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By Federal Express and Electronic Submission

June 22, 2007

Nancy M. Morris, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

RE: Securities and Exchange Commission Release No. 34-55816, File No. SR-DTC-2006-16, Notice of Filing of Proposed Rule Change Amending FAST and DRS Limited Participant Requirements for Transfer Agents

Dear Ms. Morris:

Computershare appreciates the opportunity to comment on the Proposed Rule Change of the Depository Trust Company ("DTC") referenced above (the "Proposal"). Computershare provides transfer agent services for approximately 1,600 issuer clients and approximately 22 million of their registered shareholders. Computershare has been a strong proponent of the Direct Registration System ("DRS"), and 628 of its issuer clients are enrolled in DRS. Computershare is also an active member of the Securities Transfer Association ("STA").

Computershare, through its membership in the STA, has had the opportunity to meet with DTC on several occasions concerning earlier drafts of this Proposal, and is very disappointed that none of the concerns we expressed or suggestions we made were reflected in their final Proposal. Perhaps the most objectionable aspect of the Proposal is DTC's apparent attempt through the rule filing to usurp the authority of the Securities and Exchange Commission (the "Commission") to regulate transfer agents.

Introduction

Computershare would first like to address a fundamental flaw that appears to serve as the basis of the Proposal - the inaccurate assumption that transfer agents are custodians for DTC by virtue of the fact that they maintain securities records for registered shareholders that may include an account registered to DTC or its nominee Cede & Co. The plain meaning of a custodian, as the term is commonly understood in financial services, is a financial institution that holds securities or other financial assets on behalf of its customers.[1] DTC apparently believes that transfer agents are custodians for DTC and, therefore, assumes it has standing as a customer to make service demands and set business requirements for transfer agents.

A transfer agent is not a custodian for DTC, but serves as the appointed agent of the issuer, under appointment documents executed between the issuer and the transfer agent. The transfer agent has only one customer, the issuer. A security holder of the issuer, like DTC, does not have any standing to require any operational or other standards of the transfer agent. Any transfer agent requirements are mutually agreed upon by the issuer and the transfer agent, and, of course, may be prescribed by the transfer agent's regulators.

In addition, a transfer agent is a recordkeeper and does not hold securities as a custodian for a registered holder. Its vaults generally hold only blank or cancelled stock certificates. Registered shareholders hold the physical certificates reflecting their ownership of shares of stock. In the case of DTC's position held as a registered holder under its FAST system, there is no certificate except in the most nominal sense--a legended certificate referencing the transfer agent's systems for the number of shares it holds. This certificate has no separate value and is not negotiable based on the legend and perforations made to the physical certificate.

DTC also asserts its Proposal is necessary as a result of the mandatory book-entry eligibility for listed securities. However, many of the requirements proposed become less appropriate in a book entry environment (e.g., insurance requirements including mail insurance, safe and vault requirements).

Computershare asserts that DTC lacks authority to impose any of its proposed requirements on transfer agents. This Proposal is especially objectionable at this point as the Commission is in the process of developing new and amended transfer agent rules to cover similar topics. Although we believe that DTC has no authority to impose any of its proposed requirements on the transfer agents, Computershare sets forth each of its specific objections to the Proposal below.

<u>Insurance Requirements</u>

Computershare strongly objects to the costly and onerous insurance requirements of the Proposal, specifically, the excessively low deductibles and notice and loss payee/named insured requirements. The Proposal would require Computershare to obtain a Bankers Blanket Bond, or similar coverage, of $25 million with a deductible of no more than

[1] *Barron's Dictionary of Finance and Investment Terms* (1985) defines custodian as "bank or other financial institution that keeps custody of stock certificates and other assets of a mutual fund, individual or corporate client."

$100,000, and Errors and Omissions insurance of $1,000,000 with a deductible of no more than $25,000. Our insurance placement agent has advised us that these extremely low deductibles are not reasonable and may not even be obtainable from insurers with acceptable credit ratings for a company the size of Computershare. If obtainable, the premiums Computershare will be required to pay will be significantly increased over current levels, thus reducing the financial benefit of such insurance. Although the Proposal would allow DTC to waive the deductible requirements, as this would be at DTC's sole discretion, there is no assurance DTC would do this for Computershare or any other transfer agent.

