

**FEDERAL RESERVE BANK  
OF NEW YORK**

ATCIR No 8595(a)  
June 26, 1979

**MISSING, LOST, COUNTERFEIT, OR STOLEN SECURITIES  
Amendments to SEC's Lost and Stolen Securities Program**

*To the Chief Executive Officers of All State Member  
Banks in the Second Federal Reserve District:*

On May 23, 1979, the Securities and Exchange Commission adopted amendments, effective July 1, 1979, to the Lost and Stolen Securities Program. Previously, on July 31, 1978, the Commission had announced an extension in the Program's pilot period from December 31, 1978 until June 30, 1979 and the redesignation of Securities Information Center, Inc. as the Commission's designee to maintain and operate the computerized data base for a period of two years beginning January 1, 1979.

The amendments, among other things, create a central data base of missing, lost, counterfeit, and stolen securities by providing for the merger of the separate data bases now maintained by the Federal Reserve Banks for U. S. Government and Agency securities and by Securities Information Center, Inc. for all other securities. The merger of the data bases is expected to be completed by July 1, 1979, after which the central data base will be operated by Securities Information Center, Inc.

Enclosed is a copy of the *Federal Register* notice announcing the amendments to the Lost and Stolen Securities Program. Please note that if your bank is already registered as a *direct* inquirer, your bank must reregister with Securities Information Center, Inc. by July 15, 1979 by completing the registration form attached as an appendix to the release. The effective date of the new registration will relate back to July 1, 1979, the end of the pilot period. Reporting institutions already registered as *direct* inquirers for 1979 will *not* be charged another annual fee when they reregister for the period beginning July 1, 1979. If, on the other hand, your bank is already registered as an *indirect* inquirer, the registration form is *not* required to be filed unless you wish to amend your prior registration to either update the information submitted or change your participation status from indirect to direct inquirer.

It is important that those responsible for processing securities transactions be familiar with these amendments to ensure compliance. For this reason you will no doubt wish to apprise those departments of your bank likely to be affected by the new amendments, e.g., trust, investment, transfer, clearing, or dealer departments, and lending operations relating to collateral loans.

Any questions you may have regarding the amendments or the operation of the Lost and Stolen Securities Program may be directed to Mr. Gregory C. Yadley at the Securities and Exchange Commission (202-376-8129) or Mr. Robert Keihner of the Government Bond and Safekeeping of Securities Function of this Bank (212-791-6565).

PAUL A. VOLCKER,  
*President.*



# FRASER POST REPORT

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Thursday  
May 31, 1979

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## Part IV

### Securities and Exchange Commission

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Lost and Stolen Securities Program;  
Adopted Amendments



# SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 240, 249

(Release No. 34-15367; File No. S7-611)

## Lost and Stolen Securities Program Amendments

AGENCY: Securities and Exchange Commission.

ACTION: Final rules.

**SUMMARY:** The Commission today adopted amendments to the Lost and Stolen Securities Program (the "Program") which establish registration provisions for all reporting institutions subject to Section 17(f)(1) of the Securities Exchange Act of 1934 (the "Act"), except brokers and dealers whose only business is conducted on a national securities exchange and who do not conduct a public business, and brokers and dealers who limit their business to sales of variable contracts or limited partnerships. These amendments also create a central data base of reported securities thefts and losses; incorporate into the section the temporary pilot period exemptions from reporting and inquiry; establish an exemption from required inquiry for bearer securities received by a reporting institution directly from a customer to whom it had previously sold the securities; and incorporate staff interpretations extending the exemption from required inquiry to securities received from a "certificate drop" and from a Federal Reserve Bank or Branch. In addition, this release sets forth modifications to the Commission's reporting form, Form X-17F-1A, and a conforming amendment to section 17a-3.

**EFFECTIVE DATE:** July 1, 1979.

**FOR FURTHER INFORMATION CONTACT:** Gregory C. Yadley, Branch Chief, Division of Market Regulation, Securities and Exchange Commission, Washington, D.C. 20549, telephone 202-376-8129.

**SUPPLEMENTARY INFORMATION:** The Securities and Exchange Commission today announced the adoption of various amendments and modifications to § 240.17f-1 and the Lost and Stolen Securities Program based on public comments received in response to Securities Exchange Act Release Nos. 15015<sup>1</sup> and 15683.<sup>2</sup>

<sup>1</sup> 43 FR 34790 (August 7, 1978), hereinafter cited as "Release No. 34-15015."

<sup>2</sup> 44 FR 20614 (April 5, 1979), hereinafter cited as "Release No. 34-15683."

## Background

On August 5, 1977, the Commission adopted § 240.17f-1<sup>3</sup> implementing Section 17(f)(1) of the Act which mandated the establishment of a securities reporting and validation system. On January 2, 1978, the system for the processing of reports and inquiries became fully operational.<sup>4</sup>

In order to monitor the effectiveness of the section and the system designed to carry out the Program, the Commission determined that the Program should be instituted initially on a pilot basis, through December 31, 1978.

On July 31, 1978, the Commission issued Release No. 34-15015, soliciting public comments concerning the operation of the Program and announcing its intention to engage in proposed rulemaking.<sup>5</sup>

The Commission subsequently issued a release which extended the pilot program from December 31, 1978, to June 30, 1979, announced the redesignation of SIC, and required certain institutions subject to § 240.17f-1 to register with SIC for the remainder of the pilot period.<sup>6</sup>

After analyzing approximately 120 comment letters submitted by members of the public in response to its solicitation release, the Commission, in Release No. 34-15683, issued for public comment certain proposed amendments to the section and other modifications to the Program.

The Commission received 34 additional letters commenting on the proposed amendments and modifications, and analysis of these comment letters indicated that no further substantive changes to the

section were necessary at this time. Therefore, the Commission herein adopts, effective July 1, 1979, the proposed amendments to the section and modifications to the Program, as discussed below.

