

# THE STA

## SECURITIES TRANSFER ASSOCIATION, INC.

April 3, 2013

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Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549

**Re: SEC Proposed Rule – Regulation SCI  
SEC File No. S7-01-13; Release No. 34-69077**

**CHARLES S. HAWKINS**  
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Dear Ms. Murphy:

The Securities Transfer Association (“STA”) appreciates the opportunity to provide its comments on the proposed rule, Regulation Systems Compliance and Integrity (“Regulation SCI”) under the Securities Exchange Act of 1934 (the “Exchange Act”). The STA is an organization whose membership is comprised of the majority of large and small transfer agents in the United States. Founded in 1911, The STA membership includes more than 150 registered transfer agents maintaining records of more than 100 million registered shareholders on behalf of more than 15,000 issuers. The STA, unlike the other regulated entities, is an Association but not a self-regulatory organization.

**EXECUTIVE DIRECTOR**  
CYNTHIA JONES

**ADMINISTRATOR**  
CAROL A. GAFFNEY

The STA understands and commends the Commission’s goal of using its authority under the Exchange Act to create more efficient and effective market operations and to ensure the maintenance of fair and orderly markets that will protect investors and facilitate the economically efficient execution of securities transactions. We wish to comment only on question number 207, whereby the Commission requests comment on whether entities other than self-regulatory organizations, alternative trading systems, plan processors or exempt clearing agencies subject to the Commission’s Automation Review Policy (“ARP”) should be included in the definition of a SCI entity. This comment letter pertains to all STA members other than our open-end mutual fund transfer agent members, whose involvement with the settlement and clearance system may be different.

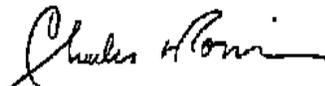
The STA does not believe that the inclusion of transfer agents in the definition of SCI entities is warranted. Transfer agents' primary functions are the maintenance of the registers of ownership of issuers' securities and the timely registration of transfers of ownership on those registers. In today's marketplace, trading, clearance, and settlement activities are carried out within the internal records of market constituents such as The Depository Trust Company ("DTC") and its participants. The success of these activities is not reliant on, and in many cases may not result in, an entry to an issuer's register. They do not have systems that directly support trading, clearance and settlement, order routing, market data, regulation, or surveillance, the critical functions that the Commission is trying to protect. The current ARP does not include transfer agents, and there is no valid reason to include them in the Regulation that will supersede it.

In addition, unlike the currently regulated entities, if a transfer agent's system is down for a day, there is no material effect on the aforesaid trading, clearance and settlement, order routing, market data, regulation, or surveillance activities. This has been proven historically in the aftermath of both 9/11 and Hurricane Sandy, when certain large agents in the New York area had system downtime with no material effect on trading, or on the overall clearance and settlement system.

Finally, the majority of transfer agents in the US today do not have electronic connectivity to SCI entities. Many even connect to SROs and DTC through a dial up modem and make entries manually. Because such agents have no direct system connectivity to the marketplace, rules intended to ensure the integrity of such systems in order to support trading, clearance and settlement activities are not relevant to such agents and are unnecessary. The larger agents, who can connect to DTC electronically, are already obligated to have written business continuity plans, and written policies and procedures to ensure that their systems are robust and will function as intended. The larger agents are already subject to similar kinds of obligations contemplated by Regulation SCI because of oversight from and regulations issued by state or federal banking regulators. Accordingly, inclusion of these transfer agents in the definition of SCI entities would be duplicative and serve no useful purpose.

In conclusion, the STA supports the Commission's intent to strengthen the systems that are critical to the trading clearance and settlement process. However, as outlined above, there is no valid reason to include transfer agents in the proposed regulatory scheme.

Sincerely,



Charles V. Rossi  
President  
The Securities Transfer Association, Inc.