contracts for reverted transfers. Vertalo monitors them, and we can generate the notification the rule contemplates today. The difficulty is real for the rule, and it is not an obstacle for us.

We ask the Commission to:

1. confirm that a rejection produced by a smart contract the transfer agent deployed or administers, including by operation of a permitted-wallet set or other restriction it maintains, is a rejection "by the transfer agent" under proposed Rules 17ad-2(e)(2) (Release at 385) and 17ad-6(a)(1)(iii) (Release at 387), and decline to exempt onchain rejections as a class;
2. place the presentor definition in Rule 17ad-1, or extend Rule 17ad-9's scope clause to Rule 17ad-2, which is also our answer to Request for Comment 51 (Release at 104), and then excuse notification where the party whose transfer failed is not a presentor and holds no account with the transfer agent, requiring instead that the rejection be recorded under Rule 17ad-6(a)(1)(iii) with wallet address, contract, transaction identifier where available, and reason, available to the issuer and on examination;
3. confirm that where a transfer initiated by a presentor fails because the intended recipient is not permitted to hold, notice to the initiating presentor satisfies the rule, since that person is the one who can cure the defect; and
4. adopt the policies and procedures approach raised in Request for Comment 62 (Release at 116) and set the trigger by observation, in these words: *Receipt of a rejected onchain transfer instruction occurs when the transfer agent observes the rejection through the monitoring required by its written policies and procedures. A registered transfer agent that administers a smart contract*

governing transfers of a security must monitor that contract for rejected transfers. That puts the duty on maintaining a monitoring process, which is achievable, and not on knowledge of transactions that never reached us, which is not. (https://www.ecfr.gov/current/title-17/section-240.17Ad-1).]

Vertalo notifies presentors of failed transfers initiated through its own interfaces. It does not notify the controller of an unknown wallet that submitted a transaction directly to a contract, and we are not aware of a means by which any transfer agent could.

III.5 What Section III asks of the Commission

#	What we ask	Where
III-1	Confirm that a public distributed ledger network is not a third party from which a Rule 17ad-7(h)(1) agreement can or must be obtained, and that reading the network satisfies Rule 17ad-7(h)(2)	RFC 98, 99 (Release at 165)
III-2	Require a transfer agent whose only path to the ledger is one commercial node or RPC provider to obtain the (h)(1) agreement from that provider or to stand up a second, independent read path	RFC 98 (Release at 165)
III-3	Retain Rule 17ad-9(b) as proposed, and confirm expressly that a distributed ledger may itself be the master securityholder file, with the onchain transfer as the posting	RFC 83 (Release at 140); Release at 87, 396
III-4	Confirm that an onchain event log may compose the transfer journal under Rule 17ad-9(n), within the composite Rule 17ad-6(a)(10) contemplates	RFC 83 (Release at 140); Release at 389, 397
III-5	Define exclusive control by who can change the record, and hold that a ledger fails the test where the contract is upgradeable by another party, an administrative key sits outside the transfer agent, or transfers can bypass the restriction	RFC 84, 50 (Release at 140, 104)
III-6	Require no duplicate copy of each required record; confirm instead that Rule 17ad-7(f)(2)(i) obliges reconstruction of position detail, the transfer journal, and the dated wallet-to-holder association without reliance on the network	RFC 100 (Release at 165); Release at 391
III-7	Grant no exemption from Rule 17ad-10(f) for an immutable network, since that rule requires retention rather than deletion	RFC 105 (Release at 176)
III-8	Treat a rejection produced by the transfer agent's own smart contract as a rejection by the transfer agent, move the presentor definition to Rule 17ad-1, and set the receipt trigger by observation under written policies and procedures	RFC 61, 62, 51 (Release at 116, 104)

IV. Proposed Rule 17ad-31: the duty is right and the Commission has priced it against the wrong transaction

IV.1 We support paragraphs (a) and (b), which reach nearly every transaction on our register

"[T]ransfer agents are often the party responsible for affixing, tracking, and removing restrictive legends" (Release at 202). The Section 5 duty should sit with the party that already holds the facts. Yet there is today "no existing requirement that transfer agents develop a reasonable basis for removing restrictive legends" (Release at 313). We reject the older view the release records, of work "some industry observers viewed as purely ministerial" (Release at 6), because on our register the transfer agent's system is what moves the security. The allocation also fits a market in which "market participants are actively seeking to bring blockchain-native, or 'onchain' transfer agents into the U.S. market" (Release at 8). On a distributed ledger, transfer agency turns the Section 5 control from something documented into something enforced. We do not today process requests to remove restrictive legends. Our register holds private placement securities, so paragraph (b)'s first limb, the original issuance of securities not registered under the Securities Act, together with non-sale transfers, reaches nearly every transaction on it. We expect the second and third limbs to reach us as we take on reporting issuers, where restricted stock and affiliate sales are ordinary. We support the rule with that exposure ahead of us as well as in front of us.

IV.2 The estimate counts legend removals; paragraph (b) reaches original issuances and non-sale transfers as well

The Commission's entire cost estimate for this rule rests on one assumption: that a transfer agent "would receive an average of three requests a year to remove restrictive legends" (Release at 315). The estimate prices the rule against the one paragraph (b) transaction that is easiest to count. Paragraph (b) reaches, "including but not limited to," an original issuance of unregistered securities, a request to remove a restrictive legend or stop order, and any purchase, sale or transfer by an affiliate, officer or director (Release at 406). Note 350 confirms that "the term 'transfer' includes non-sale transfers of securities" (Release at 205). On a private placement register, non-sale transfers are nearly all the activity, not a subset of it.

Notes 504 and 506 apply the three-a-year figure at $774 an hour for nine hours, giving $6,966 rounded to $7,000 on the opinion route and the own-determination route alike (Release at 315-316). Table 17 reports $6,600 initial and $8,300 annual per agent and $2,714,100 of aggregate annual cost, split between 317 agents assumed to buy opinions and 10 assumed to build the capability (Release at 319-320). One covered transaction costs $2,322 at the Commission's own rate and hours, so an agent doing them by the thousand faces a multiple of the industry-wide total. Answering Request for Comment 172 (Release at 356): the average for an agent of our kind is not three, and we will supply our own count. Few firms can administer tokenized securities. Their volume is almost entirely paragraph (b) transactions and their issuers are small, so a per-transaction charge passes to a fee base that cannot absorb it. The mechanism is in the release. Agents "may choose to exit the transfer agent industry," and the burdens "might act as a barrier to potential new entrants" (Release at 324). The Commission goes further, warning that "anticompetitive effects could be particularly severe in segments of the market that are served by a limited number of transfer agents" (Release at 325). Tokenized securities are such a segment, and the Commission neither names it nor counts it. We ask the Commission to test the point against proposed Form TA-2 Question 4(e) before treating the segment as served. That question would collect the number of issues for which a registrant maintains the master securityholder file using distributed ledger technology (Release at 61). Its instruction should count an issue where the ledger is a component of that file under proposed Rule 17ad-9(b) as well as where it is the whole of it, or the question undercounts the configuration the Commission's own definition invites.

The two reasons the release gives for thinking the competitive damage might be limited do not reach this rule. The first is mitigation: "the flexibility afforded by a policies and procedures approach may encourage transfer agents to deploy new technologies and practices that may reduce their costs" (Release at 325). But the flexibility described there is drawn from Rules 17ad-2(a), 17ad-12(a) and 17ad-30, while proposed Rule 17ad-31(c) names two methods and offers no third (Release at 407). No technology reduces the cost of a determination made one transaction at a time. The second is portability: if smaller agents exit, "small issuers would nevertheless be likely to be able to receive transfer agent services, albeit from larger and more sophisticated transfer agents" (Release at 328). For a tokenized issue the register is the platform. A larger conventional agent cannot take that register on without the issue being reconstituted off-chain.

The rule is neutral on its face and regressive against the firms that spent the last decade building the register it now regulates. On the Commission's own analysis consolidation in this segment moves business toward incumbents like us, and we object anyway.

IV.3 The safe harbor's cost is per transaction, not per firm

The paragraph (c)(2) safe harbor costs per transaction, in money and in latency, and the Commission concedes it: the rule "could result in additional cost and time spent processing the removal of restrictive legends, delaying potential transactions involving those securities" (Release at 330). Finding qualifying counsel is not the burden. Paragraph (c)(2) requires "an opinion of counsel who is not an affiliate, officer, director, or employee of either the issuer or the individual or entity seeking to resell shares of the issuer" (Release at 407), and the issuer's own outside counsel satisfies that test.

"[D]ata regarding the prevalence of opinion letters as the basis for removing restrictive legends is not available, as is data on the extent to which opinion letters are provided by issuers' in-house counsel or outside counsel" (Release at 243). The Commission's answer to the cost objection rests on that unobserved distribution: an agent already "relying on opinion letters issued by its issuer clients' outside counsel . . . would likely not incur any incremental costs" (Release at 316). Opinion letters "can come from either the issuer's in-house counsel or outside counsel"

(Release at 243). Paragraph (c)(2) excludes any counsel employed by the issuer, so part of the practice counted as already in place and cost-free is practice the rule would disqualify. The no-incremental-cost premise covers legend removal only; original issuances and affiliate transfers carry no transaction-level Section 5 opinion today, so for those the incremental cost is the whole cost.

IV.4 We recommend a program-level reasonable basis for a defined class of transactions

Paragraph (d) attaches written documentation and management review to every determination under paragraph (c)(3) (Release at 208), and note 506 puts three hours behind each one. The agent re-derives settled law thousands of times a year against facts that do not change within a class. The seller, either way, "would continue to bear the burden of establishing the availability of an exemption from registration" (Release at 204).

