

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 98153 / August 17, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21565

In the Matter of

**DST ASSET MANAGER
SOLUTIONS, INC.,**

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTIONS 17A(c) AND 21C
OF THE SECURITIES EXCHANGE ACT
OF 1934, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS AND
A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 17A(c) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against DST Asset Manager Solutions, Inc. (“Respondent” or “DST”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-And-Desist Proceedings, Pursuant to Sections 17A(c) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Ceast-And-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

Summary

1. DST, a registered transfer agent, failed to exercise reasonable care to ascertain the correct addresses of lost securityholders in violation of Exchange Act Rule 17Ad-17 ("the Rule"). The Rule governs the process that transfer agents must follow to try to find "lost securityholders" in situations where the transfer agent has possession of an investor's securities but no longer has current contact or location information for that investor. DST failed to take reasonable steps to find lost securityholders as prescribed by the Rule, putting those securityholders' assets at risk of being handed over to state governments – escheated – as unclaimed assets. Approximately 78 lost securityholders whom DST did not contact regarding their "lost securityholder" status had assets totaling approximately \$651,000 escheated to the states for the period January 1, 2017 to July 31, 2022.

Respondent

2. DST is a Massachusetts corporation based in Quincy, Massachusetts. It is registered with the Commission as a transfer agent under Section 17A(c) of the Exchange Act and began operations under a predecessor name, Boston Financial Data Services, Inc., in 1973. On January 11, 2018, DST was acquired by SS&C Technologies Holdings, Inc., whose securities are traded on the NASDAQ exchange under the ticker symbol SSNC. As of year-end 2022, DST maintained master securityholder files for 6,020,045 individual securityholder accounts as a transfer agent for over 100 mutual fund clients in the United States.

Facts

3. The Rule, first adopted in 1997, and amended in 2013, addresses the risk that assets of investors for whom a transfer agent lacks current contact or location information might become unnecessarily subject to escheatment under applicable state property laws. Paragraph (b)(2) of the Rule, as amended, defines a "lost securityholder," in relevant part, as "a securityholder: (i) To whom an item of correspondence that was sent to the securityholder at the address contained in the transfer agent's master securityholder file or customer security account records of the broker or dealer has been returned as undeliverable..."

4. To lessen the risk of unnecessary property loss, the Rule sets forth certain minimum search requirements for transfer agents to locate lost securityholders. Paragraph (a)(1) of the Rule mandates: "(e)very recordkeeping transfer agent whose master securityholder file includes accounts of lost securityholders...shall exercise reasonable care to ascertain the correct addresses of such securityholders. In exercising reasonable care to ascertain such lost securityholders' correct addresses, each such recordkeeping transfer agent and each such broker or dealer shall conduct two

database searches using at least one information database service. The transfer agent, broker, or dealer shall search by taxpayer identification number *or* by name *if* a search based on taxpayer identification number is not reasonably likely to locate the securityholder” [emphasis added]. The Rule further states, in paragraph (d), that transfer agents are required to establish written procedures for ensuring compliance that describe the transfer agent’s methodology for complying with the Rule.

5. From the 1997 effective date of the Rule through late 2021, DST’s written policies and procedures pursuant to the Rule required a database search by social security number (“SSN,” used herein interchangeably with “taxpayer identification number”), but if the database search returned a potential better address for the lost securityholder, DST’s written procedures added an additional filtering step. Instead of attempting to make contact based on the better address, DST’s written procedures instead called for contact to be reestablished with a lost securityholder only if a further search, based on the potential better address yielded by the first search, matched the SSN and the first name of the lost securityholder on file at DST. This written procedure violated the Rule, which requires that a name should only be used when a SSN search is not reasonably likely to locate the securityholder.

6. In addition, DST failed to follow even those deficient written policies and procedures. In a longstanding unwritten practice, DST altered the additional filtering step specified in its written procedures to make it even more restrictive: DST utilized potential better addresses yielded by its initial search by SSN to attempt to make contact with lost securityholders only if a further search, based on the potential better address yielded by the first search, matched the SSN, first name, *and* last name of the lost securityholder on file at DST. This practice also violated the Rule and further reduced the universe of lost securityholders to be contacted by DST.

