Carlton Huxley Ltd

Legal & Law Enforcement Consultants

Kevin M. O'Neill, Deputy Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

June 27, 2014

Re: Proceedings to Determine Whether to Approve or Disapprove
SR-DTC-2013 - 11 and Grounds for Disapproval Under Consideration

File No. SR - DTC-2013 -11

Dear Mr. O'Neill,

We wish to submit comments in connection with the Securities and Exchange Commission's (the "Commission") proceedings pursuant to Section 19(b)(2)(B) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to determine whether the DTC's proposed rule changes concerning deposit chills and global locks (the "Proposed Rules") should be approved or disapproved.

Carlton Huxley LTD is a small British firm of legal and law enforcement consultants made up of ex Scotland Yard investigators and American and British lawyers and over recent years we have carried out reviews and examinations into various allegations of US stocks, some of which have been subject to DTC locks or Chills.

We have read with interest the observations of Sichenzia Ross Friedman Ference LLP and the comments submitted by Mr Isaac Montal of the DTC in response to those observations.

Overall we welcome the proposed rule change and the clarity that is emerging on this matter, although we feel that the rules and DTC need to go further so that there is real transparency and accountability, which will not only benefit the DTC but their participants, issuers and the investing public as well.

It is imperative that the DTC be able lawfully to assert its authority and impose temporary locks and chills as and when it is necessary, and the emphasis here is on the words 'lawfully' and 'temporary'. At present it is uncertain that DTC actually have the lawful right to lock stocks at all, and it defies all logic that federal securities laws only allow the SEC to suspend trading in any stock for up to ten trading days, while the DTC can, on its own volition and without any lawful authority, lock a stock for years and deprive third party investors of their constitutionally protected property right.

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There are too many stocks that have been locked for several years, many without good and lawful reason, and in some of these cases the DTC have ignored the fact that issuers have resolved the problem that justified the lock in the first instance.

This has given rise to a widely held perception by the public that a) DTC have kept some stocks locked even though there is no justifiable reason and b) have contrived reasons to justify their actions, the most common excuse being that the issuer does not have a transfer agent when in fact this is just not the case. The commonly held belief is that this has been done in order to conceal wrong-doing by participants, as a result of which, stakeholders are unlawfully deprived of their property rights. These concerns have in the past been erroneously dismissed by the authorities and securities attorneys as the ramblings of conspiracy theorists. This condescending attitude has to change, because whether or not the public's perception is right, the fact is, it is so widely held as belief that unless the Commission and DTC respond to the public concerns immediately, they will lose all credibility. The only way that public confidence will be restored is by making the Commission responsible for the supervision of locks and chills, which will bring transparency and accountability to the whole process which up until now has been totally lacking.

Section 17A requires that "persons be afforded fair process and provide notice and an opportunity to be heard" and that has not been happening, and whilst the rule changes are a step in the right direction, there is still concern that they do not go far enough. The only way that the process can obtain any integrity and actually satisfy section 17A is if there is independent outside supervision by the commission and not the DTC, and this should be incorporated into the proposed rule changes.

All credit to the DTC and Mr Montal, for his letter to the Commission on May 6, 2014, which was probably the first time that DTC has publicly indicated what an issuer needs to do to start the process of getting a lock removed. Overall the proposed rule changes are a very welcome first step in the right direction, as they set out the procedures DTC intends to put in place, although they omit to specify what, if any, procedure is available to an issuer or stakeholder to be able to request a hearing by an administrative law judge to determine whether the DTC is acting correctly. If there is such a process, it is extremely well hidden somewhere at the SEC.

We think that this need for clarity is essential, because all too often the DTC and locks are unfairly blamed by unscrupulous participants for problems of their own making, which have absolutely nothing to do with the DTC. In the past, due to the woefully inadequate information available to the public from the DTC and the Commission on DTC locks and chills, participants have managed to get away with this ploy for years, but those days are rapidly drawing to an end.

Mr. Montal states in his letter on May 6, that: *"Neither a Deposit Chill nor a Global Lock prevents trading of an affected security",* but Mr Montal needs to go further to clear up the ambiguity that exists in relation to "post lock trades", because in the past participants have been happy to trade after a lock, have taken the clients' money, but then in 90% of cases fail to deliver the security when the customer makes their securities entitlement order, saying that they are prevented from doing so by the actions of the DTC and a Global Lock.

Why neither a Deposit Chill nor a Global Lock prevents trading of an affected security

Unlike an SEC halt, which is an order made under the Securities Exchange Act, Global Locks and chills are not a trading restriction imposed by regulation, statute or court order.

In many cases a Global Lock states that it halts all transactions other than custody services through the DTC. In plain language, this means that the only shares that are locked are those held by DTC; it

does not apply to shares held outside of DTC.

Participants who continue to trade after a lock are unable to use the industry standard settlement and clearing services rendered by the DTC and this also means that the participant cannot use the shares deposited with DTC to cover their trades, so if, for example, DTC have say 700,000 shares in their name on the books of the issuer at the time of the lock, then the lock only applies to those 700,000 shares and DTC cannot hold or lock any more shares than are in their name on the books of the issuer.

