

THE STA

SECURITIES TRANSFER ASSOCIATION, INC.

February 3, 2012

BOARD OF DIRECTORS

CHARLES V. ROSSI, President

Executive Vice President, US Client Services
Computershare
Canton, Massachusetts

THOMAS L. MONTRONE, Vice President & Assistant Secretary

Chairman, President & Chief Executive Officer
Registrar and Transfer Company
Cranford, New Jersey

WILLIAM J. SPEIRS, Treasurer

Director, Compliance and Risk
Canadian Stock Transfer Company, Inc.
Toronto, Ontario, Canada

STEVEN NELSON, Secretary

Chairman and President
Continental Stock Transfer & Trust Co.
New York, New York

CHARLES S. HAWKINS

Vice President, Enterprise Investor Services
BNY Mellon Asset Servicing
Wilmington, Delaware

MARK HEALY

President & Chief Executive Officer
American Stock Transfer & Trust Company
New York, New York

SALLI A. MARINOV

President & Chief Executive Officer
First American Stock Transfer, Inc.
Phoenix, Arizona

TODD J. MAY

Senior Vice President
Wells Fargo Shareowner Services
South St. Paul, Minnesota

EXECUTIVE DIRECTOR

CYNTHIA JONES

ADMINISTRATOR

CAROL A. GAFFNEY

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

**RE: Release No. 34-65901, File No. SR-DTC-2011-10;
Proposed Rule Change to Amend Rules Relating
to Existing Operational Arrangements Involving
Eligibility of Securities**

Dear Ms. Murphy:

The Securities Transfer Association ("STA") appreciates the opportunity to comment on the proposed amendments to The Depository Trust Company ("DTC") existing Operational Arrangements referenced above (the "Proposal" or "Operational Arrangements"). Founded in 1911, the STA is the professional association of transfer agents. 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. STA members are DTC limited participants subject to the existing Operational Arrangements and the Proposal.

While the STA understands the Proposal became effective upon filing, the STA has a number of comments and objections that it would like to raise on behalf of its members concerning the Proposal. The STA's first objection is that DTC filed the Proposal without any advance notice to the STA or any discussion with the STA on the proposed changes. Contrary to DTC's description, the Proposal includes more than "nonsubstantive modifications to the existing operational arrangements necessary for a securities issue to become and remain eligible." The STA was disappointed that only 21 days were given to comment on the Proposal, which consists of 110 pages of redlined changes that required significant time and effort for STA members to review and consider.

As will be set forth in more detail below, a number of the amendments in the Proposal do, in fact, have a significant impact on transfer agents and significantly change the existing procedures and industry practice. The STA objects to DTC's unilateral imposition of substantial changes to operational requirements without any dialogue with STA members and any undertaking to ensure the proposed changes are commercially feasible for transfer agents and issuers. In addition, agents have been given no opportunity to review and make adjustments to their policies and procedures to address the amendments in the Proposal.

The STA also notes that it has been its experience that issuers know very little about the Operational Arrangements, which include obligations of both issuers and transfer agents. It shouldn't be the responsibility of transfer agents to have to educate issuers about DTC's requirements. DTC should ensure issuers are aware of, understand and agree to the Operational Arrangements. The STA recommends that issuer requirements be outlined in a separate agreement between DTC and the issuer and removed from the Operational Arrangements.

Finally, although some provisions in the Operational Arrangements have been included in this document for a long time, they do not reflect industry practice and are not being followed by participants. As DTC is aware of this, the Operational Arrangements should be revised to reflect the actual practices between issuers, agents and DTC.

The STA's specific comments and objections to provisions of the Operational Arrangements are set forth below.

Important Legal Information

At the beginning of the Operational Arrangements, DTC has inserted a new page entitled "Important Legal Information." This section is not actually legal "information," but rather legal obligations DTC seeks to impose on issuers, agents and underwriters, and DTC's disclaimers for its services and its liability. The STA objects to this section in the Operational Arrangements, as the incorporation of legal terms should be subject to discussion and negotiation of the parties and not added to an operational document under the guise of "information." In addition, terms concerning legal liabilities of parties do not belong in an operational document.

CUSIP Numbers

In several places, the Operational Arrangements provide that the issuer or agent must obtain a new CUSIP number from Standard and Poor's CUSIP Service Bureau in connection with a corporate action event.¹ It is not industry practice for the transfer agent to obtain a number on behalf of an issuer. The information required to be submitted to

¹ See pages 5, 10 and 40 of the Operational Arrangements.

obtain a CUSIP number is issuer information and, ultimately, the CUSIP number belongs to the issuer. The STA believes it is inappropriate for DTC to require a transfer agent to obtain a CUSIP number or provide any other services on an issuer's behalf. The services to be provided by a transfer agent to its clients are a business matter between such entities over which DTC has no authority.

DTC Notification Confirmations

For many notifications to DTC, agents are instructed to send information to DTC at a designated e-mail address. Throughout the Proposal, DTC is seeking to impose an additional requirement on agents to telephone DTC and confirm the e-mail notification was received by DTC, or to telephone DTC if a confirmation e-mail is not sent back to the agent by DTC.² In addition, there are call back requirements in other provisions that are not new, but are not requirements being followed by the industry.³ The STA objects to any requirement for agents to have to call DTC to confirm receipt of notifications, as this is inefficient and unnecessary. In the event an e-mail sent to DTC is undeliverable, a notification will come back to the agent through the agent's e-mail system. This would alert the agent to re-send the notification or contact DTC to confirm the e-mail address is correct.