7. After performing this filtering process, DST’s chosen method of contacting the unreasonably reduced universe of lost securityholders was to send letters to the potentially better addresses asking the lost securityholders to verify their current address and warning them that their assets would be escheated to a state unclaimed property administrator if they did not respond. DST did not send letters to or otherwise contact lost securityholders at potentially better addresses yielded by its initial SSN search alone unless the additional filters imposed by DST were satisfied. Without this contact from DST, lost securityholders who were unreasonably filtered out by DST’s written procedures and actual practices did not receive the warning that their assets were in danger of being escheated.

8. For the period January 1, 2017 to July 31, 2022, contact may have been reestablished with 78 lost securityholders whose accounts were escheated to states if DST had reached out to the lost securityholders when a search by SSN alone yielded a potentially better address. The amounts escheated from those 78 accounts totals \$651,433. Furthermore, DST’s lost securityholder data revealed a 44.07% higher rate (3.14% as compared to 2.17%) of escheatment to state unclaimed property administrators when DST failed to contact lost securityholders at potentially better addresses yielded from a search by SSN alone versus when DST contacted lost

securityholders at a potentially better address after its unreasonable further filtering of the SSN search results.

9. As a result of the conduct described above, DST violated Exchange Act Rule 17Ad-17, which requires a transfer agent whose master securityholder file includes accounts of lost securityholders to conduct database searches by taxpayer identification number, allowing a search by name only if a search based on taxpayer identification number is not reasonably likely to locate the securityholder. The violation was willful¹ within the meaning of Exchange Act Section 15(b)(4)(D).

Undertakings

10. Respondent has undertaken to:
- a. Take reasonable steps to locate the lost securityholders who experienced escheatment activity during the period January 1, 2017 to July 31, 2022 and to whom written notice was not sent notwithstanding a SSN match after database searches. This undertaking will include new SSN database searches for these accounts to generate possible better addresses and sending a written notice if a better address is identified for that SSN. To the extent that contact is successfully made with a lost securityholder as a result of that process, DST will provide information to the securityholder regarding the process to make application to the applicable State to attempt recovery of escheated funds.
 - b. Request that its mutual fund clients periodically send out notifications to their client shareholder base informing them of the risk of escheatment and educating them on steps to take to avoid dormancy, including updating their addresses and otherwise establishing contact with the funds or DST.
 - c. Provide written certification annually for a period of five years, beginning September 1, 2023, that its written policies and procedures have complied with the requirements of Rule 17Ad-17 and that it has followed those written policies and procedures in practice. Annual certifications shall be submitted to Kevin B. Currid, Assistant Director, Boston Regional Office, Securities and Exchange Commission, 33 Arch Street, 24th Floor, Boston, MA 02110.

¹ “Willfully,” for purposes of imposing relief under Section 17A of the Exchange Act, “means no more than that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term “willfully” for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has “willfully omit[ted]” material information from a required disclosure in violation of Section 207 of the Investment Advisers Act of 1940).

The periodic reviews and reports submitted by DST will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (4) is otherwise required by law.

Respondant shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Kevin B. Currid, Assistant Director, at the address listed in Paragraph 10a. above, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than ninety (90) days from the date of the completion of the undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest to impose the sanctions agreed to in Respondent DST's Offer.

Accordingly, pursuant to Sections 17A(c) and 21C of the Exchange Act, it is hereby ORDERED that:

- A. Respondent DST cease and desist from committing or causing any violations and any future violations of Exchange Act Rule 17Ad-17.
- B. Respondent DST is censured.
- C. Respondents DST shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$500,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.
- D. Payment must be made in one of the following ways:
 - (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
 - (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying DST as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to John T. Dugan, Associate Director, Boston Regional Office, Securities and Exchange Commission, 33 Arch Street, 24th Floor, Boston, MA 02110.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

F. Respondent shall comply with the undertakings enumerated in Paragraph 10(a) – (c) above.

By the Commission.

Vanessa A. Countryman
Secretary