Request for Comment 138 asks whether transfer agents should be permitted to facilitate paragraph (b) transactions without meeting paragraph (c), and what alternative requirements should apply (Release at 210); Request for Comment 140 asks for alternative approaches to improper legend removal (Release at 211). We urge the Commission to add a paragraph (c)(4). It would permit a transfer agent to develop the reasonable basis for a defined class of transactions if it:

- Documents, to the standard paragraph (d) sets, the exemption, the class criteria and the facts supporting them.
- Verifies and records, for each transaction, that every criterion is met.
- Is not aware of circumstances indicating a section 5(a) violation.
- Escalates any transaction presenting such circumstances to paragraph (c)(2) or (c)(3).
- Re-approves annually and on any material change to its operations or to the applicable law, which is the review cycle proposed rule 17ad-30(b) already imposes (release at 199).

The method keeps the per-transaction judgment the Commission is buying and removes only the re-derivation of law.

A class determination must be unavailable where the security, or any security into which it is convertible, is quoted or traded on a national securities exchange, an interdealer quotation system, or an alternative trading system open to persons other than those eligible to hold the security under the exemption relied on. A venue whose participants are limited to holders the issuer's exemption already permits does not create the public-market risk the condition guards against; a venue open beyond that population does. That test must be applied at each legend removal, not once at approval. A one-time test is defeated by a valid private issuance, then a reverse merger, then a holding-period expiry against a security that now trades. We recommend against adopting the method without that condition. Most of the release's red flag list presupposes a public market, but not all of it. Two of its entries are live in a purely private register: "suspicious documents such as inconsistent financial documents or altered certificates of incorporation" and "an issuer with several recent name changes, business combinations, or recapitalizations" (Release at 205). Clauses (2) and (3) therefore hold the awareness check at the transaction.

IV.5 A restriction enforced in the token contract is a better Section 5 control than manual review

On a conventional register the legend is a notation and the control is the agent declining to process. A control that is not applied leaves a completed transfer to be unwound and no record that anything failed. Where the security is a token the restriction is a condition of the state change: a transfer that does not satisfy it does not settle, and the failed attempt is written to a ledger from which it cannot be deleted.

Vertalo built that control before the Commission proposed it. We registered as a transfer agent in November 2019 and have filed a Form TA-2 in every annual reporting period since. Work on the Vertalo Securities Protocol began earlier that same year, on our own account, "in direct response to what we were learning from our engagement with the

SEC and FINRA during the early wave of security token activity." Our own published description of the protocol, and not anything in the release, is that it "splits authority over a security into separate on-chain roles so that your counterparties can act on the ledger without any of them having to own it." The Transfer Controller "[m]oves tokens between wallets and settles trades," and "[t]he movements this role makes carry authority over the official book of record, because the role is held by a registered transfer agent." The Allowance Controller "[d]esignates the balances a third party may move, which is what allows your ATS, your custodian and your broker-dealer to act on the register while the register itself stays in one pair of hands." The compliance logic those roles enforce "sits in a contract that can be replaced without changing the investor-visible token address or migrating any balances."

An ATS or broker-dealer in a transfer never acquires the ability to make it authoritative, and a transfer that fails the restriction never settles.

The architecture satisfies nothing on its own. VSP is a delegation system in which, by our own account, authority over transfers, restrictions and corporate actions stays with "the transfer agent, the issuer, or the custodian" as the deal requires. Whether the restriction logic sits with the transfer agent is therefore a property of the deployment, not of the protocol, and our ask is conditioned for that reason. A restriction the issuer can disable, or that a holder can escape by moving the security outside the contract, counts for nothing.

The vocabulary is already in the release, which never joins restrictive legends to tokenized securities. Proposed Rule 17ad-6(a)(9) requires a record of "[a]ny record of an active (i.e., unreleased) stop order, notice of adverse claim or any other restriction on transfer" (Release at 389). Request for Comment 84 asks how to treat records held solely on a "blockchain or distributed ledger that is not exclusively controlled by the transfer agent" (Release at 140). Answering Request for Comment 140 (Release at 211), we ask the Commission to state in the adopting release, in substantially these words:

> *Where a restriction on transfer is enforced programmatically by the system on which the master securityholder file is maintained, such that a transaction failing the restriction cannot be recorded, and the transfer agent maintains at all times exclusive control over the restriction logic within the meaning of § 240.17ad-9(b), that enforcement satisfies the enforcement element of a reasonable basis developed for a class of transactions under paragraph (c)(4).*

Vertalo has operated that control since VEST, its own 2018 equity issuance, in which the holding period and transfer restrictions were enforced by the contract that held the security. A transfer that would have breached them did not fail review after the fact. It did not execute.

IV.6 What Vertalo asks of the Commission on Rule 17ad-31

#	What we ask	Rule or RFC	Release page
1	We support adoption of paragraphs (a) and (b) substantially as proposed.	Rule 17ad-31(a), (b)	406
2	We urge the Commission to add paragraph (c)(4), a program-level reasonable basis for a defined class, with per-transaction verification and escalation on any red flag.	RFC 138; RFC 140	210; 211
3	We ask that paragraph (c)(4) be conditioned on the absence of a public market, re-tested at each legend removal. Without that condition we recommend against adopting the method.	RFC 138	210
4	We ask the Commission to state in the adopting release that a restriction enforced programmatically, under the transfer agent's exclusive control within the meaning of § 240.17ad-9(b), satisfies the enforcement element of a class determination.	RFC 140	211
5	We recommend replacing "issuer employees" in paragraph (a)(1) with "persons authorized by the issuer." Paragraph (a)(2) bars the agent from acting on instructions from anyone off the (a)(1) list, so an issuer with no employees, as a Regulation D special purpose vehicle commonly has none, leaves its agent unable to act at all.	Rule 17ad-31(a)(1), (a)(2)	406
6	We do not support limiting paragraph (c)(3) by transfer agent size, resources or expertise.	RFC 135	210
7	Technical correction: proposed Rule 17ad-31(c)(2)(i) cross-references "paragraph (c)(1)(iii)," which does not exist, because paragraph (c)(1) has no clauses. The intended reference appears to be paragraph (c)(2)(ii).	Rule 17ad-31(c)(2)(i)	407

#	What we ask	Rule or RFC	Release page
8	We do not seek an exemption for original issuances. What is mispriced is the frequency, not the scope: the rule treats each determination as a rare event in the one segment where it is the ordinary case.	RFC 132	209

V. Proposed Rule 17ad-12, renamed "Comprehensive risk management"

V.1 We support the rule, and hold no funds ourselves

"[D]ual control vaults, sign-in procedures for vault entry, closed circuit TV cameras, security guards, locked doors" and "identification badges by employees" (Release at 179) are what the existing rule contemplated as safekeeping. It was written for physical custody, and it "does not provide clear, definitive standards for safeguarding uncertificated securities" (Release at 181). A register on a distributed ledger is exactly the case it does not reach. The Commission is right that "[t]he risks associated with safeguarding physical securities certificates are vastly different than the risks associated with safeguarding book-entry securities or tokenized securities" (Release at 62). One settled matter makes the point: a transfer agent "suffered two separate cyber incidents in 2022 and 2023, respectively, that led to the net loss of approximately $4.08 million total in client funds" (Release at 182). Losses like that are reason enough for the rule.

Vertalo holds no issuer or securityholder funds and does not act as a paying agent, so paragraph (b) does not reach us. Paragraph (a) and the business continuity plan in paragraph (c) do, and we will maintain the risk framework and test the plan annually. Our comments on the segregated account are therefore the comments of a registrant that will not use it, and the Commission should weigh them on that footing. Four elements of the proposal have our support: extending the safeguarding standard to misappropriation, damage and improper or unauthorized access; the written business continuity plan; a risk framework reaching cybersecurity and operational risk; and the outcomes-based structure of paragraph (a) (Release at 401). A rule that measures outcomes reaches a vault and a ledger both. A rule that specifies mechanisms reaches one.

V.2 The proposed text drops both of the calibration provisions the existing rule contains

Existing Rule 17Ad-12 sizes a transfer agent's safeguards in two ways: a facts-and-circumstances standard, and two named factors. The proposed text carries neither forward.

The release describes the existing rule as requiring that securities be "handled, in light of all facts and circumstances, in a manner reasonably free from risk of theft, loss or destruction" (Release at 178). The facts-and-circumstances phrase appears once in the release, in that description, and nowhere in the proposed rule text. Proposed paragraph (a)(1) requires instead that securities and funds be "protected at all times against the risk of theft, loss, misappropriation, misuse, damage, destruction, and improper or unauthorized access" (Release at 401).

"In evaluating which particular safeguards and procedures must be employed, Rule 17ad-12 specifies that the cost of the various safeguards and procedures as well as the nature and degree of potential financial exposure are two relevant factors" (Release at 179), citing 17 CFR 240.17Ad-12(a)(2). The named factors go the same way: proposed paragraph (a)(2) replaces that provision with the risk-identification duty and carries the two factors nowhere.

The release explains neither deletion, and everything around them reads as though no change were intended. The preamble describes the annual review as keeping each plan "appropriately calibrated to the transfer agent's technology, business model, scale, and risk profile" (Release at 185). Its economic analysis says paragraph (a) "should allow transfer agents flexibility to tailor their safeguarding arrangements and risk management systems to the specific risks their businesses face at the minimum possible cost" (Release at 303). "Reasonably designed" does not close the gap. It qualifies the policies and procedures; "at all times" qualifies the outcome. And a general standard that loses its named factors reads as a narrowing, not a restatement. Firms will not comply less. The yardstick will simply be set in examination, and in our experience a firm that cannot afford to litigate an examination outcome builds to the ceiling instead of to the risk.

V.3 The Commission predicts that costs will vary significantly and then publishes a single number

The Commission estimates that this rule would "impose on each transfer agent initial costs of $7,900 and annual costs of $2,000" (Release at 303), which aggregates to $2,583,300 and $654,000 across 327 respondents (Release at 319). On the same page, the release says those costs "would vary significantly among firms depending on the complexity of the transfer agent's operations, such as number of issues and individual accounts, number of employees, number of offices, number and types of issuers, types of transfer agent services provided" (Release at 303). The initial regulatory flexibility analysis repeats that "the economic benefits and costs likely could vary widely among small entities" (Release at 376).

