THE STA
SECURITIES TRANSFER ASSOCIATION, INC.

April 15, 2014

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File No. SR-DTC-2013-11

Dear Ms. Murphy:

I am writing you on behalf of the Securities Transfer Association Inc. ("STA") in further response to the Depository Trust Company's ("DTC") application under Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act") seeking approval from the Securities and Exchange Commission ("Commission") of proposed changes to its rules ("Proposed Rule Changes"). The Proposed Rule Changes would add Rule 22(A) and Rule 22(B) to DTC's Rules and Procedures and attempt to specify the process and conditions under which DTC may impose restrictions on the deposit and transfer of an issuer's securities, and also the process available to issuers that wish to challenge either a proposed or actual decision of DTC under these rules.

The STA submitted an initial comment letter on January 14, 2014, but appreciates this opportunity to submit further comments. We agree with the goals of DTC in attempting to prevent the distribution of securities in violation of Section 5 of the Securities Act of 1933, particularly in instances that may involve fraudulent activity. We would like to again recognize the efforts of DTC as well as the Commission's staff in preparing the Proposed Rule Changes. We also wish to acknowledge the willingness of DTC to engage in an open dialogue with the STA on important issues surrounding its processes.

While the STA wishes to reaffirm each of its earlier comments, we would like to provide further views on one important issue raised by the Commission in the *International Power Group, Ltd.*, Ad. Proc. File No.3-13687 (March15, 2012) ("IPWG Decision"). The STA does not believe that the Proposed Rule Changes fully address DTC's obligation to provide a full and fair process to issuers either denied initial eligibility,

or subject to a Deposit Chill or Global Lock. We believe that it is important for DTC and the Commission to give further consideration to this particular issue.

Subject to our earlier comments, the STA agrees with those portions of the Proposed Rule Changes that would permit an initial internal appeal to a qualified officer of DTC. In our view, however, fair process also requires that if the internal appeal is denied by DTC, the issuer should have the right to request a hearing, similar to that under DTC's Rule 22, with an independent panel of industry professionals, which would have the full written record of the internal appeal, and in which the issuer may present arguments, respond to questions, and provide additional evidence (including, if appropriate, testimonial evidence).

I. RIGHT TO A HEARING

DTC's Proposed Rule Changes will provide an efficient and effective review process for issuers in most cases. However, when they do not, the issuer and its shareholders may suffer from the effects of DTC's actions for an indefinite period of time.[1] For this reason, the STA recommended that issuers be afforded the right to a hearing similar to that under DTC's Rule 22, which presently is available to DTC's own participants and issuers that are denied eligibility. Rather than injecting an "additional level of review" and further delays in the appeal process, the STA continues to believe that a form of Rule 22 hearing with an independent panel is likely to be a less formal, less expensive, more efficient and expeditious process than a direct appeal to the Commission.

The STA understands that there are significant costs associated with an appeal to the Commission, as well as delays that may result both from the Commission's consideration of the matter and in reaching a decision. Among other things, the Commission may not be willing to consider, or delay considering, an appeal from DTC with respect to a matter that may be related to an action that is pending, including one involving third parties unaffiliated with the issuer. Moreover, substantial time and effort may be required by the Commission and its staff in attempting to resolve an appeal from DTC's decision at a stage in which the record may not be fully developed. In this regard, we note that in both the IPWG Decision and a more recent appeal, the Commission remanded matters to DTC in order to further develop the record – delaying a decision and imposing additional expenses on the issuer while its securities remained subject to a chill imposed by DTC.[2] Not insignificantly, during the appeal period both the issuer and its shareholders will suffer economic harm as a result of limitations on the settlement of their shares.

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[1] As illustrated by the facts in the IPWG Decision, including those noted in the STA's earlier comment letter, it may be difficult for an issuer to directly address the concerns of DTC in instances in which DTC bases its actions on the conduct of third parties unaffiliated with the issuer. The STA also notes that the Commission may cast a wide net when filing an action, covering many issuers, but its focus may narrow based on further evidence. In addition, the Commission may resolve an action with respect to some defendants, but not others - and it may not resolve an action with respect to any particular defendant for an indefinite period of time.

[2] See also, *Atlantis Internet Group Corporation*, Ad. Proc. File No.3-15432 (October 17, 2013) (Remanding the matter to DTC for further development of the record).

We are puzzled by DTC's resistance to affording issuers a fair hearing. Both historically and more recently, DTC has opposed providing issuers any right to a hearing before an independent panel. The STA believes that the process set forth in the Proposed Rule Changes continues to reflect DTC's resistance to permitting issuers to challenge the rationale for its decisions.[3]

The STA also is confused by the fact that even under the Proposed Rule Changes, an issuer may be allowed to request a hearing under Rule 22 in the event its eligibility either is denied, or revoked in its entirety, but would not be entitled to the same right if its services are suspended by DTC for an indefinite period of time. The STA urges the Commission to closely consider the substance of DTC's actions, rather than assertions in the release accompanying the Proposed Rule Changes claiming that measures taken under the Proposed Rule Changes do not involve a revocation or denial of access to its services for purposes of Rule 22. The imposition of a Deposit Chill or Global Lock may have the same effect as a revocation of an issuer's eligibility.

