

# THE STA

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*Established 1911*

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Via E-mail Submission

March 15, 2019

Banking Committee Chairman Crapo  
Banking Committee Ranking Member Brown

**Re: Request for Comments on Potential Data Privacy,  
Protection and Collection Legislation**

Dear Chairman Crapo and Ranking Member Brown:

The Securities Transfer Association (“STA”) appreciates the opportunity to submit this letter in response to the Banking Committee’s request issued on February 13, 2019 for information concerning potential legislation on data privacy, and the collection and protection of consumer data. Founded in 1911, the STA is the professional association of transfer agents and represents more than 130 commercial stock transfer agents, bond agents, mutual fund agents, and related service providers within the United States and Canada.

STA membership consists of banks and independent transfer agents that perform record keeping services for publicly traded companies and mutual funds and private companies, corporate transfer agents that perform the same service for their own corporations, and companies that support organizations involved in the transfer of securities. Collectively, STA members serve as transfer agents for more than 15,000 publicly traded corporations, providing record keeping and other services to more than 100 million shareholders. The collection of shareholder data, including personal information, is a critical component of our role as transfer agent. The protection of such shareholder data is paramount to the services we provide.

Although transfer agents are primarily regulated by the U.S. Securities and Exchange Commission (the “SEC”), many transfer agents are also banks and regulated by federal and state bank regulatory authorities. The STA supports

the position of the American Bankers Association submitted on February 26, 2019 to the House Energy and Commerce Committee on data privacy legislation. Specifically, the STA believes that any new federal privacy legislation should take into account the Gramm-Leach-Bliley Act (“GLBA”) and other existing federal laws applicable to banks and should preempt state law.

### Existing Federal Privacy Laws

The Committee asks a number of questions related to best practices to provide consumers with information on data collected, the purpose for which it is collected, how it is being used, and how consumers can exercise control over the data. GLBA already provides the framework to address these matters with the disclosures required to be made through a privacy notice and the right to opt-out of sharing personal information with non-affiliated third parties. GLBA further provides a standard form of privacy notice intended to provide information to consumers in a clear and consistent manner. GLBA also requires financial institutions to establish standards to protect customer information and provides for breach notification.

Banks are subject to additional federal laws related to data privacy, including those addressing information security/cyber-security,<sup>1</sup> physical security,<sup>2</sup> and outsourcing arrangements that would include protection of data provided to third party service providers.<sup>3</sup> The STA believes that GLBA and other existing federal laws should be considered in any proposed federal legislation both as a model and to ensure consistency and avoid duplication with any new federal data privacy law.

### State Laws and the Unique Position of Transfer Agents

Transfer agents are in a unique position with respect to data privacy laws in that bank agents may be directly subject to GLBA and other banking laws, but all transfer agents are expected by our issuer clients to be compliant with state data privacy laws to which the clients are subject as we are acting as their agent. This presents further complexity to the measures transfer agents need to put in place to comply with both state and federal privacy laws. This situation highlights the need for federal legislation that will preempt state law and provide one set of requirements for all companies, including transfer agents, to follow in handling customer information.

In addition to having to comply with the different state breach notification laws currently in place, companies who service residents in California will now have to comply with the California Consumer Privacy Act (“CCPA”) and potentially others state laws being proposed

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<sup>1</sup> See, e.g., 12 C.F.R. § 30, Appendix B to Part 30 – Interagency Guidelines Establishing Information Security Standards.

<sup>2</sup> See, e.g., 12 C.F.R. § 21.3.

<sup>3</sup> See, e.g., Office of the Comptroller of the Currency, Third Party Relationships: Risk Management Guidance, OCC Bulletin 2013-29 (Oct. 30, 2013) and 12 C.F.R. § 30, Appendix B to Part 30 – Interagency Guidelines Establishing Information Security Standards.

similar to CCPA. The STA believes this is another reason for the need for preemption of state law. There is a significant cost to and regulatory burden on companies like transfer agents, who handle personal data of residents in all 50 states, to have to review, update, and develop new systems and processes to comply with different state by state regulations on data privacy.

Preemption is not only important for companies to have one set of standards to follow, but is equally important for the consumer. Under the current model developing of individual states with different privacy laws as well as federal privacy law, consumers that reside in different states or are buying different products or services will have different protections and rights with respect to their data. This may lead to consumer confusion and will make it difficult for consumers to manage and protect their data as they choose with different institutions.

Information security and data privacy is a critical issue for transfer agents in our role as recordkeeper for millions of shareholders' personal information<sup>4</sup>. On behalf of the STA, we thank you for the opportunity to comment on this important issue of creating federal privacy legislation that will provide uniform requirements for the collection and protection of consumer data. Please feel free to contact me if you have any questions or would like to discuss our comments on this matter.

Very truly yours,

A handwritten signature in black ink that reads "Todd J. May". The signature is fluid and cursive, with a large, stylized "M" and a long horizontal flourish at the bottom.

Todd J. May  
President  
The Securities Transfer Association, Inc.

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<sup>4</sup> Please see the STA's letter to the SEC dated April 13, 2016 in response to the SEC Concept Release, Release No. 34-76743, File No. S7-27-15 (December 22, 2015), in which the STA recommended information security be a top priority for SEC rulemaking.