None of that variation is quantified. One per-agent figure carries into the aggregate, and the same analysis counts "143 transfer agents that may meet the definition of small entity" (Release at 376). The record holds no estimate of cost at either end of the distribution. The release itself says what unmeasured dispersion produces (Release at 324). Agents "may choose to exit the transfer agent industry." The burdens "might act as a barrier to potential new entrants." And a less competitive industry "could see incumbent registered transfer agents increasing fees charged to clients."

Competitive effects are two-sided, and we recognize it. The release identifies offsets. It also identifies the least favorable position as falling "especially for large or complex transfer agents that are not dually registered or otherwise currently required to have in place the" compliance and safeguarding infrastructure the proposal contemplates (Release at 326). That description fits Vertalo. Restoring the potential-financial-exposure factor is therefore neither a size test nor relief: it measures what a firm does, so restoring it raises what an examiner may demand of us relative to a simpler firm.

V.4 Requests for Comment 108 and 112: keep paragraph (a) outcomes-based

Request for Comment 108 asks: "Is an outcomes-based, policies and procedures approach appropriate for registered transfer agents' risk management, or should the rule specify more prescriptive minimum standards for particular types of risks or activities?" (Release at 186). It is appropriate. We support the outcomes-based, policies and procedures approach in proposed paragraph (a), and we do not support prescriptive minimum standards. The Commission reached that conclusion itself when it rejected a prescriptive framework as requiring "transfer agents to adopt controls unnecessary for their size or risk profile" (Release at 341). A rule naming a technology dates quickly. The mismatch is concrete where the register sits on a ledger. Prescribe a dual manual review of a posting the system will not commit unless it is valid, or a periodic proof of a balance the system proves on every write, and the rule has added cost and no protection. We are not asking for less evidence of control, only that the rule not name the mechanism.

Answering Request for Comment 112 (Release at 187): we do not support requiring a SOC 2 Type II report or an equivalent third-party attestation as a condition of registration. The assessor prices such an examination, and the price barely moves with the size of the firm examined. It recurs every year. An annual assessor-priced examination is therefore the largest potential cost in this part of the proposal, and the release carries no figure for it at all. Vertalo obtains the attestation regardless and can absorb it. As a condition of registration, though, it becomes a fixed annual charge unrelated to the assets at risk, borne by a two-issuer agent and by every new entrant alike. The release has already identified that barrier (Release at 324).

V.5 Foreclosing the float is right, and it raises fees on the smallest issuers

Foreclosing the float will be recovered in fees, and the Commission says so. A transfer agent that is not also registered as a broker-dealer or investment adviser may currently generate revenue by lending out issuer, securityholder and other third-party funds. The proposal forecloses that revenue source, and the agent "may choose to recoup the forgone revenue by raising the fees on services provided to issuers, securityholders, and other third parties" (Release at 302). We support paragraph (b), and we bear the revenue loss.

Incidence falls worst where the release says it falls worst, in "segments of the market that are served by a limited number of transfer agents" (Release at 325). Tokenized issuance today is concentrated among small and private issuers and served by a small number of transfer agents. That is our operating observation, not a Commission finding. The Commission does not yet have the data, which is why it proposes to collect the number of issues by tokenization model and security type at new Form TA-2 Question 6(b) (Release at 61, 65). A fixed annual charge recovered through fees is recovered first from the issuers with the least fee to spread it over. We will supply our own answer to Request for Comment 167 (Release at 355), which asks how many transfer agents hold third-party funds in designated "for the benefit of" accounts today.

V.6 Request for Comment 113: stablecoins, tokenized deposits, and what may sit in the paragraph (b) account

The Commission is right that issuer and securityholder funds belong in a segregated bank account. Our answer to Request for Comment 113 (Release at 187) is therefore a conditioned yes, and the conditions belong in two places in the rule, not one. Define "funds" narrowly to exclude instruments not fixed at par, and a transfer agent holding such an instrument holds something that is neither securities nor funds for purposes of proposed Rule 17ad-12(a)(1), so no safeguarding policy is required for it at all. Such an instrument should be barred from the segregated account and safeguarded all the same. Rule 17ad-9 carries the definition. It already applies "[a]s used in this section and §§ 240.17ad-10, 240.17ad-11, 240.17ad-12 and 240.17ad-13" (Release at 395), and it is already gaining new paragraphs (m), (n) and (o) (Release at 397). Eligibility for the account belongs in paragraph (b) itself.

Request for Comment 113 pairs "stablecoins and tokenized deposits" in a single clause. They are not one instrument, and a third thing is routinely marketed as though it were either.

- **A tokenized commercial bank deposit.** The claim is a deposit liability of the bank. Tokenization changes the recording technology and leaves the claim alone. Where the bank records that liability as owed for the benefit of issuers and securityholders, and not to the transfer agent, the arrangement is the paragraph (b) account differently recorded. It should qualify, and the Commission should say so.
- **A payment stablecoin issued by a regulated issuer.** The claim runs against the stablecoin issuer, not the bank. Two insolvency estates therefore stand between the securityholder and the money, and the "for the benefit of" designation operates only against the first. It can qualify, but only on conditions that reach the issuer's reserve and redemption regime and the custodial documentation, not merely the wallet's location. If the Commission is not prepared to specify those conditions, we would take the deposit route alone over an unconditioned stablecoin permission.
- **An instrument that merely calls itself a stablecoin,** with no enforceable par redemption and a price set by a market, backed by reserves the issuer does not segregate from its own assets. It should be categorically ineligible for the account, and it should remain "funds" for purposes of paragraph (a)(1). A balance that can move against the payable it is held to settle cannot satisfy a segregation requirement whose purpose is to make the payable good.

Transfer agents distributed "nearly $4.4 trillion in dividend disbursements and interest payments" in 2024, excluding mutual fund transfer agents, and they hold funds for "less than one day to as long as 30 days" before distributing them (Release at 177). Of the 253 transfer agents that filed Form TA-2 for the 2025 reporting period, 126 "served as a paying agent (50%)" (Release at 225).

On insolvency the release hedges, and hedges correctly. The designation "will help ensure that those funds are not treated as the transfer agent's general assets in the event of insolvency" (Release at 182), and would help ensure that such funds "are kept bankruptcy remote" (Release at 184). "Help ensure" is the right word. The release cites no authority on how the designation operates against a trustee, and it does not address deposit insurance anywhere in the safeguarding discussion. Whatever uncertainty exists for a dollar deposit is larger for a stablecoin balance held by a bank as bailee, which is not a deposit and is not insured as one. We ask the Commission not to resolve the insurance question by silence.

The one condition we ask the Commission not to compromise on is that the transfer agent hold no credential capable of moving the balance. Vertalo holds no funds and gains nothing from the condition. We propose it because the alternative is an omnibus balance a transfer agent can move at will. Our own published statement of the model is that "[k]eys sit with you or with the custodian you appoint," and that Vertalo "runs all of the blockchain and holds none of the keys." Applied to third-party cash, the condition binds us further: as a paying agent we would be prohibited from holding a key to our own balances. The design is the Commission's, turned to face the other side of the trade. Proposed Rule 17ad-9(b) requires exclusive control by the transfer agent over the master securityholder file; for third-party cash we ask for no control at all.

V.7 What Vertalo asks of the Commission on Rule 17ad-12

Restore the calibration the proposed text drops. We recommend that proposed paragraph (a) read:

> *Every registered transfer agent shall establish, maintain, and enforce written policies and procedures reasonably designed, in light of all facts and circumstances, including the nature and degree of the transfer agent's potential financial exposure and the nature, scale and complexity of its business, to:*

The language keys on activity, not size, and it removes no obligation. If "reasonably designed" already carries it, the amendment costs nothing and settles the point in the text instead of in examination.

Keep paragraph (a) outcomes-based, and state in the adopting release, in substantially these words:

> *Where a control required by § 240.17ad-12(a)(1) is enforced continuously by the system on which the transfer agent maintains its records, contemporaneous evidence of that enforcement, producible to the appropriate regulatory agency on request, satisfies paragraph (a)(1) without a duplicative periodic manual control.*

The statement is written to continuous enforcement with producible evidence, not to any technology. It raises what a transfer agent relying on it must show; it does not lower it.

Define "funds" in Rule 17ad-9. We recommend adding:

> *(p) The term funds means cash and any other medium of exchange or store of value held by a transfer agent for an issuer, a securityholder, or any other third party, including a balance recorded on a distributed ledger, whether or not that balance is eligible to be maintained in the account required by § 240.17ad-12(b).*

Put eligibility in paragraph (b). The account should hold only funds that are a deposit liability of, or a demand claim redeemable at par against, the bank at which the account is maintained, or a payment stablecoin issued by an issuer subject to Federal or State requirements for full reserve backing and redemption at par on demand and held at that bank under a custodial arrangement. Funds received in an ineligible form should be converted promptly. The account may take the form of a wallet or ledger address maintained by the bank, provided that:

> *(i) the balance is recorded on the books of the bank as owed for the benefit of issuers, securityholders, or other third parties and not to the transfer agent;*
>
> *(ii) the transfer agent cannot transfer the balance, or cause it to be transferred, other than by instruction to the bank which the bank executes under its own authorization controls, and the transfer agent holds no cryptographic key or other credential that would permit it to transfer the balance without the bank's action; and*
>
> *(iii) the transfer agent reconciles the balance to its records of amounts payable no less frequently than daily.*

Where the account holds a payment stablecoin, the transfer agent's policies should address the issuer's failure to redeem at par, and the arrangement should be disclosed to the issuers whose funds are held.