In connection with the Proposal's mail insurance requirements, Computershare has difficulty understanding the reason for any such requirements in or for a book-entry system of securities ownership, where no physical securities are issued and mailed.

Computershare objects to the Proposal's attempt to mandate that DTC become a protected party under the insurance by being named as an additional insured under the Errors and Omissions policy or a "loss payee" on mail insurance. Our insurance placement experts have advised that this is outside standard insurance industry practice, as such policies are underwritten based on the risk exposure of the insured entity, not a third party. In addition, if the Proposal is enacted, this particular requirement may result in DTC's interests being favored over the interests of transfer agents (the intended beneficiary of the policy and the party paying for the cost of the coverage) and other security holders. There is no reasonable basis for DTC to enjoy this favored position and no explanation has been given by DTC as to why this is justifiable.

Finally, Computershare believes the proposed notice requirements to DTC, such as in the event of the issuance of a new or substitute policy, an actual or threatened lapse in coverage, and proof of changed coverage, are onerous and unnecessary. For example, as Computershare renews its policies on an annual basis, this would mean it would have to give notice to DTC every year of the new policy, even though the coverage remains unchanged. Computershare particularly objects to DTC's requirement for insurers to include language in their policies to notify DTC within 5 days of a threatened or actual lapse of a policy. DTC, as a registered holder, has no authority to impose insurance requirements or specific policy language on transfer agents or their insurers

Attached as Exhibit 1 is a copy of a letter from Aon Risk Services Australia Limited, Computershare's insurance placement agent, supporting Computershare's objections to the low deductible amounts and additional insured requirement.

Services Rendered to DTC Without Compensation

The Proposal would prohibit transfer agents from charging DTC fees that are not contractually agreed to by the issuer and are more than those charged to other holders for providing the same services. While the language appears to seek uniformity of fees charged to all security holders, it would eliminate the ability for transfer agents to obtain compensation for the multitude of specialized services currently demanded by DTC. Based on the language of the Proposal, DTC apparently expects transfer agents to provide such services (as well as other enhanced services that DTC may mandate from time to time in its sole discretion) without compensation. This is clearly not acceptable to Computershare and would not be allowed in any other commercial relationship. If one commercial party requests another to provide services to it, the service provider may decline to do so unless it receives acceptable compensation. If DTC refuses to pay transfer agents for services rendered, transfer agents will have no choice but to bear these costs, unless they want to risk being terminated as a DTC FAST and DRS participant. DTC perhaps believes that transfer agents should simply pass these costs along to issuers, and indirectly their shareholders. However, neither of these parties should have to bear the cost of services provided to DTC.

Auditor Reports

The Proposal would require transfer agents to provide an annual report from an external certified public accountant certifying compliance with DTC requirements and Commission requirements concerning business continuity planning. Transfer agents are already required to obtain an independent accountant's audit of internal controls pursuant to Rule 17Ad-13 of the Securities Exchange Act of 1934. In addition, Computershare, at its own expense, obtains a SAS 70 report attesting to the soundness of its internal controls. Computershare strongly objects to having to provide this additional audit report, which is superfluous and would introduce substantial additional expense. We further note that certified public accountant reports of this nature do not generally "certify" an entity's compliance with agreements or procedures, as the Proposal would require. DTC as a registered holder, and not a transfer agent's customer, has no right to impose such requirements on a transfer agent. The Commission, as the regulatory authority for transfer agents, performs examinations and requires a specific auditor report under its rules. This existing regulatory framework should be sufficient to satisfy any of DTC's stated concerns.

Regulatory Reports and Inspections

The Proposal would require transfer agents to supply DTC with copies of Commission examination reports, notifications of regulatory action and immediate notification of "any alleged material deficiencies documented by the Commission." The last of these items is a new requirement added from previous draft versions of the rule filing. The Proposal would also give DTC the right to visit and inspect a transfer agent's facilities, books and records.