## Institutions Subject to § 240.17f-1

The Commission proposed, in Release No. 34-15683, a technical amendment to § 240.17f-1, making explicit the requirement that all reporting institutions, as defined in Section 17(f)(1) of the Act (with two exceptions discussed below), register with the Commission or its designee.<sup>7</sup> Although this provision was an integral part of the Program, it was not previously included in the section.<sup>8</sup>

Based on the comments received in response to its solicitation release, the Commission proposed that two classes of brokers and dealers with limited securities activity be exempted from the proposed registration provisions of the Program. Specifically, the Commission proposed an exemption for (a) brokers and dealers whose only business is conducted on the floor of a national securities exchange and who do not conduct a public business, and (b) brokers and dealers whose business is limited to sales of variable contracts or limited partnerships and who do not hold or receive securities subject to the reporting and inquiry provisions of the section.

Two comment letters received in response to the Commission's proposed exemption from registration suggested that an exemption also be provided for brokers and dealers whose business consists only of the sale of mutual funds and who do not hold or receive securities. Under the proposed amendment, § 240.17f-1 would contain an exemption from registration only for institutions whose business relates to securities which are not in definitive form. Mutual fund shares may be certificated, and having analyzed the potential risk of this additional exemption if it is permitted and assessed the countervailing burden on

<sup>3</sup> Securities Exchange Act Release No. 13832, 42 FR 41022 (August 12, 1977), hereinafter cited as "Release No. 34-13832."

<sup>4</sup> The Commission determined that it would be appropriate to designate another person, as permitted by the statute, to receive and process reports and inquiries made pursuant to the section on behalf of the Commission. Accordingly, the Commission solicited plans from persons interested in acting as the Commission's designee and, after analysis of the submissions, designated Securities Information Center, Inc. ("SIC"), of Wellesley Hills, Massachusetts, to maintain and operate the data base of missing, lost, counterfeit or stolen securities on its behalf, through the pilot period ending December 31, 1978. Securities Exchange Act Release No. 13538, 42 FR 26495 (May 12, 1977). The designation was extended for a two-year term, to end December 31, 1980, after a resolicitation of plans and analysis of the submissions received. Securities Exchange Act Release No. 15289, 43 FR 52418 (November 9, 1978), hereinafter referred to as "Release No. 34-15289."

<sup>5</sup> Thereafter, in response to numerous requests for additional time in which to submit comments, the Commission extended the close of the comment period from September 8, 1978, to October 15, 1978. Securities Exchange Act Release No. 15159, 43 FR 43035 (September 22, 1978).

<sup>6</sup> Release No. 34-15289.

<sup>7</sup> Paragraph (a) of the rule, which tracks the language of Section 17(f)(1) of the Act, defines a "reporting institution" to include "every national securities exchange, member thereof, registered securities association, broker, dealer, municipal securities dealer, registered transfer agent, registered clearing agency, participant therein, member of the Federal Reserve System and bank whose deposits are insured by the Federal Deposit Insurance Corporation."

<sup>8</sup> Some institutions argued that since there was no provision in the section requiring registration with SIC, it was possible to forego registration and, as a result, be free from the requirements of the section. The section has been amended to emphasize the Commission's view that registration is and always has been required of all reporting institutions.



the securities and banking industries if it is not, the Commission has determined to withhold the exemption at this time. The Commission will continue to monitor the operation of this aspect of the Program to determine whether additional amendments at a future date are appropriate.

Accordingly, the Commission has adopted an amendment to § 240.17f-1 which incorporates the registration requirements and provides exemptions for brokers and dealers engaged solely in the sale of variable contracts or limited partnerships and for floor traders, floor brokers, and specialists who do not conduct a public business but effect transactions only for their own account or those of other members.<sup>9</sup>

#### *Securities Encompassed by § 240.17f-1*

In Securities Exchange Act Release No. 13280,<sup>10</sup> the Commission announced that to ease implementation of the Program and to concentrate on the most widely traded securities, corporate and municipal issues not assigned CUSIP numbers and bond coupons would be exempt from required reporting and inquiry for the duration of the pilot period (the "non-CUSIP exemption").<sup>11</sup>

The Commission recognized that the Program's purposes would be best served if its focus were on those securities which were commonly held by the investing public, most readily negotiable, and most often subject to loss, theft or counterfeiting. The CUSIP system offered a pre-existing, convenient, and efficient method for concentrating on the securities most appropriate for inclusion in the Program.<sup>12</sup>

<sup>9</sup> These brokers and dealers would continue to be "reporting institutions" under the section, as defined *supra*.

<sup>10</sup> 42 FR 11829 (March 1, 1977), hereinafter cited as "Release No. 34-13280."

<sup>11</sup> If a reporting institution is unable to determine whether a securities issue has a CUSIP number after having examined the face of the certificate and consulted a CUSIP directory, the institution should contact SIC and request a "CUSIP look up."

<sup>12</sup> The CUSIP system utilizes such factors as whether a security is traded on a national securities exchange, listed in the National Quotation Bureau's "pink sheets," traded on a national basis or is of general interest to determine whether a CUSIP number should be assigned. Approximately 1,200,000 securities issues are currently assigned CUSIP numbers. Non-CUSIP securities tend to be those that are of "local interest" or are short term commercial paper or money-market instruments such as certificates of deposit, among others. In addition, non-certificated securities are not assigned CUSIP numbers. It is worthy of note, however, that even though a securities issue may be initially of "local interest," it may subsequently be assigned a CUSIP number due to increased investor interest, or trading or listing on an exchange. Consequently, in most instances, there is a correlation between the lack of an assigned CUSIP number and the lack of a general market for the particular security.

The majority of the comments received by the Commission in response to its original solicitation release and Release No. 34-15683 urged that the non-CUSIP and bond exemptions be made permanent. Accordingly, the Commission has determined that those temporary pilot period exemptions be incorporated into § 240.17f-1.<sup>13</sup>

#### *Creation of a Central Data Base*

With respect to the question of whether the framework of dual appropriate instrumentalities provided by the section should be retained or whether a central data base would be preferable, the overwhelming majority of the comments received supported the proposed merger of the SIC and the Federal Reserve Banks' ("FRB") data bases. In view of these comments and the systemic difficulties inherent in a system of separate, non-parallel processing facilities, the Commission has adopted an amendment to paragraph (a) of § 240.17f-1 which deletes the definition of the term "appropriate instrumentality" and makes other conforming, technical amendments, the effect of which is to create a central data base.