#	What we ask	Rule or RFC	Release page
1	Restore the calibration language in paragraph (a), as set out above.	Rule 17ad-12(a); existing 17Ad-12(a)(2)	401; 179
2	Keep paragraph (a) outcomes-based, with the adopting-release statement set out above.	RFC 108	186
3	We do not support mandating SOC 2 or an equivalent third-party attestation as a condition of registration. If one is adopted, we ask that it be keyed to funds held or distributed instead of to registration, and that an attestation obtained for another purpose satisfy it.	RFC 112	187

#	What we ask	Rule or RFC	Release page
4	We ask the Commission to require each transfer agent to state and test against its own recovery time and recovery point objectives for the master securityholder file and for funds in transit. We also ask it to confirm that for a register replicated across independent nodes, demonstrated reconstruction from the replicated ledger and the agent's off-chain index satisfies "the timely recovery of the transfer agent's records" without a duplicate site. The release calls duplicate copies permissive, and permissive in the preamble is not settled at examination.	RFC 110; Rule 17ad-12(c)(ii)	186; 401; 185
5	We do not support the alternative of dropping the annual testing requirement in paragraph (c)(iv). The Commission considered it, declined because it would "leave transfer agents with weaker preparedness for disruptions," and was right. Annual testing should instead be permitted in components across the year.	Rule 17ad-12(c)(iv)	401; 343
6	We ask the Commission to confirm that a transfer agent holding no issuer, securityholder or third-party funds need not open the paragraph (b) account. A single omnibus "for the benefit of" account should also satisfy the paragraph, consistent with the Commission's statement that the rule "would not, however, require transfer agents to maintain segregation of third-party funds on a client-by-client basis."	Rule 17ad-12(b)	401; 184
7	Add the definition of "funds" at Rule 17ad-9(p), as set out above.	Rule 17ad-9	395; 397
8	Add the eligibility conditions to paragraph (b), including the condition that the transfer agent hold no credential capable of moving the balance, as set out above.	RFC 113; Rule 17ad-12(b)	187; 401
9	Answering the remaining limbs of Request for Comment 113: we support specifying minimum requirements for the banks holding such accounts, because every condition above keys on "the bank" and the release never defines it. We ask the Commission to state which definition governs and to require Federal or State prudential supervision. On trust accounts we take no position, and an additional intermediary in the same arrangement as a bank-maintained wallet does not have our support, because each intermediary adds an estate.	RFC 113	187
10	We ask the Commission to state in the adopting release that a transfer agent's risk management policies must address key compromise, settlement irreversibility and issuer redemption failure where such an account is used. We ask it to state the same of the business continuity plan, which must address network unavailability and failure of the bank's wallet provider.	Rule 17ad-12(a)(2), (c)	401
11	We ask the Commission to add a form-of-funds field to proposed Form TA-2 Question 7, which is "designed to capture all money movement through a transfer agent." If the answer to Request for Comment 113 is permissive, the Commission will need to know who is relying on it.	Form TA-2 Question 7; RFC 167	59; 355

#	What we ask	Rule or RFC	Release page
12	We ask the Commission to set the compliance date for paragraph (c) at eighteen months, so that one full annual testing cycle under (c)(iv) falls inside the transition. A shorter transition tests a plan written days earlier, which tests the document and not the operation. The remaining paragraphs can be met on the general date.	Rule 17ad-12(c)	401
13	If the Commission declines to define "funds," we ask it to state in the adopting release that a bank-maintained wallet holding a for-the-benefit-of deposit liability satisfies paragraph (b). Leaving the question open does not keep on-chain settlement of distributions out of the market; it keeps it outside the safeguarding regime.	RFC 113	187
14	Technical corrections, offered without an ask. Table 1 captions the rule "17ad-12 – Safeguarding" against the proposed caption "§ 240.17ad-12 Comprehensive risk management." And the footnote supporting the cost estimate opens "The $8,400 initial estimate is based on the following calculations" before computing and reporting $7,900, the figure carried into the text and Table 17.	Release	30; 401; 303

VI. Rule 17ad-30's compliance program and the Rule 17ad-3(b) denominator

VI.1 The rule prices the writing and prices enforcement at nothing

Proposed Rule 17ad-30(a) requires a transfer agent to "establish, maintain, and enforce" written policies and procedures (Release at 405). The estimate prices the first two and not the third. Approximately $31,000 initially and $7,700 annually, built in footnote 494 from "$23,220 (lawyers at $774 for 30 hours)" plus outside professional fees (Release at 311), buys the drafting and the upkeep. Enforcement carries no figure and no artifact. Neither the annual review by the governing body under Rule 17ad-30(b) nor examination by the appropriate regulatory agency produces a contemporaneous record of a control actually operating.

We support the obligation and the finding behind it: there is "significant variance among transfer agents in terms of their awareness of and experience with the federal securities laws" (Release at 196). The attenuation reasons hold as well, including that "the compliance costs are scaled to a transfer agent's activities" (Release at 312). Nobody is claiming

$7,700 a year is a hardship. Where a transfer restriction is fully expressible in contract logic and the transfer agent holds the contract, a transfer that violates the restriction never executes and never enters the record. The control runs on every item, not on an annual cycle, and it leaves a log where a policy leaves a recollection. As drafted, the rule will credit only the document.

Vertalo built controls into contracts years before a rule described them. What follows is our description of our own systems, not a finding of the Commission. Work on the Vertalo Securities Protocol began in early 2019, "in direct response to what we were learning from our engagement with the SEC and FINRA during the early wave of security token activity." The protocol "splits authority over a security into separate on-chain roles so that your counterparties can act on the ledger without any of them having to own it." Compliance logic sits in a contract held under the issuer role, "a contract that can be replaced without changing the investor-visible token address or migrating any balances." The Transfer Controller "[m]oves tokens between wallets and settles trades," and "[t]he movements this role makes carry authority over the official book of record, because the role is held by a registered transfer agent." The Allowance Controller "[d]esignates the balances a third party may move, which is what allows your ATS, your custodian and your broker-dealer to act on the register while the register itself stays in one pair of hands." A transfer that fails the restriction does not execute, and the ledger holds the proof in a form an examiner can read.

Whether a given deployment meets the standard turns on how the roles are assigned. That is a configuration question, not a property of the protocol.

Contract-enforced controls do not reach the judgment calls in Rule 17ad-17 or proposed Rule 17ad-31, where no contract executes anything and written policies remain necessary. Relief from the obligation is not what we are asking for. The narrower ask is to prove the obligation with the control's own output. A running control asks the examiner to trust our code where a document does not, so Ask VI-1a makes that output a retained record.

Ask VI-1 (Requests for Comment 123 and 131, Release at 200 and 202). We ask the Commission to state in the adopting release, in substantially these words: "Where a control required by Rule 17ad-30(a)(1) is fully expressed in and enforced by the system that performs the transfer agent function, and that system produces a contemporaneous, tamper-evident record of the control's operation, the operation of that control and the retention of its record are a means of satisfying the requirement to establish, maintain, and enforce policies and procedures with respect to that control. The written policies and procedures should identify the control, describe its scope, and state where its output is retained. Exception reporting produced by such a system may satisfy Rule 17ad-30(a)(2)."

Ask VI-1a (Request for Comment 130, Release at 201). We do not support a free-standing recordkeeping requirement for drafting the policies or for the annual review. One sentence is warranted, and only one: an agent that relies on a system-enforced control should have to retain that control's output. The Commission has already written that sentence in proposed Rule 17ad-17(d), which reaches every recordkeeping transfer agent and every paying agent, along with any broker or dealer holding customer security accounts. Each of them must "maintain records to demonstrate compliance with the requirements set forth in this section" and must "retain such records in accordance with Rule 17ad-7(a)" (Release at 405). Without that sentence the log is not a record required to be made under the Exchange Act, proposed Rule 17ad-7(a) does not reach it, and Ask VI-1 has nothing behind it.

VI.2 No compliance officer, no dedicated function, no tiers

Request for Comment 126 asks whether the rule should "require transfer agents to designate a specific compliance officer or maintain a dedicated compliance function responsible for overseeing the implementation and enforcement of the compliance program" (Release at 201). Our answer is no: we do not support requiring either. The Commission declined the equivalent knowingly. Footnote 339 describes Advisers Act Rule 206(4)-7 and Investment Company Act Rule 38a-1 as requiring the regulated firm "to designate a chief compliance officer responsible for administering such policies and procedures" (Release at 197), and proposed Rule 17ad-30 carries no such provision. The estimate carries no headcount line either, so the requirement would be adopted with no cost figure anywhere in the record. A headcount or qualifications mandate is also a fixed cost that does not move with items processed, and a fixed cost lands hardest on the agents this rulemaking reaches for the first time.

Tiering fails for a different reason: the instruments to scale with already exist. The Regulatory Flexibility Act tells the Commission to consider "differing compliance or reporting requirements or timetables that take into account the resources available to small entities" and "the use of performance rather than design standards" (Release at 377). Neither requires exempting anyone. Rule 17ad-30 scales through its own tailoring standard, under which an agent "may tailor them to its particular circumstances and the scope of its transfer agent activities" (Release at 198). A tier fixed on size or issuer count would need redrawing as the distribution moves. Table 6 shows Form TA-2 filers declining from 287 in 2016 to 253 in 2025 (Release at 223). What should scale is timing and evidentiary form, not the duty.

Ask VI-2 (Request for Comment 126, Release at 201). We do not support requiring a designated compliance officer or a dedicated compliance function. Minimum qualifications for either should not be required.

Ask VI-3 (Request for Comment 124, Release at 200). Rule 17ad-30 should not be tiered or scaled by size, transaction volume, issuer count, or complexity. Where the Commission wishes to scale, it should scale timing and evidentiary form, not the duty.

Ask VI-4 (Request for Comment 127, Release at 201). The Commission should identify the approving party in rule text by function, as the person or body holding ultimate authority over the transfer agent's business, whether a board, a managing member, a general partner, or a sole proprietor.

VI.3 Ninety-five percent is the right level, but nineteen items is the wrong denominator

Amended Rule 17ad-3(b) reaches an agent that for each of two consecutive months "fails to turn around at least 95% of all routine items" (Release at 386). An agent with nineteen applicable items in a month lands at 94.7 percent on a single late item. At thirty-three items, one late item also crosses the "more than three (3) percent of routine items" trigger in Rule 17ad-2(c) (Release at 118 and 384). At those counts the statistic measures whether one item went wrong, not whether the agent can perform.

