



July 28, 2006

Nancy Morris, Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-9303

(via electronic submission)

Re: File Number; SR-NYSE-2006-29 Release Number 34-53912; SR-NASDAQ-2006-008
Release Number 34-53913; SR-Amex-2006-40 Release Number 34-53911 --
Notice of Filing of Proposed Rule Changes Requiring Listed Securities Become
Eligible to Participate in a Direct Registration System

Dear Ms. Morris,

Computershare appreciates the opportunity to comment on the proposals filed by the NYSE, NASDAQ and Amex to mandate that listed securities become eligible and participate in the Direct Registration System.

Computershare is the only global transfer agent and the largest transfer agent in the US, operating in 19 countries. We service over 90,000,000 shareholder and employee accounts for 14,000 corporate clients worldwide. We are advocates for changes in the market structure that protect and enhance the interests of our clients and their stakeholders worldwide. We support changes such as this that will benefit issuers, shareholders and global market participants by eliminating unnecessary costs and risks, creating a more efficient end-to-end market process, and educating shareholders in the benefits of such processes. We have worked with several countries to dematerialize physical stock certificates, including Australia where physical certificates were eliminated and outstanding certificates were declared invalid instruments.

Computershare supports this effort to modernize the US market system. Short of an SEC mandate to eliminate all physical stock certificates in the US, as several countries have done, we believe that this listing mandate will help further the effort to immobilize and eventually dematerialize physical certificates in the US market.

The benefits – cost savings, increased efficiency, more accurate and timely trade settlements, and the reduced risk of loss for individual investors – are significant. Based on information from the Securities Information Center, \$8.7 billion worth of certificated securities were reported lost just in 2005. As a result, investors spent approximately \$261 million on surety bonds in order to have their shares replaced. The accumulated value of shares reported lost is over \$592 billion.

The concept of electronic share ownership via a Direct Registration System is consistent with Chairman Cox's other initiatives – including the proposed internet delivery of proxy materials – to leverage the use of existing technology to drive costs down and create more

efficiency in the US market system. We therefore encourage the SEC to approve the DRS listing standard and recommend that the SEC take action on additional changes in the overall DRS process that would minimize the issuance of physical certificates and maximize the benefits to US investors.

While the Securities Industry Association, under their Straight Through Processing initiative has been a proponent of dematerialization for some years, challenges remain in the broker community which limit the potential benefits. We believe the SEC and should review and modify current regulations and practices to change behavior in the broker community.

- Education is needed across the financial investment community including financial planners, brokers (front and back office staff), and investors who are not informed of the inherent risks of certificated share ownership.
- Investors are not being properly served because the broker community is not thoroughly educated on DRS and there are disconnects in communication between the broker front office and back office operations. For example, it has been recommended that more robust training on DRS ownership of registered shares be included in broker certification testing to ensure the brokers know the benefits and how the DRS process works to obtain registered book-entry shares for clients who prefer to own shares directly with a company. We believe, based on shareholder input that the current training requirements are not effective.
- Some brokers charge for the issuance of certificates in the range of \$50 - \$75 per certificate. This revenue incentive often overrides any incentive the broker might have to encourage the use of DRS for clients who choose to be registered on the issuer's books. Issuers, on the other hand, are not allowed to charge for certificates due to a "long standing" but unwritten practice of the NYSE. We believe that DRS issuers should be allowed to charge a processing fee to discourage certificate issuance and encourage book-entry ownership, just as DTCC has "disincentive" fees for brokers requesting certificates. Alternatively, brokers should not be allowed to charge for certificates to eliminate the revenue incentive to continue the issuance of physical certificates.
- We understand that some brokers consider certificate issuance a customer service issue and they do not want to tell a customer they cannot have one. By law, most companies who offer certificates must provide them on request however, brokers should be required to explain the benefits of DRS before requesting a physical certificate for a client.

While the mandate for DRS eligibility is a positive step, there are industry processing practices that will minimize the positive effects until such time as they are modified.

- We believe there should be agreement across the industry that DRS will be the default when processing equity transactions, with a process in place by which investors who prefer paper certificates can obtain them without undue burden.
- Regulatory changes are needed that would require brokerage firms to default all transactions to DRS for all eligible issues. Many of the broker systems contain old code that automatically defaults all transactions to certificates. A small number of brokerage firms that have taken the initiative to change their systems to default all

Withdrawal by Transfer transactions to DRS statements (unless overridden by the initiating broker) have seen significant savings in DTCC fees.

- Since there are many brokerage systems to change, DTCC rules should be changed such that they default all DRS eligible transactions to DRS statements. This would be the easiest solution in the short term.
- Even with the recommended changes, brokers must be educated on the process and must be required to fully disclose the benefits and risks of all forms of ownership to their clients.

We believe these additional changes would result in maximum benefits to the US and global market systems.

Please do not hesitate to contact us at 212-805-7000 for further information.

Sincerely,

Paul Conn
President, Global Capital Markets
Computershare Limited

Charles Rossi
Executive Vice President
Computershare Investor Services