As Mr Montal says, a participant has no obligation to stop trading based on the DTC's lack of involvement provided that the participant holds securities in physical form, is willing to settle directly and accepts that they are trading without the services of the DTC or any DTC involvement at all, and as a result, because trades done after a lock are done without the DTC, they do not show on DTC books.

It is not complicated, yet in our experience, in almost all cases where participants traded after a DTC global lock, they are unable or unwilling to comply with customer's entitlement orders to deliver or transfer such securities, not because of the lock, but because the seller failed to perform and the participant failed to obtain the physical securities as they are required to do, yet they still confirmed the trades. Participants are having it both ways at the expense of their clients. If they make the business decision to trade after a lock and without DTC, then there is no DTC involvement and so they have no right to blame DTC.

DTC participants are clearly warned by DTC on all their Important Notices and services that *"DTC shall bear no responsibility for any losses associated with the failure of participants or other authorized users to follow DTC's most current Service Guides and/or important Notices. In connection with their use of the Corporation's services, Participants and Pledgees must comply with all applicable laws, including all applicable laws relating to securities"*

As Mr. Montal says, a DTC global lock does not prevent trading, and so it follows that a lock does not prevent participants who trade post-lock from transferring their customer's securities from their books to that of the issuer, for the simple reason that the trades and shares used to cover are outside of the DTC and thus have nothing to do with the DTC.

In the past, as a result of the mystique and lack of education, DTC participants have been able to hide behind three words "DTC Global Lock". It is not just the public that needs educating, but FINRA, as well, must step up and ensure that their arbitrators understand exactly what a Global Lock or chill is and how it affects or more often than not how it does not affect ownership transfer of those securities.

The Role of The Commission

We fully understand that agencies like the Commission work under difficult constraints, and do a good job despite the rigors of a heavy work load, undermining and stringent budgetary controls etc. However that does not excuse them for not taking investors' allegations of wrong-doing by intermediaries in post lock trades seriously, which to date is what has happened.

In the past, despite clear allegations by the public of wrong-doing by intermediaries, the Commission has blatantly ignored complaints by investors. We have been contacted by many investors who have written to the Commission complaining about intermediary 'A' failing to comply with an entitlement request and presenting clear evidence of wrong-doing (naked short selling), and the Commission

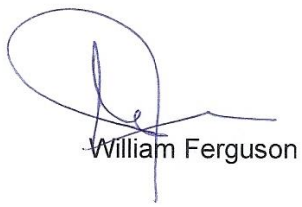
sends an answer that is not only factually incorrect on several counts, but concludes “thank you for bringing the matter of issuer ‘X’ to our attention”. The investor is not complaining about the issuer, they are complaining about the intermediary who took the client’s money for a post lock purchase and is now failing to deliver and fraudulently blaming the DTC Global lock.

Investors wonder why the commission ignores their allegations and why they are forced to seek assistance from firms like us. Could it be that the Commission genuinely does not believe that there is a problem despite recent rule changes they felt needed to be made and cases such as UBS Securities, who in 2012 were fined $12.5 million by FINRA for rampant naked short selling?
Many brokers say that the real reason these allegations are not taken seriously or investigated and why they can get away with it is simply because locks and chills are almost always on pink sheet companies and rich and more influential investors do not trade on the pinks. The victims of Locked Pink sheets or “microcaps” are not important enough to warrant their claims being investigated by the commission, and when these stakeholders do go to FINRA arbitration, almost every broker says that the claim should be dismissed on the grounds that it is “only a pink sheet/penny stock company” and so does not matter. They strongly infer, and only just stop short of actually saying, that because it is pink sheet, that this makes it ok for the brokers to take the investor’s money and not deliver. Whether true or not, the perceived message is that brokers can sell post lock, keep clients’ money and never deliver because they can blame the DTC lock. The DTC acquiesces by its silence and the Commission stands by and does nothing to help the investors they are supposed to be protecting. This may seem harsh, but this is what hardworking American Investors are telling us and something has to be done immediately to put this right and restore their faith.

The whole issue of the lock needs to be totally overhauled. There needs to be clear information made available to the public so that everyone knows who is responsible for what. DTC need to be given clear powers to lock and chill, while at the same time having rigid time frames imposed on them to work with issuers to resolve the problems. It would also seem logical to prohibit trading post lock, so as to prevent wrong-doing or at the very least help dispel the allegations, but most importantly of all, there has to be more transparency and total accountability and this can only be achieved if the Commission, not the DTC oversee the lock process.

We hope that the SEC and DTCC will take our comments into consideration, as we have been in the trenches with investors and issuers whose property rights are affected by DTC locks and chills. The issues our clients face can easily be resolved, but only if transparent and fair processes are afforded to them by the SEC and DTC.

Yours sincerely



William Ferguson