As discussed in Release No. 34-15683, SIC has been redesignated by the Commission to operate the data base for a two-year term ending December 31, 1980, and will, therefore, assimilate the reports already in the FRB data base.<sup>14</sup> It is expected that the merger of data bases will be completed by July 1, 1979.

#### *Form X-17F-1A*

Paragraph (c)(6) of § 240.17f-1 requires that all reports made pursuant to this section be submitted on SEC Form X-17F-1A.

In Release No. 34-15683, several modifications to the reporting form were proposed for public comment.<sup>15</sup> Since

<sup>13</sup> Although bond coupons remain exempt from the reporting and inquiry requirements of the Program, the Commission urges all institutions to take appropriate steps to validate the legitimacy of ownership of coupons presented for payment under suspicious circumstances. In this regard, where coupons have the same serial number as the bond to which they are attached, an inquiry on the serial number may, in such circumstances, alert a reporting institution to a previously reported bond.

<sup>14</sup> Following the merger of the SIC and FRB data bases, reporting institutions making inquiry of the System concerning U.S. Government or Agency securities should follow the same procedures as those utilized for inquiry with respect to corporate securities used prior to the merger. In the case of a match between an inquiry made by a reporting institution and a report submitted by the FRB on behalf of the U.S. Treasury, the inquiring reporting institution will be informed of the match and advised by SIC to contact the appropriate Branch of the FRB which reported the loss.

<sup>15</sup> The proposals included modifying Form X-17F-1A to include a designation of the specific type of

the publication of that release. SIC has suggested several technical modification, primarily in terms of format, which would facilitate the use of the form by reporting institutions and encourage its use by transfer agents as a uniform stop transfer report. SIC has asked that the box labeled "Designee's Use Only" and item 2, "Confirmation," be removed as they are not utilized by SIC or reporting institutions. It is also no longer necessary to write "Bearer" on line 11, but merely to check the box provided where appropriate.

In response to two other comments, the "Issue Date" has been relocated so that a particular certificate may be further identified by its specific date of issue. The box for "Criminality Indicated" has been relocated so that it is next to the boxes of those agencies which will receive copies of reports when criminality is indicated.

So that SIC can determine the specific information which requires correction following receipt of a corrected report, the procedure for submitting a corrected report has been modified. Reporting institutions should now attach a copy of the original report to a new corrected or updated report.

A final comment evidenced that some confusion on the part of reporting institutions remains with respect to the inclusion of alphabetical prefixes or suffixes, with certificate numbers when making reports. Section 240.17f-1 requires their inclusion whenever available. SIC computer software, however, is capable of searching the data base without prefixes or suffixes. Accordingly, if a reporting institution is unable to determine the prefix or suffix of a subject security, it should, nevertheless, proceed with the report. In this case, a report and inquiry may match although, in fact, it may not be a true match because the certificates have different prefixes or suffixes.<sup>16</sup>

In conclusion, Form X-17F-1A has been amended to include the proposals contained in Release No. 34-15683 and the additional modifications discussed above. Section 249.1200, which provides for the use of Form X-17F-1A, has been

loss reported, the telephone number of the reporting institution, the names and addresses of transfer or paying agents and insurance companies to which copies of the report are sent, and the particular types of securities which are subject to reporting.

<sup>16</sup> Of course, institutions filing reports in these circumstances should diligently search for the unknown prefixes or suffixes and submit an update on Form X-17F-1A with the information to SIC as quickly as possible after discovery. Inasmuch as SIC operational personnel compare prefixes or suffixes included on Form X-17F-1A with those given in an inquiry when the prefixes and suffixes are available to determine if a match occurs, inclusion of prefixes and suffixes in reports and inquiries will eliminate this problem.



modified to conform to the amended version of § 240.17f-1.

### Exemptions From Inquiry

#### A. Transfer Agent Exemption

During the pilot program, registered transfer agents were exempt from the inquiry provisions of § 240.17f-1. The overwhelming majority of the comments received by the Commission urged that this temporary exemption be continued and incorporated into the section.

Since a transfer agent will not effect registration of a transfer unless it is satisfied from its own records and a review of its stops that the particular transfer is in all respects proper, requiring a transfer agent to inquire of the data base maintained by the Commission designee would be duplicative in most instances.<sup>17</sup>

Accordingly, the Commission has adopted an amendment which incorporates the transfer agent exemption into this section.<sup>18</sup>

#### B. The De Minimis Exemption

During the pilot program, exemption from required inquiry was provided for securities transactions valued at \$10,000 or less (the "de minimis exemption"). In an interpretive letter, the staff of the Commission stated that a reporting institution must view a securities transaction in its entirety and not on a piecemeal basis when determining whether the exemption is applicable.<sup>19</sup>

The great majority of the comment letters responding to Release Nos. 34-15015 and 34-15683 recommended continuance of the exemption and the staff interpretation. In view of the comments received and its belief that the use of a *de minimis* exemption contributes to an efficient and cost-

effective system, the Commission has adopted an amendment to the section which incorporates the *de minimis* exemption, as modified by the staff interpretation.

#### C. Bearer Securities Sold to a Customer

The Commission did not receive any additional comments on the proposal to create an exemption from inquiry in the case of bearer securities where the reporting institution taking such securities into its possession or keeping "knows its customer" and can verify through its own internal records that it previously sold the securities offered to the person presenting them.<sup>20</sup>

Based on the comment letters, which indicate that the proposed exemption has the overwhelming support of the securities and banking industries, the Commission has adopted an amendment incorporating the exemption into the section.

#### D. Exemption Upon Receipt of Securities from a Certificate Drop or a Federal Reserve Bank or Branch

Old paragraph(c)(1) of the section provided an exemption from inquiry for securities received from another reporting institution or from a Federal Reserve Bank or Branch in its capacity as fiscal agent. The Commission has adopted new paragraph(d)(1) of the section extending this exemption from inquiry to those instances where the securities are received from an institution which is affiliated with a reporting institution and acts as a "certificate drop" <sup>21</sup> or from a Federal Reserve Bank or Branch in any capacity. <sup>22</sup>

<sup>20</sup>A reporting institution coming into possession or keeping of a bearer certificate in these circumstances would be expected to verify this fact by an examination of prior confirmations of securities transactions issued to the customer, delivery receipts, or other relevant internal records which would document, to the satisfaction of the firm, that the bearer security is legitimately held by the customer.