The Commission finds that "the vast majority of transfer agents regularly turnaround and process nearly 100% of all routine items within one business day or less, or are readily capable of doing so" (Release at 119). That matches our own operations, and the increase "from 75% to 95% (a failure rate change from 25% to 5%, respectively)" (Release at 119) rests on it. We agree with the level and with the notice. At $670 a year (Release at 274), the notice is worth more to issuers than it costs. We ask the Commission to gate one consequence and no other: where the limitations on expansion in Rule 17ad-3(a) are triggered, "affected transfer agents would lose revenue as a result of the limitation" and "may also suffer damage to their reputation," which "could result in a further loss of business and revenue" (Release at 273).

Rescission makes the gating urgent, because it moves agents into Rule 17ad-3 at the bottom of the volume distribution: 51 covered by Rule 17ad-4(a) and 143 by Rule 17ad-4(b), "up to 194" in total. Of the 143, 57 "reported zeros on all applicable questions in their Form TA-2 filings," and 143 is itself "an upper bound estimate" (Release at 228). Those agents arrive at a tighter threshold having never been subject to the old one. The

Commission has already priced where the cost lands, on agents "lacking the operational capability to avoid triggering the notification requirements such as smaller, less well-resourced transfer agents" (Release at 274). Table 7 shows the ten largest agents holding "approximately 82% of individual security holder accounts" and "84% of all items received for transfer" (Release at 224). A percentage test with no floor is least informative for the agents holding the rest.

We are not asking for rescission of Rule 17ad-3. The Commission rejected rescission for three reasons we accept, all of them turning on the loss of the notice: issuers "may choose to employ other methods to receive early warning," "the lack of early warning could hinder issuers' ability to expedite the resolution of such failures," and rescission "may limit an underperforming transfer agent's incentive to expeditiously address performance failures" (Release at 339). A denominator floor keeps the notice, so it engages none of the three. It also delivers the benefit the Commission identified for the alternative it rejected: expanding while addressing performance failures "would be particularly beneficial to smaller transfer agents and new entrants to the industry" (Release at 339).

Ask VI-5 (Requests for Comment 59, 68 and 155, Release at 116, 120 and 352). We urge the Commission to adopt a de minimis denominator floor, so that a month in which the transfer agent received fewer than 100 applicable items does not count toward the consecutive-month tests in Rule 17ad-3(a) or amended Rule 17ad-3(b). The Rule 17ad-2(c) or (d) notice is still filed for that month, so no early warning is lost and only the expansion consequence is gated. One hundred is not a measured figure. It sits above the counts at which a single late item fails the monthly test and well below the 1,000 items the Commission uses elsewhere to identify a small transfer agent. The Commission holds the Form TA-2 data to set it precisely, and we will support whatever floor that data supports.

Ask VI-6 (Requests for Comment 74, 75, 77 and 78, Release at 125 and 126). If Rule 17ad-4 is rescinded, we ask that Rule 17ad-3 attach to newly covered agents only at the close of the transition period set under

Request for Comment 78. A transition of 18 months is our recommendation, because a turnaround rate cannot be measured before the monitoring records the rule requires exist. The exempt transfer agent criteria need not be retained or re-cut, and the exemption should not survive on a security-type basis, which answers Requests for Comment 74 and 75.

Ask VI-7 (Requests for Comment 155 and 156, Release at 352). We ask the Commission to state the derivation of the affected-entity count for Rule 17ad-3 and to re-estimate it against the post-rescission population. Table 17 costs the rule at $670 annually for five affected entities while costing Rules 17ad-2, 17ad-6, 17ad-7, 17ad-12 and 17ad-30 at 327 each (Release at 319–320). A reader cannot tell whether five counts agents subject to the rule or agents expected to trigger its notice.

VI.4 Rule 17ad-13's exemption should key on measured activity

The Commission is right that Rule 17ad-13(d)(2) cannot stand as it is. The proposal removes and reserves it outright, at amendment instruction 14(b) (Release at 401). That paragraph's first prong is being "an exempt transfer agent pursuant to Rule 17ad-4(b)" (Release at 125), so rescinding Rule 17ad-4(b) leaves the paragraph pointing at nothing. We do not ask the Commission to retain it as written, and we do not argue that the study is unnecessary. That 16 registered transfer agents would be newly covered by Rule 17ad-13 as a result (Release at 283) is not in dispute either. The exemption should be rebuilt on measured activity, because the cost of the study does not fall with technology. The $40,000 annual figure is 120 accountant and auditor hours at $330 (Release at 283 and 319), and an accountant's hours do not shrink because the register is electronic.

The 1,000-item line is the Commission's own. The alternatives discussion describes a small transfer agent as one that "received fewer than 1,000 items for transfer in the reporting period and did not maintain master securityholder files for more than 1,000 individual securityholder accounts as of December 31 of the reporting period" (Release at 335). The same line sets the abbreviated Form TA-2 in Exchange Act Rule 17Ac2-2(a)(1) (Release at 18). Table 6 already measures it, reporting 143 agents in 2025 that received "fewer than 1000 items for transfer," or "approximately 57% of Form TA-2 filers for that reporting period" (Release at 223). That 143 is not the Rule 17ad-4(b) 143 and should not be conflated with it.

Ask VI-8 (Requests for Comment 79 and 156, Release at 126 and 352). We recommend that the Commission rewrite Rule 17ad-13(d)(2) as a self-standing activity test instead of removing and reserving it. The test would exempt an agent that in the most recently completed reporting period both received fewer than 1,000 items for transfer and did not maintain master securityholder files for more than 1,000 individual securityholder accounts as of December 31. The exemption would lapse automatically in the reporting period after an agent crossed either prong, with no filing and no Commission determination.

VI.5 The 45-day registration effective date should be adopted as proposed

The Commission observes that "30 days is often insufficient to determine whether to accelerate, deny, or postpone a registration application" (Release at 34). Amending Rule 17Ac2-1(a) and (b) by "removing the word 'thirtieth' and adding in its place 'forty-fifth'" (Release at 381) answers that observation and conforms the rule to Section 17A(c)(2), under which a transfer agent's "registration shall become effective 45 days after receipt of the Form TA-1 application" (Release at 34). Fifteen days is not a barrier to entry in a business where onboarding a first issuer takes longer than that.

Ask VI-9 (Release at 381 and 34). We support the amendment to Rule 17Ac2-1(a) and (b) as proposed.

VII. Agentic operation: the Commission reasons from artificial intelligence and never asks who answers for it

Artificial intelligence does work in this release. It is part of why Rule 17ad-6 needs updating, the Commission citing "the emergence of tokenized securities and AI" among the changes its recordkeeping rule has not kept pace with (Release at 127), and part of why a six-year retention period is "essential", transfer agents being expected to "explore and expand the use of distributed ledger technology, AI, and other nascent technologies" (Release at 146). Seven mentions in 421 pages, two of them carrying proposed obligations.

One request for comment reaches the subject. Request for Comment 95 asks whether "electronic recordkeeping system" is "sufficiently clear and technology-neutral to accommodate current and emerging recordkeeping technologies, including cloud-based platforms, distributed ledger systems, and AI-driven recordkeeping tools" (Release at 164). Our answer is yes, and Section III.3 sets out the single confirmation that makes it so.

That question asks where records may sit. It does not ask who is answerable when software acts on them, and nothing else in the release does either. "Agentic" does not appear. Neither does "machine learning", nor "algorithm", nor "autonomous". Request for Comment 60 comes closest, asking whether a rejection-notice requirement is "conducive to the use of automated means of handling routine items promptly" (Release at 116), which asks whether a rule obstructs automation and not what automation owes.

We think that is a gap, and the Commission has been here before.

In December 2015 the transfer agent concept release ran to 208 pages and asked more than seventy questions. Question 70 was this: "A new technology, the blockchain or distributed ledger system, is being tested in a variety of settings, to determine whether it has utility in the securities industry. What utility, if any, would a distributed public ledger system have for transfer agents, and how would it be used?" One question, near the end. The answer to it is the proposal now before us, and it arrived ten years later.

Artificial intelligence today sits about where distributed ledger technology sat in 2015, asked about once and as a matter of storage. We are not suggesting the Commission should regulate it in this release. We are suggesting it should ask, because the ten-year lag between Question 70 and this proposal is the cost of asking late.

VII.1 The rules assume a human on a payroll

Proposed Rule 17ad-31(a)(1) would require a transfer agent to obtain and maintain "a current list of issuer employees on whose instructions the transfer agent is authorized to act" regarding restrictive legends, and to refrain from acting on instructions from anyone not on that list (Release at 203).

Employees. Not authorized persons, not agents of the issuer, not counsel. A general partner instructing on behalf of a fund is not an employee. Outside counsel is not an employee. A director is not an employee. And software acting under a named person's delegated authority is not an employee in any sense the drafters had in mind.

We have already asked the Commission to replace "issuer employees" with persons authorized by the issuer. The point here is broader. That drafting choice reveals an assumption running through the rules, which is that the party instructing a transfer agent is a natural person, and that identifying the person is the same thing as establishing the authority. Those were the same thing when the rules were written. They are coming apart.

VII.2 What we ask

Authority should be defined by delegation and traced, and not by employment status. Three requests follow.

Ask VII-1. Where a rule identifies the party authorized to instruct a transfer agent, express the requirement as authority held and traceable to a person who may grant it. A transfer agent should be able to act on an instruction where it can show which person authorized which actor to take which action, whether that actor is an employee, an agent, outside counsel, or software operating under a person's delegated authority. The record of that delegation is the control. The employment status of the actor is not.

Ask VII-2. Add a request for comment, or address in the adopting release, the operation of transfer agent functions by automated and agentic systems. The questions worth asking are concrete. Who is the responsible person when an instruction is executed by software under delegated authority? What must the recordkeeping show about the delegation itself? Does a control enforced at the point of execution satisfy an obligation the rules express as a procedure? May a transfer agent rely on an automated determination under proposed Rule 17ad-31, and if so on what record?

