

SECURITIES OPERATIONS DIVISION

A Division of SIFMA 

June 22, 2007

Nancy M. Morris
Securities and Exchange Commission
100 F Street, NE
Washington D.C. 20549-1090

Re: DTCC Rule Filing SR-DTC-2006-16

Dear Ms. Morris:

The Securities Operations Division, Regulatory & Clearance Committee (the "Committee") of the Securities Industry and Financial Markets Association ("SIFMA")¹ appreciates the opportunity to comment on the Depository Trust Company's (DTC) proposed amendments to its rules to update, standardize, and restate the requirements for the Fast Automated Securities Transfer Program ("FAST") and the Direct Registration System (DRS).

The Committee fully supports the DTC FAST and DRS proposals as the changes will support and reduce the risk and costs associated with the expected increase in DRS volume and the value of securities that will be processed by the issuer and its transfer agent. (So far this year, DRS delivery orders, moving investor positions from the books of the transfer agent to the investor's account at the broker-dealer, have increased, on average, over 35%. The increase will continue as more issuers and transfer agents become DRS eligible.)

For more than 30 years, the securities industry has been working toward the Immobilization and Dematerialization of Physical Securities. Maintaining and processing of physical certificates is costly and prone to risk, for the industry and the

¹ The Securities Industry and Financial Markets Association bring together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA's mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public's trust and confidence in the markets and the industry. SIFMA works to represent its members' interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong.

investor. On average, it cost investors over \$49 million each year to replace lost and stolen securities certificates. The extended time to market for physical certificate transfers can greatly affect an investor's planned market action, introducing risk and potential loss of sale proceeds due to missed market opportunities. Based on the costs and risks associated with physical securities, it is imperative to continue to pursue viable alternatives to certificate processing. The alternatives to physical securities include: Hold in Street Name, Book-Entry and the DRS.

Since 1997, the industry has focused attention on the development of and increased adoption of DRS, a program administered by DTC. Through DRS, a shareholder can direct the movement of securities positions electronically from an issuer's transfer agent to the shareholder's account at a broker-dealer of their choice ("street name format"), or from the broker-dealer to the transfer agent's books in DRS format. DRS offers shareholders the convenience of fully-disclosed positions at the issuer or its transfer agent, as well as the portability of these assets.

In 2006, the New York Stock Exchange, NYSE Arca, NASDAQ, the American Stock Exchange and the Regional Exchanges, after a period of public comment and with SEC approval, announced a listing requirement rule change that took effect January 1, 2007, mandating exchange-listed issuers to be eligible for DRS for all new securities coming to market. Additionally, by January 1, 2008, all exchange listed issuers will be required to be eligible for DRS. These rule changes will provide a significant move toward dematerialization and will accelerate the use of DRS.

With the full implementation of the exchange listing requirement rules, over 6,000 listed issuers and more than 125 transfer agents, many of them entering a book-entry processing environment for the first time, will utilize DRS. As a prerequisite of DRS eligibility, a transfer agent and an issuer must be FAST eligible. The transfer agent and issuer eligibility requirements for DTC's FAST program have not substantially changed since the implementation of the FAST program in 1975. Consideration must be given to the significant increased volumes and values of securities processed by the transfer agents. Improvements in technology and other safeguards are required to enhance the safety and soundness of securities held in custody at the transfer agent for the benefit of DTC's participants and DRS format positions held for investors.

DTC's proposed amendments to the FAST and DRS systems will achieve these goals, including:

- Standardization of insurance requirements, with insurance coverage established to account for expected increases in transactional volumes and the corresponding increased dollar values processed through the DRS system and the value of securities held in FAST positions at the transfer agents
- Safekeeping requirements will be enhanced for physical plant security and fire protection standards

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- Technology changes will be initiated to enhance the processing streams, and further protect data to ensure investor privacy and provide an appropriate disaster recovery plan
- Standardized audit reports will be required to certify a transfer agent's processes and controls

The Committee fully supports the proposed FAST/DRS requirement amendments as they effectively modernize the current rules, and prepare for expected increases in volume and values of securities, and improve the overall processing environments. The new requirements also ensure the safety and soundness of the system.

The Committee appreciates the opportunity to comment on this rule change. If you have questions, or would like to discuss our views further, please contact the undersigned or Richard Bommer, SIFMA Vice President of Operations, at 212-608-1500.

Sincerely,

Albert Howell
Chairman
SIFMA Securities Operations Division,
Regulatory & Clearance Committee

Cc: Thomas Sakaris
Philip Lanz
Steve Melanaski
Matthew Murray
Tai May Lee
Vince Walsh
Richard Bommer
Joseph Trezza