<sup>21</sup>The staff had previously taken this position in an interpretive letter to First National Bank of Boston, dated January 12, 1978.

<sup>22</sup>The staff had already taken the position that securities received from the Federal Reserve Bank or Branch in its capacity as safekeeping agent were covered by the exemption in a letter to Bankers Trust Co., dated March 21, 1978. Regardless of the capacity in which it acts, in most instances, a Federal Reserve Bank or Branch receives securities from member banks or other reporting institutions under the section. Accordingly, inquiry will have previously been made on the subject securities where required. It is only in rare circumstances that securities are received by a Federal Reserve Bank or Branch from a nonreporting institution. In such cases, the Federal Reserve Bank or Branch attempts to validate the authenticity of the certificate through SIC and otherwise.

### Direct/Indirect Inquiry

In connection with the election of participation status as either a direct or an indirect inquirer on the registration form required to be filed with SIC, <sup>23</sup> the Commission has adopted an amendment to the section requiring all reporting institutions to maintain as part of the recordkeeping requirements of paragraph (g) of the section copies of agreements which designate one institution as a direct inquirer for the processing of inquiries on behalf of an indirect inquirer.<sup>24</sup> In addition the Commission urges each direct inquirer to share with its indirect inquirers all information obtained in response to inquiries made on their behalf, particularly information concerning hits.

Section 240.17a-3, which incorporates the general recordkeeping provisions of § 240.17f-1, also has been amended by the Commission to conform to the language of the amended version of § 240.17f-1.

### Miscellaneous Comments

Several new comment letters have been received arguing that the staff's interpretation with respect to the appropriate party to report losses when securities are delivered "over the window" <sup>25</sup> is contrary to normal business practice. In view of these comments, the Commission emphasizes that this staff interpretation only provides clarity as to which reporting institution has the obligation to report losses and does not affect industry practice. The Commission believes that the section, as written, is equitable in most instances and that the certainty it provides justifies its continuation. Accordingly, the Commission had not revised this interpretation.

A final commentator requested a thirty-day extension of the comment period. In order to avoid a lapse in the Program's service, it is necessary that the final, amended version of the Program take effect on July 1, 1979.

<sup>23</sup>A few commentators stated that they preferred to register with SIC as indirect inquirers but were unable to locate a reporting institution willing to act on their behalf as a direct inquirer. The Commission has discussed this problem with SIC, and, in response, SIC is investigating the possibility of compiling for circulation a list of direct inquirers available to make reports and inquiries on behalf of indirect inquirers.

<sup>24</sup>Of course, an indirect inquirer should not designate another reporting institution as its direct inquirer prior to reaching such an agreement with that institution.

<sup>25</sup>A staff interpretation discussed in Release No. 34-15683 stated that a copy of a delivery bill stamped by a receiving reporting institution "Received Subject to Count and Examination" and returned to the delivering institution is a "receipt" under the section and thereby obligates the receiving institution to make a report of loss.

<sup>17</sup>Section 240.17f-1 requires reporting institutions to submit a copy of Form X-17F-1A to a transfer agent for the issue whenever a report of loss is made to SIC. The section has also been amended to require a report to a transfer agent within one business day after discovery of a counterfeit security.

<sup>18</sup>One commentator requested that the Commission clarify the reporting requirements applicable to registered transfer agents. As previously stated in Release No. 34-13832, a transfer agent which receives from a reporting institution a copy of Form X-17F-1A concerning lost or stolen securities is not required to make a report. But, when a securities loss is reported to the transfer agent by a non-reporting entity such as an individual, the transfer agent is required to make a report of the loss to SIC within the appropriate time frames stated in the section.

<sup>19</sup>Letter to La Salle National Bank, dated December 7, 1977. For example, where four \$5,000 bonds are used as collateral for a single loan, the total transaction exceeds \$10,000, and the *de minimis* exemption from inquiry may not be claimed. If each certificate were analyzed with respect to the exemption's applicability, relatively few transactions would require inquiry.



Therefore, the Commission has not granted an extension of the comment period.<sup>26</sup>

### Registration

All reporting institutions registered as direct inquirers must reregister with the Commission's designee by July 15, 1979, by completing the registration form attached as an appendix to this release. The effective date of the new registration form will relate back to July 1, 1979, the end of the pilot period. Those institutions that wish to change their status in the Program to participate as direct or indirect inquirers after July 1, 1979, will have the opportunity to do so on a semi-annual basis.<sup>27</sup>

### Statutory Basis and Competitive Considerations

The Commission acting pursuant to sections 2, 17(f), and 23 of the Securities Exchange Act of 1934, hereby adopts amendments to § 240.17f-1 and § 240.17a-3, and modifications to the Lost and Stolen Securities Program and to Form X-17F-1A and § 249.1200 as set forth below.

The amendments to § 240.17a-3 and the adopted modifications to Form X-17F-1A and § 249.1200 are technical and non-substantive and, therefore, the Commission finds that notice and public procedure under the Administrative Procedure Act [5 U.S.C. 553(b)(B)] are impracticable, unnecessary, or contrary to the public interest, and that good cause exists for making the modifications effective July 1, 1979.

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

1. Pursuant to Section 17(f) of the Securities Exchange Act of 1934, the Securities and Exchange Commission amends paragraph (a)(14) in § 240.17a-3 in Chapter II of Title 17 of the Code of Federal Regulations as follows:

#### § 240.17a-3 Records to be made by certain exchange members, brokers and dealers.

(a) \* \* \*

(14) Copies of all Forms X-17F-1A filed pursuant to § 240.17f-1, all

agreements between reporting institutions regarding registration or other aspects of § 240.17f-1, and all confirmations or other information received from the Commission or its designee as a result of inquiry.