In a somewhat analogous context, the U.S. Supreme Court held in SEC v Sloan, 436 U.S. 103 (May 15, 1978) that the Commission could not use its own authority under Section 12(k) of the Exchange Act to impose a series of ten day trading suspensions on an issuer's securities, rather than seeking a temporary or permanent injunction, or taking other action, that would have afforded an issuer the right to notice and a hearing. Justice Brennan observed in his concurring opinion that "…. even a 1-year suspension as here, without notice or hearing so obviously violates fundamentals of due process and fair play that no reasonable individual could suppose that Congress intended to authorize such a thing." While in this instance DTC has indicated it will provide notice to the issuer, due process dictates that DTC also must provide a hearing on the record before a panel in which an issuer may challenge the rationale for DTC's actions.

II. INDEPENDENT FORUM FOR APPEAL

The STA also endorses the Commission's suggestion in the IPWG Decision that FINRA Rule 9558 is a relevant template for DTC's own procedures that would assure fair process. In addition to the example noted by the Commission, the STA identified two other examples of similar processes that would afford issuers a fair hearing. DTC dismissed these recommendations because it claims that these procedures are designed for fraud-based regulators, unlike DTC.[4] The STA does not agree.

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[3] In the IPWG Decision, for example, which involved the actions of persons unaffiliated with the issuer and affected only 3% of its outstanding securities, the Commission questioned DTC's imposition of a chill on the issuer's securities based "merely [on] … the existence of the Commission's complaint against certain IPWG shareholders without any additional explanation of why the existence of the complaint warrants the suspension of clearance and settlement services with respect to IPWG's securities."

[4] While DTC argues that it is not a fraud regulator, it cites in the release accompanying the Proposed Rule Changes the criteria established by fraud regulators as a basis for its own actions, including statements by the SEC and FINRA on detecting microcap fraud, as well as the Bank Secrecy Act, AML laws, and OFAC sanctions. In addition, it states that it imposes a Global Lock whenever it "becomes aware of a law-enforcement or regulatory proceeding alleging violations of federal law or regulations… [not just, but] particularly those alleging any violations of Section 5 of the Securities Act…" (Brackets added).

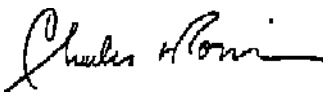
NASDAQ's listing standards are based on objective criteria and are not necessarily fraud based. As we noted earlier, NASDAQ Rule 5815 permits issuers to appeal a decision to delist their securities to a hearing panel, which is an independent panel made up of at least two persons who are not employees or otherwise affiliated with NASDAQ, or its affiliates, and who have been authorized by the NASDAQ Board of Directors. We understand that the NASDAQ hearing process, while on the record, is an informal one in which there is open and direct communication between officers of a company, NASDAQ staff, and experienced industry panelists.[5]

III. CONCLUSION

Subject to our earlier comments, the STA agrees that the initial internal appeal process to a qualified officer of DTC, as set forth in the Proposed Rule Changes, is appropriate. However, the issuer also should have the timely opportunity to challenge the rationale for DTC's decision, including the terms of any opinions it requests, by submitting affidavits as well as providing documentary and other evidence, and to orally present arguments and respond to questions raised by a neutral hearing panel.[6] A process similar to that available under Rule 22 could lead to a timely resolution of DTC's concerns. If it does not, then the hearing would establish a more complete record in the event that the matter is appealed to the Commission.

The STA is aware of the difficult circumstances encountered by DTC and its diligence in monitoring events that may implicate a registration violation. While the STA is concerned that DTC may not have completely addressed the fair process concerns expressed by the Commission in the IPWG Decision, it appreciates the thoughtful effort that the organization and its staff evidenced in the Proposed Rule Changes. The STA welcomes the opportunity to discuss the comments in this letter or address any other questions you may have.

Sincerely,



Charles V. Rossi
Chairman, STA Board Advisory Committee
The Securities Transfer Association, Inc.

[5] We also cited FINRA Rule 6490, which relates to processing notices of corporate actions and provides that issuers may appeal any initial decision not to process information submitted in accordance with Exchange Act Rule 10b-17 to a subcommittee comprised of current or former industry members of FINRA's Uniform Practice Code Committee.

[6] If all relevant facts are not available to an issuer with respect to the actions of unaffiliated third parties, then an evidentiary hearing may not be necessary.