Ask VII-3. Do not answer these questions by prescribing a technology. The Commission's instinct through this release has been to state outcomes and leave the mechanism to the registrant, and that instinct is right here for the same reason it is right at Rule 17ad-9(b). A rule written for one generation of automation will be obsolete faster than the 1977 rules were.

VII.3 This is in production

Vertalo operates a commercially available MCP server that gives transfer agents, issuers, brokers, alternative trading systems and custodians agentic access to our platform, and it is documented publicly at vertalo.com/mcp-server. Authorized actions on a securityholder record are being performed through it now.

Two features of it are the reason we think the Commission can address this without prescribing anything. Every write carries its delegation, so the record shows which person authorized which agent to take which action. Authority is scoped at the server and enforced there, not requested in a prompt and hoped for. Both are controls of the kind the release already contemplates at Rule 17ad-12(a), expressed in the place where the action happens.

We would rather the Commission ask the question in 2026 and get an answer it can use than reach the subject the way it reached distributed ledger technology, which is to say a decade after the market had already built it.

VIII. Confirming the perimeter for tokenized securities

The Commission proposes to define "authorized securities," "transfer journal" and "presentor" because terms left to inference get applied inconsistently. The same reasoning applies to the instrument at the center of this proposal. The release uses "tokenized securities" throughout and does not define it, and the boundary of the transfer agent rules over tokenized instruments is left to be worked out by each registrant.

Securities are being sold under exemptions from registration in tokenized form, and the party keeping the holder record is not always a registered transfer agent. Section 3(a)(25) defines a transfer agent by function and without regard to whether the security is registered, while Section 17A(c)(1) requires registration only for a security registered under Section 12. An issuer keeping its own ledger sits inside the definition and outside the registration requirement, which is settled and correct. What is not settled is which of the parties around that issuer, on a shared ledger, are performing transfer agent functions on the issuer's behalf.

Paragraph (c)(2)(ii) of proposed Rule 17ad-31 requires that an opinion of counsel analyze "the applicability and validity of a specific exemption from registration" (Release at 407), and paragraph (b) requires a registered transfer agent to refrain from facilitating an unregistered securities transaction absent a reasonable basis. That makes the answer operational rather than academic. A registered agent must therefore reach a view on the exemption before it acts, while an unregistered party performing the same recordkeeping on the same ledger reaches no view at all. The gap does not run between technologies. It runs between registered and unregistered parties doing the same work.

We are not asking the Commission to make new law here, and we do not ask it to reach the treatment of any offering exemption in this file. The ask is that the Commission say plainly, in this adopting release, what existing law already provides, so that the perimeter is legible to the market the release describes.

Ask VIII-1 (Requests for Comment 21 and 27, Release at 69 and 97). The Commission should define "tokenized security" in Rule 17ad-9, turning the definition on the status of the underlying instrument as a security and not on the technology used to record it.

Ask VIII-2 (Requests for Comment 21, 27 and 132, Release at 69, 97 and 209). We ask the Commission to state in the adopting release, in substantially these words: "A security recorded in tokenized form remains subject to the transfer agent rules to the same extent as the same security recorded in any other form, and the exemption under which it was sold does not change that."

Ask VIII-3 (Request for Comment 132, Release at 209). The adopting release should also identify who is expected to maintain the holder record for a security sold under an exemption where no registered transfer agent is engaged.

Ask VIII-4 (Request for Comment 132, Release at 209). Proposed Rule 17ad-31 should apply to an original issuance of securities not registered under the Securities Act, without a categorical exclusion. We support that limb. It reaches nearly every transaction on our register, and we ask for no relief from it.

IX. A ten-year-old record, and positions formed in the last year

This proposal answers the Commission's 2015 Concept Release, Exchange Act Release No. 34-76743 (Release at 6), roughly ten years later, and in the interval the industry acquired a position it did not previously have. The Securities Transfer Association filed a comment letter on tokenized securities on July 1, 2026. Vertalo filed with the Crypto Task Force on July

15, 2026 in support of that letter and to build upon it. We share its central view: the issuer-sponsored model should be the preferred foundation for tokenized securities, and the Direct Registration System and the FAST program must be modernized before registered transfer agents can compete on fair terms. Every position now before the Commission on ledger-based recordkeeping, including ours, was formed inside the last year, and very little settled doctrine sits underneath any of it. A record that short argues for the outcome-based drafting the Commission has already chosen, and against filling the remaining gaps with specification that would harden a year-old consensus into rule text.

Ask IX-1 (Request for Comment 50, Release at 104). We do not support imposing specific requirements or conditions on the use of blockchain or other distributed ledger technology as the master securityholder file. The open terms should be closed in outcome form instead, through the exclusive control definition and the electronic recordkeeping system confirmation this letter proposes. An outcome standard says what the record must achieve. Answering Request for Comment 50 in the affirmative would say how, and the operating record available today is too short to support prescribing how.

X. Technical corrections

Ask X-1. We ask the Commission to conform the following footnotes and cross-references to the regulatory text before adoption. Each is a citation error, not a matter of policy, but several would be relied on by a transfer agent reading the rule to find its own obligation.

1. **Footnotes 270 and 271 (Release at 156 and 158).** The sentence describing proposed Rule 17ad-7(h)(2) carries footnote 270, reading "See proposed Rule 17ad-7(h)(3)." The sentence describing the non-relief provision carries footnote 271, reading "See proposed Rule 17ad-7(h)(4)." In the regulatory text, (h)(1) is the agreement requirement and (h)(2) is independent access. Paragraph (h)(3) is the

provision that an agreement "shall not relieve" the transfer agent of its retention responsibility (Release at 393), and Request for Comment 99 cites (h)(2) (Release at 165). Both footnotes are off by one.

2. **Proposed Rule 17ad-6(a)(2)(ix) (Release at 387).** It requires a record of items "rejected by the transfer agent for which written notification to the presentor was provided within one business day of receipt as required by Rule 17ad-2(c)." Rule 17ad-2(c) is the notice filed with the Commission when an agent fails to turn around more than three percent of routine items (Release at 384). The written notification to the presentor within one business day is proposed Rule 17ad-2(e)(2) (Release at 385). The recordkeeping obligation and the notification obligation must match if the monthly count is to mean anything.

3. **Proposed Rule 17ad-31(c)(2)(i) (Release at 407).** It refers to "the analysis required under paragraph (c)(1)(iii) of this section." There is no paragraph (c)(1)(iii); paragraph (c)(1) has no subparagraphs, and the analysis is required by (c)(2)(ii).

4. **Proposed Rule 17ad-31(d)(2) (Release at 407–408).** Paragraph (d) opens "Any determination under paragraph (c)(3) of this section" and (d)(3) refers to (c)(3), but (d)(2) refers to the determination "under paragraph (c)(2) of this section." It should read (c)(3).

5. **Footnotes 355, 356 and 506 (Release at 208 and 316–317).** Footnote 355, attached to the description of the agent's own determination under paragraph (c)(3), cites "proposed Rule 17ad-31(c)(2)." Footnote 356, attached to the recital of the paragraph (d) documentation requirements, cites "proposed Rule 17ad-31(c)(3)" where (d) is meant. Footnote 506 describes the own-determination work as "the work required by proposed Rules 17ad-31(c)(2) and (d)" where (c)(3) is meant, four lines after using (c)(3) correctly.

Closing

We would rather see this rule adopted than delayed, and most of this letter is an attempt to make it adoptable without putting the cost on the firms that built the practice it codifies. Vertalo will supply the staff with the operating detail behind any part of it: our legend-removal and exemption-review volumes, the wallet-to-holder association record, our reconstruction and extract procedure, and the authorization controls behind the on-chain roles described in Section II.

Before adoption, we would welcome a technical discussion of the exclusive control definition. That definition is the one place in this proposal where a term left undefined would decide, by default rather than by finding, which networks United States issuer registers may use.

Summary of asks

The requests made in this letter, in the order the letter makes them.

1. The Commission should answer Request for Comment 77 with a quantified finding: how many transfer agents it expects to exit or consolidate. It should also say which of the two competitive effects it has already identified it expects to dominate, the proportionally higher cost borne by smaller agents, or the "less favorable competitive position especially for large or complex transfer agents that are not dually registered.". *RFC 77, Release at 126, 325, 326.*

2. Table 17 should be published decomposed by measured item-volume band before adoption, using the Form TA-2 item counts already reported in Table 6. The Commission should also report how many registered transfer agents maintain securityholder records on a distributed ledger today. *RFC 76, 143, 144, 146; Tables 6 and 17, Release at 126, 223, 319, 349.*

3. We recommend scaling the timetable, not the duty: 24 months from the effective date for agents reporting fewer than 1,000 items for transfer, and 12 months for all others. Every obligation applies in full at the end of that period. *RFC 66, 78, 79, 103, 124, Release at 117, 126, 175, 200.*

4. Three proportionality devices should be adopted together: obligations keyed to activity instead of registration; a transition for newly covered agents; and a de minimis item floor. Below that floor, a month would not count toward the consecutive-month tests in Rules 17ad-2(c), 17ad-2(d) and 17ad-3. *RFC 59, 68, 79, 155, Release at 116, 120, 126, 352.*

5. We recommend the Commission recognize published industry control frameworks as one non-exclusive means of satisfying proposed Rule 17ad-30, subject to Commission review. Vertalo does not support chartering a self-regulatory organization for transfer agents. *RFC 131, Release at 202.*

6. The 95% threshold in Rule 17ad-3(b) should be retained, but applied only where the agent received at least a stated minimum of routine items in each of the two consecutive months the rule measures. We propose 100 items and invite the Commission to set a different figure. *Rule 17ad-3(b); RFC 68, 69, Release at 119, 120.*

7. We do not support limiting the own-determination path in proposed Rule 17ad-31(c)(3) by transfer agent size or resources. Condition it instead on the agent evidencing the controls its determination rests on. *Rule 17ad-31(c)(3); RFC 135, Release at 207, 210.*

8. The Rule 17ad-31 cost split assumes 10 agents make their own determination and the other 317 obtain an opinion of counsel. Table 17 then prices both routes identically at $6,600 initial and $8,300 annual. We ask the Commission to explain the assumption. *RFC 135, 173; Table 17, Release at 210, 317, 320, 356.*

9. Proposed Rule 17ad-31(a) and (b) have our support substantially as proposed. *Rule 17ad-31(a), (b), Release at 203, 204.*

10. A program-level method of establishing the reasonable basis should be added to proposed Rule 17ad-31(c) as new paragraph (c)(4), with per-transaction class verification and per-transaction escalation on any red flag. *Rule 17ad-31(c); RFC 133, Release at 206, 209*.

