



Filed Electronically

August 19, 2010

Ms. Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549

Re: Expanding the Lost and Stolen Securities Program

Dear Ms. Murphy:

The Securities Information Center (SIC), an operating division of Thomson Reuters, is pleased to submit these comments on one of the initiatives the SEC must undertake in response to the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act").

Section 929D of the Dodd-Frank Act amends Section 17(f)(1) of the Securities Exchange Act of 1934 ("Exchange Act") to expand the Lost and Stolen Securities Program ("LSSP" or "Program"). Established in 1977, the LSSP is designed to curtail trafficking in lost, stolen, missing and counterfeit securities certificates. It does this by requiring financial institutions, including broker-dealers, banks and transfer agents (known collectively as "reporting institutions") to report such securities certificates to the LSSP database. These institutions also must inquire whether certificates valued at more than \$10,000 that come into their possession have been reported to the database in one of these categories. When an institution inquires about a particular certificate that has been reported to the database, a "hit" or a match occurs, and the inquiring party can pull the certificate in question, thereby avoiding a rejection later in the settlement cycle. SIC has administered the LSSP since the Program's inception.

Over the years, market participants have asked the Commission to expand the Program by adding reporting categories to Exchange Act Rule 17f-1,¹ the Program's implementing rule. Noting that the statute expressly addressed only lost, stolen, missing and counterfeit securities, the Commission declined to do so, although it did provide for the voluntary reporting of additional categories through a "Permissive Reports and Inquiries" section of the rule.² Reporting institutions have utilized the voluntary option to reduce risk in a number of areas, particularly in the area of cancelled certificates.

¹ 17 CFR 240.17f-1.

² 17 CFR 240.17f-1(e).

Because they are often processed, shipped and stored in bulk, cancelled certificates pose a particular threat to the safety and soundness of the securities markets. Over the past two decades, there have been a number of spectacular mishaps involving billions of dollars of cancelled certificates that eventually resurfaced in the marketplace either through sales or as collateral for loans.³

Recognizing the severity of this problem, the Securities Industry Association ("SIA")⁴ launched an industry-wide initiative in 2000 to have cancelled and other kinds of compromised certificates such as stopped and escheated certificates added to the LSSP database. As a result of this initiative, approximately 75% by volume of the transfer agent community now submits cancelled certificate details to the Program. The effect of this voluntary reporting has been dramatic.

Prior to the addition of these permissive categories of certificates on the LSSP database, the average "hit" rate was 3%. Today, with the more robust database, the hit rate is 12%. Identifying problem certificates early in the transaction cycle avoids the risks and costs attendant to the rejection of a security at or after settlement, and inspires confidence that the remaining certificates will advance through the settlement cycle in a timely fashion. It also thwarts attempts to collateralize compromised securities. The LSSP database presents an effective early-warning system that can address some of the thorniest problems associated with the continued existence of physical certificates.

In view of the damage that cancelled certificates can cause once they re-enter the market stream and in view of the fact that a voluntary reporting program goes only so far to contain this problem, the Dodd-Frank Act broadened the statutory underpinning of the LSSP to include cancelled certificates as an itemized class. In so doing, Congress removed the impediment the Commission cited when it declined to add an expansion of the LSSP to the rules it adopted to improve the processing of cancelled certificates.

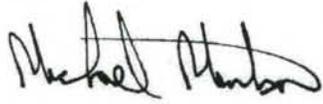
SIC urges the Commission to act swiftly in amending Rule 17f-1 to explicitly cover cancelled securities. While we recognize that the Commission faces a daunting workload as a result of the Dodd-Frank Act, we also note that the required change to Rule 17f-1 is a modest one. Moreover, given the industry initiative in this area, it is unlikely to spark controversy.

We would be pleased to provide the Commission and its staff with any assistance it might need in this regard.

³ The special problems posed by cancelled securities certificates have not escaped the Commission's attention. Citing some of the most egregious "disappearances" of batches of cancelled securities certificates, the SEC in 2003 adopted a package of regulatory initiatives designed to improve the processing of cancelled certificates. SEC Rel. No. 34-48931 (December 16, 2003), 68 Fed. Reg. 74390 [December 23, 2003].

⁴ The SIA is the trade association now known as "SIFMA."

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael Manton". The signature is written in a cursive style with a horizontal line crossing through the middle of the letters.

Michael Manton
Senior Vice President