



June 21, 2007

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

Re: File No. SR-DTC-2006-16

Dear Ms. Morris:

The Legal and Regulatory Subcommittee ("Subcommittee") of the Securities Industry and Financial Markets Association ("SIFMA")¹ Operations Committee 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"). The Subcommittee fully supports the proposal as the changes will:

- accommodate the expected increase in volume and value of securities that will be processed by the transfer agents;
- improve the processing technology; and
- enhance overall processing controls.

As a prerequisite for eligibility in the Direct Registration System ("DRS"), a transfer agent and an issuer must be FAST eligible. The transfer agent and issuer eligibility requirements for FAST have not changed since its implementation in 1975, and the proposed revisions relating to those requirements are not only necessary but appropriate.

The Subcommittee has been working for a number of years to immobilize and dematerialize physical securities. Based on a survey in 2002, the industry's costs to maintain, process, provide safekeeping, and mail paper certificates amount to over \$250 million annually. Approximately \$49 million of the cost -- primarily borne by individual investors -- relates to lost and stolen securities. The overall costs and risks associated with holding physical securities make it imperative to pursue viable alternatives to securities ownership.

¹ The Securities Industry and Financial Markets Association brings 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.

One of these alternatives is DRS, which was developed by DTC and transfer agents in the late 1990's. DRS offers automated linkages between the recordkeeping systems maintained by transfer agents for corporate issuers and those recordkeeping systems maintained by broker-dealers and banks for their customers. DRS thereby enables a shareholder, for example, to direct the movement of a securities position electronically from an issuer's transfer agent to the shareholder's account at a broker-dealer of their choice ("street name format"). DRS offers shareholders the convenience of fully-disclosed positions at the issuer or its transfer agent, as well as the convenience of book-entry transfer to a broker-dealer if the shareholder is inclined to sell the position or to consolidate positions in one or more companies.

The Subcommittee strongly supports the use of DRS as a viable alternative to holding physical securities and, therefore, is encouraging industry participants to migrate to DRS. For example, the Subcommittee and a specific working group have been holding educational seminars on the benefits of DRS this past year throughout the country. In addition, the Subcommittee met with all primary U.S. exchanges a few years ago to encourage them to support DRS and to revise their listing requirements to mandate that all exchange-listed issues be eligible for DRS. As a result of these latter efforts, all exchanges -- the New York Stock Exchange, NYSE Arca, NASDAQ, the American Stock Exchange and the regional exchanges -- announced in 2006, after a period of public comment and with SEC approval, just such changes to their listing requirements. For any newly listed security, the exchanges made January 1, 2007 the effective date and, for already listed securities, the effective date is January 1, 2008. The Subcommittee believes these rule changes should greatly encourage the use of DRS and represent a significant step toward dematerialization.

The Subcommittee and DTC expect that, ultimately, DRS will be utilized by over 6,000 listed issuers and more than 125 transfer agents. As mentioned earlier, these issuers and transfer agents all must be FAST eligible in order to use DRS. DTC recognized that, to accommodate this expected increase in use, FAST needed to have certain technology upgrades, better insurance coverage, and improved audit requirements. Accordingly, DTC proposed the following amendments to FAST:

- Insurance requirements will be standardized, with insurance coverage established to account for expected increases in transactional volumes and corresponding dollar values.
- Safekeeping requirements will be enhanced for physical plant security and fire protection standards.
- Technological changes will be initiated to further protect data to ensure investor privacy and to provide an appropriate disaster recovery plan.
- Audit report requirements to certify a transfer agent's processes and controls will be standardized.

The Subcommittee strongly supports these proposed amendments in that they significantly upgrade the FAST system by preparing for the expected increase in securities volume, improving the overall processing environment, and ensuring the maintenance, safety and soundness of the system.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lawrence Morillo". The signature is written in a cursive, flowing style.

Lawrence Morillo
Chairman
Legal and Regulatory Subcommittee
SIFMA Operations Committee

CC: Operations Committee