2. Pursuant to sections 2, 17(f), and 23 of the Securities Exchange Act of 1934, the Securities and Exchange Commission revises § 240.17f-1 in Chapter II of Title 17 of the Code of Federal Regulations to read as follows:

#### § 240.17f-1 Requirements for reporting and inquiry with respect to missing, lost, counterfeit or stolen securities.

(a) *Definition—Reporting institution.* For purposes of this section, the term "reporting institution" shall include every national securities exchange, member thereof, registered securities association, broker, dealer, municipal securities dealer, registered transfer agent, registered clearing agency, participant therein, member of the Federal Reserve System and bank whose deposits are insured by the Federal Deposit Insurance Corporation.

(b) Every reporting institution shall register with the Commission or its designee in accordance with instructions issued by the Commission *except*

(1) A member of a national securities exchange who effects securities transactions exclusively on the floor of such national securities exchange solely for other members and does not receive or hold customer securities; and

(2) A registered broker or dealer who is engaged exclusively in the sale of variable contracts and/or limited partnership interests and does not receive or hold securities that are subject to the provisions of paragraphs (c) and (d) herein.

(c) *Reporting requirements—(1) Stolen Securities.* (i) Every reporting institution shall report to the Commission or its designee and to a registered transfer agent for the issue the discovery of the theft or loss of any security where there is substantial basis for believing that criminal activity was involved. Such report shall be made within one business day of the discovery and, if the certificate numbers of the securities cannot be ascertained at that time, they shall be reported as soon thereafter as possible.

(ii) Every reporting institution shall promptly report to the appropriate law enforcement agency upon the discovery of the theft or loss of any security where there is substantial basis for believing that criminal activity was involved.

(2) *Missing or lost securities.* Every reporting institution shall report to the Commission or its designee and to a registered transfer agent for the issue the discovery of the loss of any security where criminal actions are not suspected when the security has been missing or lost for a period of two business days. Such report shall be made within one business day of the end of such period *except* that:

(i) Securities lost in transit to customers, transfer agents, banks, brokers or dealers shall be reported by the delivering institutions no later than two business days after notice of non-receipt or as soon after such notice as the certificate numbers of the securities can be ascertained.

(ii) Securities considered lost or missing as result of securities counts or verifications required by rule, regulation or otherwise (e.g., dividend record date verification made as a result of firm policy or internal audit function report) shall be reported no later than ten business days after completion of such securities count or verification or as soon after such count or verification as the certificate numbers of the securities can be ascertained.

(iii) Securities not received during the completion of a delivery, deposit or withdrawal shall be reported in the following manner:

(A) Where delivery of securities is through clearing agency, the delivering institution shall supply the receiving institution the certificate number of the security within two business days from the date of request from the receiving institution. The receiving institution shall report within one business day of notification of the certificate number;

(B) Where the delivery of securities is over the window and where the delivering institution has a receipt, the delivering institution shall supply the receiving institution the certificate numbers of the securities within two business days from the date of request from the receiving institution. The receiving institution shall report within one business day of notification of the certificate number;

(C) Where the delivery of securities is over the window and where the delivering institution has no receipt, the delivering institution shall report within two business days of notification of non-receipt by the receiving institution; or

(D) Where delivery of securities is made by mail or via draft, if payment is not received within ten business days, the delivering institution shall confirm with the receiving institution the failure to receive such delivery; if confirmation shows non-receipt, the delivering

<sup>26</sup> The issues raised by this commentator, however, have been considered and the Commission will continue to review any constructive comments which it receives in the future. The Commission also intends to continue to monitor the Program to determine whether any future modifications are necessary.

<sup>27</sup> Reporting institutions already registered as direct inquirers for 1979 will not be charged another annual fee when they reregister for the period beginning July 1, 1979. Refer to Release Nos. 34-13832 and 34-15289 for information with respect to registration and fee schedules.



institution shall report within two business days of such confirmation.

(3) *Counterfeit securities.* Every reporting institution shall report the discovery of any counterfeit security to the Commission or its designee, to a registered transfer agent for the issue, and to the appropriate law enforcement agency within one business day of such discovery.

(4) *Recovery.* Every reporting institution shall report the recovery or finding of any security previously reported missing, lost, or stolen pursuant to this section to the Commission or its designee and to a registered transfer agent for the issue within one business day of such recovery or finding. If a report of stolen securities was made to the appropriate law enforcement agency, a report of such recovery shall also be made to such agency. Recovery may only be reported by the institution which reported the security as missing, lost or stolen.

(5) *Information to be reported.* All reports made pursuant to this section shall include, if applicable or available, the following information with respect to each security:

- (i) Issuer;
- (ii) Type of security and series;
- (iii) Date of issue;
- (iv) Maturity date;
- (v) Denomination;
- (vi) Interest rate;
- (vii) Certificate number, including alphabetical prefix or suffix;
- (viii) Distinguishing characteristics, if counterfeit;
- (ix) Date of discovery of loss or recovery;
- (x) CUSIP number; and
- (xi) FINS number.

(6) *Forms.* All reports made pursuant to this section shall be made on Form X-17F-1A.

(d) *Required inquiries.* (1) Every reporting institution except a registered transfer agent shall inquire of the Commission or its designee with respect to every security which comes into its possession or keeping, whether by pledge, transfer, or otherwise, to ascertain whether such security has been reported as missing, lost, counterfeit, or stolen, *unless*

(i) The security is received directly from the issuer or issuing agent at issuance;

(ii) The security is received from another reporting institution or from a Federal Reserve Bank or Branch;

(iii) The security is received from a customer of the reporting institution and

(A) is registered in the name of such customer or its nominee or

(B) was previously sold to such customer, as verified by the internal records of the reporting institution;

(iv) The security is part of a transaction which has an aggregate face value of \$10,000 or less in the case of bonds or market value of \$10,000 or less in the case of stocks; or

(v) The security is received directly from a drop which is affiliated with a reporting institution for the purposes of receiving and delivering certificates on behalf of the reporting institution.

(2) *Form of inquiry.* Inquiries shall be made in such manner as prescribed by the Commission or its designee.