11. The program-level method should be conditioned on the absence of a public market in the security, re-tested at each legend removal and not only at program approval. *Rule 17ad-31(c), Release at 206*.

12. We ask the Commission to state that a transfer restriction enforced in contract logic, under the transfer agent's exclusive control within the meaning of amended Rule 17ad-9(b), satisfies the enforcement element of a program determination. *RFC 140, Release at 211*.

13. Replace "issuer employees" in proposed Rule 17ad-31(a)(1) with "persons authorized by the issuer.". *Rule 17ad-31(a)(1), Release at 203*.

14. Vertalo does not support exempting any category of original issuance from proposed Rule 17ad-31. *RFC 132, Release at 209*.

15. We urge the Commission to define "exclusive control" in Rule 17ad-9, keyed to the authoritative state of the record that the transfer agent alone can change and not to who operates the network. Vertalo operates this way today. *Rule 17ad-9(b); RFC 50, Release at 84, 104*.

16. The adopting release should state that exclusive control is not defeated by a network operated by others. Nor is it defeated by a service company, by a co-transfer agent under Rule 17ad-10(c), by an outside registrar, or by a key custodian contractually bound to act only on the transfer agent's instruction. *Rule 17ad-9(b), Rule 17ad-10(c); RFC 50, Release at 86, 104, 171*.

17. We do not support permitting multiple recordkeeping transfer agents to maintain one master securityholder file jointly. *RFC 104, Release at 175*.

18. We ask the Commission to confirm that the business continuity plan under proposed Rule 17ad-12(c) reaches network deprecation, network halt, designation of the authoritative record after a chain split, and a tested ability to reconstruct the file on another substrate. *Rule 17ad-12(c), Release at 184.*

19. Our answer to Request for Comment 98, as to commercial node and RPC providers, is that an agent able to reach the ledger only through a single commercial gateway must obtain the Rule 17ad-7(h)(1) agreement or establish an independent path. *Rule 17ad-7(h)(1); RFC 98, Release at 156, 165.*

20. Our answer to Request for Comment 100 is no. No duplicate copy of every record is needed. We ask the Commission to confirm that a distributed ledger used as the master securityholder file is an electronic recordkeeping system for the purposes of proposed Rule 17ad-7(f), governed by the standards in proposed Rule 17ad-7(f)(2). *Rule 17ad-7(f); RFC 100, Release at 149, 165.*

21. Our answer to Request for Comment 105 is no. You cannot delete an entry on a public blockchain, so no exemption from Rule 17ad-10(f) is needed for a file kept on one. An entry that cannot be deleted is an auditable entry, and correction by compensating entry is what the rules should require. *Rule 17ad-10(f); RFC 105, Release at 172, 176.*

22. We do not support setting the receipt trigger for rejected onchain transfers by rule. Our recommendation is that the Commission set it by observation, through the policies and procedures approach at Request for Comment 62. *RFC 61, 62, Release at 116.*

23. The definition of "tokenized security" should turn on the status of the underlying instrument and not the technology used to record it. We urge the Commission to put that definition in Rule 17ad-9. *Rule 17ad-9; RFC 51, Release at 104.*

24. A security recorded in tokenized form remains subject to the transfer agent rules to the same extent as the same security in any other form. The exemption under which it was sold does not change that. We ask the Commission to say so in the adopting release. *RFCs 21, 27, 132, Release at 69, 97, 209.*

25. Who is expected to maintain the holder record for a security sold under an exemption where no registered transfer agent is engaged? The Commission should identify that person. *RFC 132, Release at 209.*

26. The Commission should revisit its assumption that a transfer agent receives an average of three requests a year to remove restrictive legends. Three a year does not match our own experience as an agent whose ordinary business is securities sold in exempt offerings. *RFC 141, 144, 172, Release at 315, 349, 356.*

27. Rule 17ad-9 should define "funds" broadly, so that proposed Rule 17ad-12 reaches every value-bearing balance an agent holds for a third party. *Rule 17ad-9; RFC 113, Release at 187.*

28. The eligibility condition belongs in proposed Rule 17ad-12(b) itself, including that the agent hold no key capable of moving the balance. *Rule 17ad-12(b); RFC 113, Release at 184, 187.*

29. We ask the Commission to specify minimum requirements for the banks holding the separate accounts proposed Rule 17ad-12(b) would require, and we do not support permitting an additional intermediary in the same arrangement as a bank-maintained wallet. *Rule 17ad-12(b); RFC 113, Release at 184, 187.*

30. New Form TA-2 Question 7 should add a field capturing the form in which funds moved and were held. The Commission would then hold the answer to Request for Comment 167 for the next reporting year, and not only from comment. *Form TA-2 Q7; RFC 167, Release at 59, 355.*

31. We support proposed Rule 17ad-30 as proposed: uniform, outcome-based, with no chief compliance officer and no dedicated compliance function. The governing body should be identified by function, not by title, and no documentation requirement should be added that a tested, logged control cannot satisfy on its own. *Rule 17ad-30; RFC 124, 126, 127, Release at 197, 200, 201.*

32. Rescinding Rule 17ad-4 as to Rules 17ad-2, 17ad-3 and 17ad-6 has our support, with the transition at ask 3. *RFC 74, 75, Release at 125.*

33. Rule 17ad-13(d)(2) should be rewritten as a self-standing activity test rather than deleted as a conforming change. *Rule 17ad-13(d)(2); RFC 156, Release at 125, 352.*

34. Two populations sit behind the Rule 17ad-13 cost estimate: the 16 agents Table 17 prices at $40,000 a year, and the 143 agents covered by Rule 17ad-4(b), of which 57 reported zeros on all applicable Form TA-2 questions. We ask the Commission to publish its reconciliation of the two in the adopting release. *RFC 156; Table 17, Release at 228, 283, 319, 352.*

35. The dormant registrant population, 327 registered transfer agents against 253 Form TA-2 filers in 2025, should be addressed through a periodic activity affirmation on Form TA-2. *Form TA-2; Table 6, Release at 221, 223.*

36. Footnotes 270 and 271 should be conformed to the regulatory text: each cites proposed Rule 17ad-7(h)(3) and (h)(4) where the accompanying text describes proposed Rule 17ad-7(h)(2) and (h)(3). *Technical, Release at 156, 158.*

37. We recommend the Commission express authority to instruct a transfer agent as authority held and traceable to a person who may grant it, and not by employment status. *Rule 17ad-31(a)(1), Release at 203.*

38. We ask the Commission to add a request for comment, or address in the adopting release, the operation of transfer agent functions by automated and agentic systems. *Release at 8, 9, 127, 146, 164.*

39. We recommend the Commission answer that question with outcomes and not by prescribing a technology. *Release at 8, 9, 127, 146, 164.*

Exhibit

Exhibit A. Vertalo, Inc., "A Next Generation Transfer Agent," presentation to staff of the Commission and the Financial Industry Regulatory Authority, January 2020, with the Commission's December 2020 statement on the custody of digital asset securities by special purpose broker-dealers reproduced at its final page. Submitted for the public comment file. The presentation dates the joint staff statement on broker-dealer custody to July 2008; the correct date is July 8, 2019. We have not altered the document.

Respectfully submitted,

Dave Hendricks Founder and Chief Executive Officer Vertalo, Inc.

Mr. Hendricks is Co-Chair of the Securities Transfer Association's Tokenization Committee. Vertalo's comment letter of July 15, 2026 to the Commission's Crypto Task Force was filed in support of the Securities Transfer Association's comment letter of July 1, 2026.

VERTALO – A NEXT GENERATION TRANSFER AGENT

PRESENTATION TO THE COMMISSION AND FINRA STAFF

JANUARY 2020

MAIN ISSUES FACING BROKER-DEALERS WITH REGARDS TO DIGITAL ASSET SECURITIES

Joint Staff Statement on Broker-Dealer Custody of Digital Asset Securities Issued in July 2008 by the Division of Trading and Markets, U.S. Securities and Exchange Commission and Office of General Counsel, Financial Industry Regulatory Authority

Main issues raised include:

- Importance of the Customer Protection Rule
- Noncustodial Broker-Dealer Models for Digital Asset Securities
- Considerations for Broker-Dealer Custody of Digital Asset Securities
- The Books and Records and Financial Reporting Rules
- Control Location Applications

WHAT DOES VERTALO DO?

- At its core Vertalo is a SEC registered Transfer Agent that will maintain ownership records for issuers using computerized databases with ancillary and up to date records also being kept on one or multiple distributed ledgers.
- Our Issuer customers will have the option (but not be required) to transform their securities from electronic shares to Digital Asset Securities - and they will further have the option to return their securities to electronic form if they so choose.
- In connection with Digital Asset Securities we have developed unique *Direct Custody Wallets* that do not requires keys to be protected, and Digital Assets that we generically call *V-Tokens* that comply with Reg D holding requirements and transfer restrictions that an Issuer may impose.
- The Vertalo Direct-Custody Wallets, V-Tokens, and Registry support the effective extension of the established Customer Protection Rule to digital assets securities.
- This technology set protects investors against loss or theft of assets, facilitates robust broker-dealer management of those assets, and supports custody in keeping with existing industry practices for traditional investment securities.
- Vertalo's technology was not built with bearer instruments in mind. Other early attempts to implement digital securities using blockchain behave like bearer bonds held by pseudonymous owners. Vertalo does not support that use case. We support the case of securities operating with a registry of known, approved holders.

