



## FIDELITY TRANSFER COMPANY

*Established 1954*

June 21, 2007

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

Re: File No. SR-DTC-2006-16, SEC Release No. 34-55816

Ladies and Gentlemen:

We are grateful for the opportunity to comment on the above proposal.

Fidelity Transfer Company has worked with DTCC for many years and believes we have a good working relationship with them. However, we do not believe any of the proposed changes are necessary and would substantially increase the burden to transfer agents.

Rules adherence or violations under 240.17A(d) that govern transfer agencies are not necessarily indicative of a transfer agencies ability to perform functions as a transfer agency efficiently nor the ability of them to work with DTC. A transfer agency that has no findings under examination is not necessarily a lesser liability risk than a transfer agency with several rules violations. It should not be up to DTC, who, we believe, does not have a clear understanding of the transfer agency business, to determine the suitability of a transfer agency as doing its job adequately. This burden is placed upon The SEC. Therefore we do not think it should be mandatory for DTC to receive SEC examination reports. If there is an issue with a particular transfer agency at some point, perhaps they can become available, but not as a mandatory requirement for participation by ALL agencies.

The DRS system is being used by many transfer agencies right now. Lack of training doesn't appear to be an issue that is causing any problems. We believe training to be important, if necessary. However, mandated training should be at no cost to the transfer agent. This would include travel or course fees. Perhaps a DVD, phone support or other training material could be sent to the agencies for training as an alternative.

The mandated insurance requirements should be eliminated from the proposal. There is already a bond required to be FAST eligible. Many times the bonding requirement is much more than the value of the shares being held at the transfer agency. Requiring additional insurance in the form of E&O just adds costs and burden at no real benefit to anyone save being anticipated by DTC. The costs for the insurance/bonds are extremely expensive and the requirements are not justified by any loss history by DTC that we can find. These costs would need to be passed on to someone, DTC is hoping it is the issuer/shareholders/brokers etc. One thing that seems to get overlooked is that the extra fees and requirements are working against the bottom line of the transfer agents, broker dealers, issuer companies and therefore the shareholders themselves

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through the increased expenses on the issuer's balance sheet, which in effect can reduce stock price.

The Proposal introduces audit requirements in addition to those already required by Rule 17Ad-13. This requirement is faulty for a few of reasons. First, it is unknown if any accounting firms would be willing to perform such an examination. Second, the costs for this service may be excessive and most likely creates a burden on all but the largest transfer agencies. Third, the SEC already requires a specific audit report and therefore it should be left to them to regulate and review any outside audit report.

In regards to the proposal mandating a safe that weighs at least 350 lbs, we believe this is unnecessary and would pose a burden in expense and space. This seems to be an arbitrary weight for the sake of sounding heavy. Why not 300 lbs.? Why not 400 lbs.? What significance does 350 lbs have? We currently utilize a "vault" that is protected by an alarm, with outside monitoring, door sensor and motion sensor as well as fire sprinklers. This "vault" is a room and cannot be picked up and moved at all, unlike a safe of any weight. Even if the certificate(s) were destroyed in a fire in the transfer agencies place of business, it would not be all that difficult to replace the stock certificate(s) that were destroyed in the fire. DTC would not be burdened in the least bit in our opinion.

The Proposal indicates that DTC would be named as an additional insured or a "loss payee" on mail insurance. This may make it difficult if not impossible for a transfer agent to secure insurance. Further, having DTC as a loss payee seems excessive. Would the transfer agency need to have multiple insurance policies? One for DTC and then another one for other shareholders/brokers/issuers that are receiving certificates from the TA?

Fees that are assessed to DTC would need to be commensurate with the work performed, as DTC transfers are more time consuming and expensive to generate. As one example of this, because of DTC's bond requirements, transfer agencies are required to have a Brokers Blanket Bond to participate in FAST/DWAC issues. This is VERY costly. If The Proposal is approved, there is even more work and expense on behalf of DTC and therefore, prices and fees should be able to be assessed for the extra effort that DTC requires. We would therefore submit, that if *any* of the items in the proposal are approved, that transfer agencies will be allowed to charge administrative, maintenance, transactional and any other fees that would be appropriate for the amount of work and expenses required by The Proposal. Why should anyone other than DTC be forced to pay for *their* requirements and requests?

Fidelity Transfer Company looks forward to a long and lasting relationship with DTC, but we disagree with the assessment of their responsibilities in The Proposal. It appears that they may be trying to take on a regulatory role instead of a mutually beneficial business role in which the transfer agent provides quality services for DTC and in return pays a fair price for those services.

Sincerely

Kevin Kopaunik,  
Fidelity Transfer Company