(e) *Permissive reports and inquiries.* Every reporting institution may report to or inquire of the Commission or its designee with respect to any security not otherwise required by this section to be the subject of a report or inquiry. The Commission on written request or upon its own motion may permit reports to and inquiries of the system by any other person or entity upon such terms and conditions as it deems appropriate and necessary in the public interest and for the protection of investors.

(f) *Exemptions.* The following types of securities are not subject to paragraphs (c) and (d), above:

(1) Registered securities of the United States Government, any agency or instrumentality of the United States Government, the International Bank for Reconstruction and Development, the Inter-American Development Bank, or the Asian Development Bank, and counterfeit securities of such entities;

(2) Security issues not assigned CUSIP numbers;

(3) Bond coupons.

(g) *Recordkeeping.* Every reporting institution shall maintain and preserve in an easily accessible place for three years copies of all Forms X-17F-1A filed pursuant to this section, all agreements between reporting institutions regarding registration or other aspects of this section, and all confirmations or other information received from the Commission or its designee as a result of inquiry.

#### PART 249—FORMS, SECURITIES EXCHANGE ACT OF 1934

3. The Securities and Exchange Commission, pursuant to Section 17(f) of the Securities Exchange Act of 1934, adopts modifications to Form X-17F-1A, § 249.1200 in Chapter II of Title 17 of the Code of Federal Regulations, as appended hereto, and amends § 249.1200 as set forth below:

#### § 249.1200 Form X-17F-1A—Report for missing, lost, stolen or counterfeit securities.

This form is to be filed with the Commission or its designee pursuant to paragraph (c) of § 240.17f-1 of this chapter by all reporting institutions subject to Section 17(f)(1) of the Securities Exchange Act of 1934.

By the Commission.

George A. Fitzsimmons,

Secretary.

May 23, 1979.

Note.—The following appendix will not appear in the Code of Federal Regulations.



## APPENDIX

(Please photocopy this form, complete, and submit to SIC.)

### 1979 Registration Form Lost and Stolen Securities Program

#### Instructions

COMPLETION AND FILING OF THE FORM - All institutions completing and filing this form should fill in Part I and Part IV and either Part II or Part III of the form. Completed forms should be returned to:

Securities Information Center, Inc.  
Post Office Box 421  
Wellesley Hills, Massachusetts 02181

The deadline for filing this form is July 15, 1979.

WHO SHOULD USE THIS FORM - This form should be completed and filed by all institutions subject to Rule 17f-1 (17 CFR §240.17f-1) 1/ which are not exempt from the registration provisions of the rule 2/ and

- (1) Who have NOT submitted a registration form for the Lost and Stolen Securities Program to Securities Information Center, Inc., OR
- (2) Who have submitted a registration form for the Lost and Stolen Securities Program to Securities Information Center, Inc. and registered as a DIRECT INQUIRER, OR
- (3) Who have submitted a registration form for the Lost and Stolen Securities Program to Securities Information Center, Inc., and registered as an INDIRECT INQUIRER AND desire to amend their prior registration form to either update the information submitted OR change their inquiry participation status.

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1/ The institutions subject to Rule 17f-1 are as follows: every national securities exchange, member thereof, registered securities association, broker, dealer, municipal securities dealer, registered transfer agent, registered clearing agency, participant therein, member of the Federal Reserve System and bank whose deposits are insured by the Federal Deposit Insurance Corporation.

2/ Brokers and dealers whose only business is conducted on a national securities exchange and who do not conduct a public business, and brokers and dealers who limit their business to sales of variable contracts or limited partnership, are exempt from the registration provisions of Rule 17f-1.



WHO SHOULD NOT USE THIS FORM - Institutions should NOT complete or file this form if they have previously registered as an INDIRECT INQUIRER in the Lost and Stolen Securities Program by submission of a registration form to Securities Information Center, Inc. AND the data submitted thereon is current AND they do not desire to change their inquiry participation status. If an institution does not submit this form, the prior election of inquiry participation status will continue and be binding through June 30, 1979.

PART I

A. Name of Institution \_\_\_\_\_

Mailing Address \_\_\_\_\_  
\_\_\_\_\_

Zip Code \_\_\_\_\_

FINS Identification No. 3/ \_\_\_\_\_

Name, Title, and Telephone  
Of Person to Whom Bills  
Should Be Directed:

( ) \_\_\_\_\_  
\_\_\_\_\_

Name, Title and Telephone  
of Person Responsible  
for Institution's  
Compliance with Rule  
17f-1 (if different  
from above):

( ) \_\_\_\_\_  
\_\_\_\_\_

---

3/ FINS ("Financial Industry Number Standard") numbers are compiled in the 1976 FINS Directory (First Edition), published by the Depository Trust Company. If an institution is uncertain as to whether it has a FINS number, it should consult this Directory, its self-regulatory organization, its trade association, or SEC personnel at 202-376-8129. If an institution has not been assigned a FINS number, a number may be obtained at no cost by writing the Depository Trust Company, Attention: FINS Publication, 55 Water Street, New York, New York 10041.



B. Type of Institution - Check all classifications listed below that describe the institution. 4/

- ☐ 1. Federal Reserve System member.
- ☐ 2. Bank whose deposits are insured by the Federal Deposit Insurance Corporation.
- ☐ 3. National Securities Exchange.
- ☐ 4. National Securities Exchange member.
- ☐ 5. National Securities Exchange member firm.
- ☐ 6. Registered Securities Association.
- ☐ 7. Registered Securities Association member.
- ☐ 8. Securities broker.
- ☐ 9. Securities dealer.
- ☐ 10. Municipal securities dealer.
- ☐ 11. Registered transfer agent.
- ☐ 12. Registered clearing agency.
- ☐ 13. Participant in a registered clearing agency.

