



Securities Industry Association

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June 27, 2006

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

Re: File No. SR-NYSE-2006-29; SR-NASDAQ-2006-008; and
Amex 2006-40

Dear Ms. Morris:

The Operations Committee (the “Committee”) of the Securities Industry Association (“SIA”)¹ appreciates the opportunity to comment on rule proposals submitted by the New York Stock Exchange, LLC (“NYSE”), the NASDAQ Stock Market LLC (“Nasdaq”), and the American Stock Exchange LLC (“Amex”) that would require listed securities to be eligible for a Direct Registration System (“DRS”) operated by a securities depository.² The effect of the proposed rule

¹ The Securities Industry Association brings together the shared interests of more than 600 securities firms to accomplish common goals. SIA’s primary mission is to build and maintain public trust and confidence in the securities markets. SIA members (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. According to the Bureau of Labor Statistics, the U.S. securities industry employs nearly 800,000 individuals, and its personnel manage the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2005, the industry generated an estimated \$322.4 billion in domestic revenue and an estimated \$474 billion in global revenues. (More information about SIA is available at: www.sia.com.)

² Securities Exchange Act Release Nos. 53912 (May 31, 2006), 71 FR 33030 [SR-NYSE-2006-29], 53913 (May 31, 2006), 71 FR 33024 [SR-NASDAQ-2006-008], and 53911 (May 31, 2006), 71 FR 33009 [SR-Amex-2006-40]. A Direct Registration System (“DRS”) allows an investor to establish, either through the issuer’s transfer agent or through the investor’s broker-dealer, a book-entry securities position on the books of the issuer and to electronically transfer that securities position between the transfer agent and the broker-dealer through facilities administered by a registered clearing agency, such as a securities depository. Currently, Depository Trust Company (“DTC”) is the only registered clearing agency operating a DRS.

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changes will be to reduce significantly the number of transactions in securities for which settlement is effected by the physical delivery of securities certificates, thereby reducing the costs, risks, and delays associated with physical settlement. The Committee strongly supports the proposals.

The proposed rule changes would require that all securities initially listing on the exchanges on or after January 1, 2007 must be eligible for a DRS operated by a clearing agency registered under Section 17A of the Securities Exchange Act.³ On and after January 1, 2008, all securities, except non-equity securities which are book-entry only, listed on the exchanges would be required to be DRS-eligible.⁴ Ownership positions in DRS are recorded in book-entry form and investors receive an account statement from the issuer or its transfer agent as evidence of ownership instead of receiving a physical certificate. Brokerage firms and transfer agents are linked through an electronic system administered by the Depository Trust Company (“DTC”) thereby permitting securities positions to be electronically transferred between a broker-dealer and transfer agent without the need to transfer physical certificates.⁵

The proposed changes in listing requirements will significantly increase the number of DRS-eligible securities, an important step in reducing the number of physical certificates. As you know, the SIA, through the Straight Through Processing Physical Securities Subcommittee, has long advocated the elimination of physical certificates and we have sought the support of the Securities and Exchange Commission (“SEC”) in achieving this goal.⁶ We also met with representatives from the self-regulatory organizations (“SROs”) to discuss the SIA’s immobilization and dematerialization efforts and recommendations, one of which is the listing requirement in these proposed rule changes. The benefits of reducing the transfer of physical certificates are well-documented and will be realized by all market participants—issuers, shareholders, and financial intermediaries.⁷ We commend the SROs for proposing to make DRS eligibility a listing requirement and we urge the Commission to grant prompt approval.

³ The requirement would not apply to additional classes of securities of companies that are already listed, or companies that, immediately prior to listing, had securities listed on another registered securities exchange in the U.S., or non-equity securities that are book-entry only.

⁴ Although the proposed rule changes would require that issuers’ securities be eligible for DRS, they would not require issuers to participate in DRS. An issuer could continue to make certificates available if permitted under applicable state law and the company’s governing documents.

⁵ In order for a security to be eligible to participate in DRS, the issuer is required to use a transfer agent that meets DTC’s FAST and DRS insurance and connectivity requirements.

⁶ See, e.g., letter to Jonathan G. Katz, Secretary, SEC, from Jeffrey C. Bernstein, Chairman, SIA STP Steering Committee, dated June 16, 2004 in response to the SEC Concept Release, Securities Transaction Settlement, at Section IV.

⁷ See The Securities Industry Immobilization & Dematerialization Guide—The Phase Out of the Stock Certificate available at www.sia.com/stp/pdf/FinalSIAIDImplGuidewithComments032304.pdf.

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If you have questions, or would like to discuss our views further, please contact the undersigned or Richard Bommer, SIA Director of Operations, at 212.608.1500.

Sincerely,

Noland Cheng
Chairman
SIA Operations Committee

CC: Operations Committee