Transfer agents rarely if ever offer such privileges to their customers. Since DTC is not even a customer, these proposed rights are completely unreasonable. These requirements again appear to based on DTC's faulty assumption that transfer agents are acting as DTC's custodian. As previously discussed, this is not the case. DTC is not legally entitled to this confidential information and has failed to demonstrate any need or purpose for it. Even if these documents were provided, DTC has no authority to take any action as a result of them, other than arguably to terminate the transfer agent as a FAST or DRS participant. For a transfer agent as large as Computershare, the impact of such termination would be significant to the securities industry; it is difficult to imagine the Commission would want to relinquish what would amount to shutting down a transfer agent, to the authority of DTC.

Execution of DTC's Documentation

The Proposal requires that all FAST transfer agents execute a new Balance Certificate Agreement and agree to DTC's Operational Criteria and other documentation. Computershare objects to DTC requiring transfer agents to execute agreements and agree to procedures without any ability on the part of transfer agents to negotiate the terms of such agreements. As previously discussed, DTC as a registered shareholder has no authority or standing to impose such requirements. Computershare also objects to the one-sided nature of such agreements in favor of DTC. We also note that DTC's forms remain largely unchanged from the original documents dating back to the 1980s and still require the outdated use of physical certificates representing DTC's position.

Shareholder Statements

The Proposal would require transfer agents to send "a transfer advice or statement to shareholders within three business days of each DRS account transaction that affects the shareholder's position or more often as required by the Commission's regulations." DTC has no authority whatsoever to mandate transaction notifications to all registered shareholders with DRS shareholdings. The Commission is the regulatory entity with authority to propose and adopt rules addressing shareholder notifications. Computershare has difficulty understanding why this is even included in the Proposal, as it applies exclusively to parties other than DTC. DTC provides no explanation or justification for this proposed requirement.

Standard of Care

The Proposal would also absolve DTC from liability "for the acts or omissions of FAST Agents or other third parties, unless caused directly by DTC's gross negligence, willful misconduct, or violation of Federal securities laws for which there is a private right of action." This standard would permit DTC to avoid responsibility for its own errors and force transfer agents to be responsible if a third party (*e.g.,* a broker-dealer or registered shareholder) were to suffer a loss caused by a DTC error. DTC's exculpatory language would in almost all circumstances force the injured party to seek recovery from the transfer agent alone. DTC wishes to escape liability for even its own ordinary negligence, so that losses might be borne by a transfer agent that has no fault whatsoever. In a dispute between DTC and a transfer agent, each party should bear responsibility for its own processing errors. There is no legitimate policy purpose that would be served in absolving parties of responsibility for their own errors. In addition, the effect of this language would be, similar to that described with respect to insurance above, to favor DTC and its constituency, street name holders, over registered holders, again with no rationale beyond DTC's particular commercial interests.

Implementation of Program Changes

The Proposal would require transfer agents to implement program changes related to DTC systems modifications and to support and expand DRS processing capabilities. Although the changes related to DRS processing would have to be approved by the DRS Ad Hoc Committee, of which Computershare is a member, there is no similar requirement for changes related to DTC systems modification. The Proposal fails to address the reasonableness and necessity of changes and the attendant costs that may be incurred by transfer agents. Computershare objects to DTC unilaterally determining what changes to make to FAST and DRS, and requiring Computershare to make changes to its operations and systems to implement the same without any agreement upon the necessity of changes and costs incurred. DTC provides no justification for providing it with this unilateral authority.

Impact on Computershare's Small and Mid-Cap Issuer Clients

Computershare services approximately 600 small and mid-cap issuers and 300,000 of their registered shareholders out of its Golden, Colorado office. As a result of the new mandatory DRS listing requirements previously adopted by AMEX and NASDAQ, many of these issuers will be required to become DRS and FAST eligible. In the past, DTC historically has refused to pay certificate transfer and issuance fees for any DTC FAST issues. Under an alternative service model specifically designed for small and mid-cap issuers, instead of monthly administrative fees, transfer agents that service these clients often charge a nominal or no monthly fee to the issuer and instead charge a fee to the presenters (*i.e.*, shareholders and broker-dealers) for transactions.