C. Size of Institution - Check the line below that describes the size of the institution.

1. Banks (those who checked lines 1 or 2 of B, above)

- ☐ More than \$1 billion in deposits
- ☐ \$500 million to \$1 billion in deposits
- ☐ Less than \$500 million in deposits

2. Securities Organizations (those who checked lines 3 through 10 of B, above)

- ☐ More than \$25 million in annual revenues
- ☐ \$5 million to \$25 million in annual revenues
- ☐ \$500,000 to \$5 million in annual revenues
- ☐ Less than \$500,000 in annual revenues

3. Non-Bank Transfer Agents (those who checked only classification 11 of B, above)

- ☐ That issued 100,000 shares or more last year
- ☐ That issued less than 100,000 shares last year

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4/ If no classification describes the institution, the institution is not subject to Rule 17f-1. If the institution desires to participate in the Lost and Stolen Securities Program as a "permissive inquirer," a special application must be made to the Commission pursuant to paragraph (e) of Rule 17f-1 in accordance with the instructions given in Securities Exchange Act Release No. 13832 at 42 FR 41024 (August 12, 1977).



## PARTS II & III

### Election of Inquiry Participation Status

To register as a DIRECT INQUIRER, complete Part II below. To register as an INDIRECT INQUIRER, complete Part III below. This election of inquiry participation status is binding until cancelled.

Direct inquirers will be able to make inquiries of the data base directly and will be charged usage fees and registration fees as described in the Appendix of Securities Exchange Act Release No. 15289. Indirect inquirers will NOT be able to make inquiries directly and so must make arrangements with a registered direct inquirer to inquire on its behalf. Indirect inquirers will NOT be charged any fees by Securities Information Center, Inc. but should be aware that the institution making inquiries on their behalf may assess costs and service charges. (Indirect inquirers, however, should make reports of loss directly).

## PART II

### DIRECT INQUIRER

To register as a direct inquirer, please complete (A), (B), and (C) below.

A. Registration of Access Stations - Indicate the number of primary and secondary access stations the institution will use to make inquiries of the system. 5/ All institutions must have at least one primary access station. There is an annual registration fee of \$20.00 for each primary access station and \$10.00 for each secondary access station. 6/

NUMBER OF PRIMARY ACCESS STATIONS-----  
NUMBER OF SECONDARY ACCESS STATIONS---

---

5/ Access stations are described in the "Description of the System" included in Securities Exchange Act Release No. 15289.

6/ Institutions establishing secondary access stations should append to this form a list of the titles, addresses, and names of the responsible individual for each secondary access station.



B. Optional Prompt Written Confirmation Service - Indicate whether the institution desires prompt written confirmation service. If an institution desires this service, the Securities Information Center, Inc. will send the institution written confirmations of all inquiries and reports received by telephone, telex, and mail on a daily basis. If an institution does not desire this service, confirmations of inquiries will be sent on a monthly basis. There is a \$20.00 per quarter charge for each primary access station using this service.

- ( ) We do NOT desire prompt written confirmation service.
- ( ) We do desire prompt written confirmation service and agree to pay the fee for this service.

C. Agreement to Pay Fees - After reading the statement below, please sign in the space provided.

Beginning July 1, 1979 we will participate in the Lost and Stolen Securities Program as a direct inquirer. We agree to pay Securities Information Center, Inc. the annual registration fee of \$20.00 for each primary access station and \$10.00 for each Secondary Access Station. We also agree to pay in advance quarterly usage fees, charges for optional services we request, and all sales, use and excise taxes, or other taxes, which may be levied on or in connection with, the furnishing of the facilities or services of the Securities Information Center, Inc. We understand that all fees are due and payable within ten days of date of invoicing.

\_\_\_\_\_  
(Signature of Authorized Institutional Representative)

\_\_\_\_\_  
(Type or Print) (TITLE)

### PART III INDIRECT INQUIRER

To register as an indirect inquirer, please complete the statement below and sign in the space provided.

Beginning July 1, 1979 we will participate in the Lost and Stolen Securities Program as an indirect inquirer. We have entered into an agreement with \_\_\_\_\_ who will (Name of Registered Direct Inquirer)



make inquiries on our behalf and we have a copy of this agreement on file available for inspection. We are aware that we will receive no direct confirmations from Securities Information Center, Inc., and that the institution that makes inquiries for us may pass through to us the costs of using the system on our behalf as well as additional service charges.

\_\_\_\_\_  
(Signature of Authorized Institutional Representative)

\_\_\_\_\_  
(Type or Print)

\_\_\_\_\_  
(TITLE)

#### PART IV

ALL institutions filing this form must complete (A) and (B) below.

A. Agreement - After reading the statement below, please sign in the space provided.

We understand that our participation in the Lost and Stolen Securities Program is required by Rule 17f-1 (17 CFR §240.17f-1) under the Securities Exchange Act of 1934, as amended. We agree that we will make reports of missing, lost, counterfeit and stolen securities and make inquiries relative thereto, in accordance with Rule 17f-1 and instructions of the Commission or its designee.

We understand that the Securities Exchange Commission has designated Securities Information Center, Inc. to operate the Lost, Missing, Stolen, and Counterfeit Securities Information System. Securities Information Center, Inc. will perform its work in a businesslike manner and in accordance with reasonable standards of care. It does not, however, guarantee the accuracy of any information contained in the records of the System or of the responses to inquiries concerning missing, lost, counterfeit, and stolen securities furnished by it. Securities Information Center, Inc. shall not be liable for any unintentional delays, inaccuracies, errors or omissions in said responses, or for any damages arising therefrom or occasioned thereby, nor



will it be liable for non-performance or interruption of services due to fire, storms, strikes, labor disputes or any causes beyond its control or due to the act or omission of any other person, firm or corporation.

\_\_\_\_\_  
(Signature of Authorized Institutional Representative)

\_\_\_\_\_  
(Type or Print) (TITLE)

B. Names and Signatures of Persons Making Reports on Behalf of the Institution - All reports of missing, lost, counterfeit or stolen securities and all reports of recoveries must be submitted on Form X-17F-1A and signed by an individual whose signature is on file with Securities Information Center, Inc. All individuals having this authority should fill in the spaces below (attach additional pages on institution letterhead if necessary).

\_\_\_\_\_  
(Signature and Date)

\_\_\_\_\_  
(Signature and Date)

\_\_\_\_\_  
(Print or Type) (TITLE)

\_\_\_\_\_  
(Print or Type) (TITLE)

MAIL THIS FORM TO:

Securities Information Center, Inc.  
Post Office Box 421  
Wellesley Hills, Massachusetts 02181

DEADLINE FOR FILING IS July 15, 1979.