Payments

DTC has revised its requirement to send payments of \$1 billion or more in connection with reorganizations by noon Eastern time to DTC.⁴ DTC asserts this change reflects current industry practice. The STA disagrees that this is current industry practice. STA members have advised that industry practice is to provide such payments by 2:00 p.m. Eastern time. This change is problematic for agents in that it will be difficult for issuers on the West Coast to have funds available by this time. In addition, agents may have existing contractual arrangements with their issuer clients that require funding by 2:00 p.m. Eastern time, not noon. In such cases, agents may have no ability to require clients to fund any earlier. An agent cannot provide DTC with funds it has not yet received from its clients.

Record Dates and Ex-Dates

DTC has revised the record date requirements to state that the record date must coincide with the established ex-date announced by the applicable stock exchange.⁵ The requirements also state the issuer or agent must set a record date.⁶ The STA objects to both of these requirements. Agents do not currently set record dates and have no legal

² See, e.g., pages 59, 61, 63-65, 67 and 70 of the Operational Arrangements.

³ See, e.g., pages 46, 50, 72-73, 77-78, 82-84, and 88 of the Operational Arrangements.

⁴ See pages 5 and 47 of the Operational Arrangements.

⁵ See Section III(A), page 45 of the Operational Arrangements.

⁶ *Id.*

authority to set a record date for an issuer related event such as a dividend, distribution or shareholder meeting. “Agents” should be removed from this requirement. The STA does believe it would be appropriate for agents to be advised of the record and ex-dates by their issuer clients, as is the current practice. In addition, the new language stating the record date and ex-date should “coincide” is confusing as these are not generally the same date.

The Operational Arrangements provide that notices need to be sent by the issuer or agent no later than the close of business on the business day before a Publication Date.⁷ The STA’s experience is that this is not always feasible due to issuer Board meetings held after the close of the business at which the matter to be included in the notice is approved.

Imposition of “Disincentive Fees”

In various sections of the Operational Arrangements, DTC has added language stating the failure to meet certain notification requirements may subject participants (i.e., issuers and agents) to “disincentive fees.”⁸ The STA strongly objects to these additions for a number of reasons.

The notification time frames may be difficult to meet, especially for agents who are relying on their clients to notify them of the applicable events. For example, one instance where notification is required relates to the reduction of cash or entitlements due to DTC as a result of a reduction of treasury or repurchased shares. The requirement is to notify DTC and provide applicable participant confirmation letters five days before payable date.⁹ The STA’s members have advised that they generally do not receive this information on repurchased shares until on or shortly before payable date. Agents rely on their clients to notify them of changes in the treasury position and have established procedures or agreements governing funding notifications. As a result, in many cases, based on existing practices or agreements, it would be extremely difficult to get both the changes in the treasury position and required participant letters within DTC’s time frame.

The STA further objects to DTC having the authority to impose a “disincentive fee,” regardless of whether there was any actual harm from a delay in notification and regardless of whether the delay was caused by the agent or circumstances beyond the agent’s control. DTC does not disclose in the Proposal the amount of the “disincentive fee,” which is also objectionable and appears to be intended to give DTC sole discretion on imposing any fee it would like on issuers and agents.

⁷ See Section III(B), page 45 of the Operational Arrangements.

⁸ See, e.g., pages 56, 59 and 70 of the Operational Arrangements.

⁹ See page 70 of the Operational Arrangements.

Notification of Events

There are a number of provisions requiring agents to notify DTC of corporate events. In some cases, this is contrary to industry practice. For example, Section VI(A) requires agents to notify DTC in the event of voluntary or mandatory corporate action requiring the exchange of securities. Such notification is presently done by the stock exchange on which the securities are listed.

In addition, there is a new requirement in Section VI that agents must notify DTC no later than 24 hours after a triggering event of a conversion privilege, warrant or right.¹⁰ Transfer agents rely on their clients to notify them of such events and can only notify DTC once they receive notification. If the client does not provide the agent with 24 hours notice, the agent cannot meet this requirement.

Another new notification imposed on transfer agents in the Proposal is for non-U.S. person thresholds for SEG 100 securities.¹¹ Although DTC acknowledges in its Operational Arrangements that certain issuers are subject to legal restrictions on percentages of shares held by non-U.S. persons, it then adds a provision requiring transfer agents, not issuers, to monitor for the applicable thresholds and report to DTC. DTC does not have the authority to mandate what services transfer agents must provide on behalf of its issuer clients, and to make transfer agents responsible for the legal requirements of its clients.

Conclusion

The STA objects to many of the amendments to the Operational Arrangements, particularly related to obligations of agents, notification requirements and deadlines, as well as the new imposition of “disincentive fees” for failing to meet DTC’s deadlines. The notification requirements and time frames established by DTC may suit DTC’s needs and objectives, but were set without any discussion with agents or issuers as to whether such time frames are reasonable, feasible or appropriate for each situation. The STA understands the importance of the settlement and clearing system operated by DTC. However, this system involves a number of parties. DTC should not be able exclude agents and other impacted parties when making important decisions concerning the operation of the system and obligations of the parties.

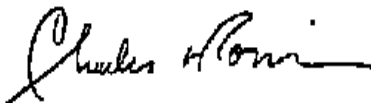
¹⁰ See page 72 of the Operational Arrangements.

¹¹ See page 31 of the Operational Arrangements.

The STA appreciates the opportunity to comment on the Proposal, and requests an opportunity to discuss the Operational Arrangements with DTC and develop revised Operational Arrangements that reflect current industry practice, are operationally feasible, and are fair and reasonable to agents, issuers, and all participants in the DTC system. Until this occurs, the STA requests that the Commission temporarily suspend the rule change.

We would be glad to discuss our comments in more detail with the Commission.

Very truly yours,

A handwritten signature in black ink, appearing to read "Charles V. Rossi". The signature is fluid and cursive, with a prominent initial "C" and a long, sweeping underline.

Charles V. Rossi
President