Computershare, likewise, uses this pricing model for such issuers and objects to any attempts by DTC to prohibit this business model. Notwithstanding the language in paragraph number 16 of the Proposal, because of DTC's past practice of agreeing to pay certain fees and later arbitrarily withdrawing such agreement, Computershare is concerned that DTC will continue this historical practice of prohibiting issuers and their transfer agents from charging presenters these transaction fees. This would hurt Computershare's small and mid-sized issuer clients as we would have no choice but to pass along these costs to our issuer clients. In addition, DTC should not be given preferential treatment over other registered shareholders who would continue to pay these fees.

Conclusion

Computershare strongly objects to the adoption of the Proposal. DTC has no legal authority to regulate the transfer agent industry. This authority lies with the Commission. Further, the requirements of the Proposal would result in significant costs to Computershare and will be detrimental to its small and mid-sized issuer clients. DTC should not be permitted to mandate additional requirements for and services from Computershare or any other transfer agents without appropriate compensation. This longstanding practice of DTC must not be allowed to continue to the financial detriment of transfer agents and their issuer clients (and indirectly to investors, to whom such costs are ultimately passed).

We thank you for the opportunity to comment on the Proposal and would welcome the opportunity to discuss our concerns further.

Sincerely,

Steven Rothbloom
President and CEO
Computershare North America

Exhibit 1

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Annie Xiong
Computershare
Group Insurance Manager
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4 April 2007

Dear Annie

Re: Depository Trust Company Proposed Rule Changes for Transfer Agents – Insurance Requirements

I refer to the proposed rule changes by DTC for the US Securities and Exchange Commission, but particularly to the proposed insurance requirements to Bond and Errors and Omissions (E&O) insurances.

From our understanding, these proposed changes would require Computershare to maintain minimum deductibles of "no more than USD100,000" for Bond insurance and "no more than USD25,000" for E&O insurance. The E&O requirements go even further and state that DTC would be required to be noted as an additional insured.

We have a number of issues with these requirements, which are out of step with insurance industry standards.

In our experience, particularly for customers with large US based activities, insurance providers are extremely reluctant to offer such low deductibles. For a company the size of Computershare (ASX market capitalisation of approx AUD6.5 billion and revenues exceeding USD1.6 billion) the proposed deductible levels are not reasonable. We would suggest, but are sure that Computershare could demonstrate, that their deductibles are at sufficient levels that can be catered for within their own financial and organisational structure.

With regard to the proposal to have DTC as a noted insured, typically Errors & Omissions or Professional Indemnity policies do not allow this sort of amendment. These policies are designed (in summary) to respond to errors in advice or design. The insurers review the risk on the basis of the Insured's own risk exposure and it is that exposure alone that is reasonably covered. To introduce a 3rd party, who is not part of the service provided to the insured's own customers, adds a component of risk that the insurers can not reasonably take account of.

Our principal concern however is that such unsuitable deductible levels would only lead to problems with finding enough insurance capacity. As large as the insurance industry is, Computershare's specific type of operations and coverage requirements significantly narrows the field of available capacity. Of those insurers who are set up to write these sorts of insurance policies and activities, the vast majority will only provide capacity to a company like Computershare (size of operations and type of activities) with deductibles of a similar level to those currently purchased.

Not only would most insurers be reluctant to support these proposed deductibles, those that may in fact support them are only likely to be those which our own internal Aon standards and industry regulators deem to be unfit providers of capacity. We note that the DTC requirements also suggest minimum credit rating of AM Best A-(excellent). From the available 'approved' markets, there is no possibility that we could build a relevant insurance program for Computershare with these proposed deductibles.

If there ever was a possibility to convince an insurer to 'buy down' their suggested deductibles, the additional premium requirements alone would lead to much higher insurance premiums, most likely many multiples to that already being paid. This would in our opinion, rule the lower deductibles inappropriate and make any proposed financial benefit from a low deductible redundant.

In our opinion, these proposed changes should be revised and consideration should be given to each transfer agent's ability to successfully manage their own insurance arrangements. As large organisations like Computershare can typically wear larger than perceived 'normal' deductibles, it seems clear to us that not all organisations should be treated equally in this regard.

Your sincerely,

Stuart Gradie
Account Manager
Corporate Insurance Services