## FORM X-17F-1A

MISSING/LOST/STOLEN/COUNTERFEIT  
SECURITIES REPORTPLEASE TYPE OR  
PRINT CLEARLY

1. REPORTING INSTITUTION: NAME \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
ZIP CODE \_\_\_\_\_  
TELEPHONE NO. \_\_\_\_\_ ATTENTION \_\_\_\_\_  
FINS/SIC IDENTIFIER NUMBER \_\_\_\_\_ / ( ) ( ) ( )

2. TYPE OF REPORT: ☐ LOSS ☐ RECOVERY ☐ UPDATE

3. DATE OF LOSS/RECOVERY \_\_\_\_\_

4. TYPE OF LOSS: ☐ MAIL ☐ DELIVERY ☐ ON PREMISES ☐ CLEARING ☐ OTHER \_\_\_\_\_5. TYPE OF SECURITY: ☐ COMMON STOCK ☐ PREFERRED STOCK ☐ CORPORATE BOND ☐ MUNICIPAL BOND  
☐ GOVERNMENT/AGENCY ☐ OTHER \_\_\_\_\_

6. NAME OF ISSUER \_\_\_\_\_

7. INTEREST RATE \_\_\_\_\_ 8. MATURITY DATE \_\_\_\_\_

9. CUSIP NUMBER \_\_\_\_\_

10. ☐ BEARER/NAME OF REGISTERED HOLDER \_\_\_\_\_

11. CERTIFICATE/SERIAL NUMBERS 12. DENOMINATION/SHARES 13. ISSUE DATE

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

14. ☐ ADDITIONAL PAGES ATTACHED 15. TOTAL CURRENT MARKET OR FACE VALUE \$ \_\_\_\_\_16. ☐ COUNTERFEIT \_\_\_\_\_

If Counterfeit - Distinguishing Characteristics

17. ☐ CRIMINALITY INDICATED REPORTS FILED WITH: 18. ☐ FBI 19. ☐ LOCAL POLICE20. ☐ TRANSFER/PAY AGENT \_\_\_\_\_21. ☐ INSURANCE CO. \_\_\_\_\_22. \_\_\_\_\_ 23. \_\_\_\_\_  
Authorized Signature Date

SEC 1548 (5-79)



## INSTRUCTIONS

Note - Section 240.17f-1 does not require reporting coupons. Municipal or corporate securities not assigned CUSIP Numbers are not the subject of reporting and inquiry.

Forms should be mailed to the Commission's designee:

Securities Information Center, Inc.  
Post Office Box 421  
Wellesley Hills, Massachusetts 02181

1. **Reporting Information** - Enter reporting institution name, address and FINS number, with Securities Information Center assigned suffix, if any.
2. **Type of Report** - Check whether report is a new report ("Loss"), report of recovery of previously reported loss ("Recovery"), or update or correction of report other than recovery ("Update"). If the report is an update or correction, attach a copy of the original report.
3. **Date** - Enter date when loss was noticed, theft occurred, when counterfeit was discovered or suspected, or when security was found or recovered. When submitting updates, enter date of loss.
4. **Type of Loss** - Check the box which most nearly describes the loss. If none of the classifications adequately describes the loss, check "OTHER" and describe the loss in the space provided.
5. **Type of Security** - Check the box which most nearly describes the type of security. If none of the classifications adequately describes the security check "OTHER" and describe the security in the space provided.
6. **Issuer** - Print or type the name of issuing company, agency or organization as set out on the security even though the security may have been lost, stolen, or missing prior to being "issued" by the appropriate authority.
7. **Interest Rate** - If interest rate was indicated, enter this information.
8. **Maturity Date** - Enter maturity date where applicable.
9. **CUSIP Number** - Enter entire CUSIP Number.
10. **Name of Registered Holder** - Clearly print or type the full name of person (individual, company, bank, broker, etc.) to whom the security is registered exactly as it appears on the security. Check to indicate "Bearer" when document is a bearer security.
11. **Certificate Serial Numbers** - Enter certificate or serial number(s) including all suffixes and prefixes. If certificates have not been issued, enter the control number. Series may be indicated by the first and last numbers separated by a dash and followed by the word "Series." Certificate or serial numbers of certificates of the same CUSIP number which are not in sequential order should be listed separately on each line. For a nonsequential series of certificates having the same CUSIP number, additional pages listing securities to be reported may be attached.
12. **Denomination Shares** - Enter in numerical form the amount of money represented by bonds, debentures, notes and other securities (except stock warrants and rights) as indicated on the certificates. If amount was not indicated on the certificate, enter the word "Blank."  
For stocks, enter the number of shares represented by the certificates, not the par value of the stock. If number of shares is not represented, enter the word "Blank."  
For warrants and rights, enter in numerical form the number of shares which the document entitles the owner to purchase.
13. **Issue Date** - Enter issue date of certificate. If certificates have not yet been issued, indicate this fact.
14. **Additional Pages** - If additional pages are attached, check the box.
15. **Total Current Market or Face Value** - For stocks, rights and warrants, enter the approximate total current market value. For bonds, enter the face value of the certificate.
16. **Counterfeit** - Describe distinguishing characteristics of suspected counterfeit securities.
17. **Criminality Indicated** - If reporting a loss, check when a substantial belief of criminality is indicated.
18. **Filed with Federal Bureau of Investigation** - Check if you sent a copy of this report to the FBI when required.
19. **Filed with Local Police** - Check if you sent a copy of this report to the local police when required.
20. **Transfer/Pay Agent** - Check to indicate that you have sent a copy of this report to a Transfer or Paying Agent for the issue, and enter the name and address.
21. **Insurance Co.** - Check to indicate that you have sent a copy of this report to your insurance company, and enter the name and address.
22. **Authorized Signature** - Form X-17F-1A must have an authorized signature to be accepted by the System. With respect to those reports filed with the Commission's designee, such signatures must be on file with the designee. Copies of reports sent to the transfer agent and the appropriate law enforcement agency should contain an original signature.
23. **Date** - Enter date when form is signed.

**NOTE:** This form may be reproduced in any manner so long as the graphics and format are not altered and 8 1/2" x 11" paper is used.

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