ROLE ASSIGNMENTS DETERMINE CONTROL

- When a V-Token is issued to represent an asset, different parties have different levels of control with respect to the V-Token – in other words, various players in the market have different "roles" just as they do today.
- Some roles are more pertinent to broker-dealer custody requirements whereas other roles make non-custodial broker-dealer models for digital asset securities approachable and safe.
- The owner role retains ultimate control of the V-Token and has the ability to assign defined roles to other parties. The owner role ensures that the appropriate party has pre-defined amounts of control over the digital asset.
- The owner can designate one or more parties as a *transfer controller* or *allowance controller*. The owner also determines what implementation the V-Token incorporates to restrict trading of the asset based on pre-defined investor eligibility, jurisdiction, limits on holder count, and other rules.
- We anticipate that in most instances the owner role belongs to the issuer of securities or an authorized party (i.e. an investment manager, external counsel).

FEATURES THAT ENFORCE TRANSFER RESTRICTIONS

Transfer Controller

- The transfer controller role can move V-Tokens from one registered wallet to another
- Transfer controller can settle trades, handle escheatment, and rectify erroneous or unauthorized transfers
- All transfer controller activity is identifiable as such in the blockchain record, providing an audit trail.
- The transfer controller role resembles a traditional custodian/transfer agent/carrying broker-dealer role.

Allowance Controller

- The allowance controller, an optional feature, cannot move tokens but can designate balances available for movement by a third party (i.e. the transfer controller). The allowance controller role can approve a trade between two wallets that is then settled by another party (e.g. an investor or an issuer).
- These approvals are visible on the blockchain, providing a complete audit trail of allowance controller activity and subsequent transfers. The allowance controller resembles the role of an entity that reports transactions for settlement by another party.

TRANSFER AGENT FUNCTIONALITY

- The investor role has a registry entry associating them with a specific Direct-Custody Wallet, thereby designating them as the holder of the asset.
- The investor role has a Vertalo Registry entry that associates each Direct-Custody Wallet with their registry account.
- The holdings records for investors on Vertalo's database are automatically updated based on transfers that take place on blockchain.
  - The owner is able to view these holdings in its account

CUSTOMER PROTECTION RULE COMPLIANCE BY BROKER-DEALERS

THE SEC'S 6TH REQUIREMENT FOR BDS TO CUSTODY DIGITAL ASSET SECURITIES (DEC 2020)

The broker-dealer establishes, maintains, and enforces reasonably designed written policies, procedures, and controls that are consistent with industry best practices to demonstrate the broker-dealer has exclusive control over the digital asset securities it holds in custody and to protect against the theft, loss, and unauthorized and accidental use of the private keys necessary to access and transfer the digital asset securities the broker-dealer holds in custody

CUSTOMER PROTECTION RULE COMPLIANCE BY BROKER-DEALERS

Concern: Irreversible theft of customer's digital asset securities

- Blockchain requires private key management
- Stolen keys expose investors to theft

CUSTOMER PROTECTION RULE COMPLIANCE BY BROKER-DEALERS

Potential Solution: Irreversible theft of customer's digital asset securities

- Direct-Custody Wallets have no private keys
  - No party can exercise control of such wallet to move tokens inappropriately
  - Only the transfer controller role (i.e. Broker Dealers, Transfer Agents) can move tokens
- This design *radically reduces the security risk for the digital asset*
- Only the keys for owner, transfer controller, and allowance controller must be guarded.
- Techniques for guarding private keys for the controller roles are no different than those available for guarding passwords for login to existing systems.
- The use of the Vertalo V-Token *does not introduce any new risk related to private keys or passwords.*

CUSTOMER PROTECTION RULE COMPLIANCE BY BROKER-DEALERS

Concern: Inability to recover lost or stolen customer digital asset securities

- Lost keys may be irrecoverable
- Stolen assets may be irrecoverable

CUSTOMER PROTECTION RULE COMPLIANCE BY BROKER-DEALERS

Potential Solution: Inability to recover lost or stolen customer digital asset securities

- The Direct-Custody Wallet provides a mechanism compatible with existing practices for broker-dealer custody in keeping with the Customer Protection Rule. A broker-dealer or transfer agent that has the transfer controller role for a Vertalo V-Token can make all transfers necessary to protect investors.
- The designated broker-dealer or transfer agent can reverse any mistaken, unauthorized or fraudulent transactions – similar to a cancel and correct. It can also make transfers to fulfill state escheatment requirements.
- The transfer controller role gives the broker-dealer or transfer agent full control over the digital asset securities including 1) destroying stolen digital asset securities and issuing new ones to the rightful owner in their stead and 2) using the Transfer Controller Role to claw back any digital asset security tokens that have been incorrectly transferred.

THE SEC'S 7TH REQUIREMENT FOR BROKER-DEALERS TO CUSTODY DIGITAL ASSET SECURITIES (DEC 2020)

The broker-dealer establishes, maintains, and enforces reasonably designed written policies, procedures, and arrangements to: (i) specifically identify, in advance, the steps it will take in the wake of certain events that could affect the firm's custody of the digital asset securities, including, without limitation, blockchain malfunctions, 51% attacks, hard forks, or airdrops; (ii) allow for the broker-dealer to comply with a court-ordered freeze or seizure; and (iii) allow for the transfer of the digital asset securities held by the broker-dealer to another special purpose broker-dealer, a trustee, receiver, liquidator, or person performing a similar function, or to another appropriate person, in the event the broker-dealer can no longer continue

CUSTOMER PROTECTION RULE COMPLIANCE BY BROKER-DEALERS

Concern: Satisfactory Control Location

- Does Vertalo's maintenance, as an Issuer's Transfer Agent, of electronic records of uncertificated securities (with ancillary records maintained on a distributed ledger) constitute a good control location for broker-dealers?

CUSTOMER PROTECTION RULE COMPLIANCE BY BROKER-DEALERS

Potential Solution: Satisfactory Control Location

- Vertalo believes the answer should be “yes”.
- If a broker-dealer fails, a SIPA trustee can step into the shoes of the broker-dealer to dispose of assets is accordance with SIPA.
- Vertalo, as transfer agent, controls the transfer of securities.
- Vertalo, as transfer agent, has processes to reverse or cancel mistaken or unauthorized transactions.
- Vertalo will maintain a traditional single master security holder list but also publish as a courtesy the ownership record using distributed ledger technology.

NON-CUSTODIAL B-D MODELS FOR DIGITAL ASSET SECURITIES MENTIONED IN THE JOINT STAFF STATEMENT

NON-CUSTODIAL B-D MODELS FOR DIGITAL ASSET SECURITIES REQUIRES DATA MANAGEMENT BETWEEN MULTIPLE PARTIES

NON-CUSTODIAL B-D MODELS FOR DIGITAL ASSET SECURITIES MENTIONED IN THE JOINT STAFF STATEMENT

First Example

- “One example is where the broker-dealer sends the trade-matching details (e.g., identity of the parties, price, and quantity) to the buyer and issuer of a digital asset security—similar to a traditional private placement”
  - The Issuer settles the transaction bilaterally between the buyer and issuer, away from the broker-dealer
  - The broker-dealer instructs the customer to pay the issuer directly and instructs the issuer to issue the digital asset security to the customer directly (e.g., the customer’s “digital wallet”)

NON-CUSTODIAL B-D MODELS FOR DIGITAL ASSET SECURITIES MENTIONED IN THE JOINT STAFF STATEMENT

Vertalo's Solution

- For digital asset securities, the broker-dealer ensures that the buyer appears in the Registry and then provides the same information as for analog securities. If the issuer does not have any controller privileges, the broker-dealer also exercises the allowance controller role to permit the issuer to transfer the tokens representing the asset in the trade. The issuer may then transfer tokens on chain. The transfer is immediately reflected in the Registry cap table, visible to the issuer, the broker-dealer, and the investor.

NON-CUSTODIAL B-D MODELS FOR DIGITAL ASSET SECURITIES MENTIONED IN THE JOINT STAFF STATEMENT

Second Example

- "A second example is where a broker-dealer facilitates "over-the counter" secondary market transactions in digital asset securities without taking custody of or exercising control over the digital asset securities.
  - The buyer and seller complete the transaction directly and, therefore, the
  - Securities do not pass through the broker-dealer facilitating the transaction."

NON-CUSTODIAL B-D MODELS FOR DIGITAL ASSET SECURITIES MENTIONED IN THE JOINT STAFF STATEMENT

Vertalo's Solution

- The broker-dealer ensures that the buyer appears in the Registry. Then the broker-dealer can exercise the allowance controller role to permit a transfer agent or some other party to move the tokens.

NON-CUSTODIAL B-D MODELS FOR DIGITAL ASSET SECURITIES MENTIONED IN THE JOINT STAFF STATEMENT

Third Example

- *"Another example is where a secondary market transaction involves a broker-dealer introducing a buyer to a seller of digital asset securities through a trading platform where the trade is settled directly between the buyer and seller. For instance, a broker-dealer that operates an alternative trading system ("ATS") could match buyers and sellers of digital asset securities and the trades would either be settled directly between the buyer and seller, or the buyer and seller would give instructions to their respective custodians to settle the transactions. In either case, the ATS would not guarantee or otherwise have responsibility for settling the trades and would not at any time exercise any level of control over the digital asset securities being sold or the cash being used to make the purchase (e.g., the ATS would not place a temporary hold on the seller's wallet or on the buyer's cash to ensure the transaction is completed)." (Footnote omitted).*

NON-CUSTODIAL B-D MODELS FOR DIGITAL ASSET SECURITIES MENTIONED IN THE JOINT STAFF STATEMENT

Vertalo's Solution

- After matching the orders, the broker-dealer ensures the buyer appears in the Registry. The broker-dealer then reports the trade to the custodian(s) and transfer agents.
- The trade is settled directly between buyer and seller or by instructions sent to respective custodians

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