

File No. S7-13-04

Concept Release: Securities and Transactions Settlement, Release No. 34-49405

From: Karl H. Wagner, President, CTA

Securities and Exchange Commission
450 Fifth Avenue, N.W.
Washington, D.C. 20549
Attention: Jonathan G. Katz, Secretary

Ladies and Gentlemen:

The CTA – a National Shareholder Services Organization founded in 1946 – has over 300 members representing 125 corporate issuers, agents and industry service providers that reflect the diversity found in every facet of the securities industry. The issuers in our organization are responsible for shareholder services performed either through a commercial transfer agent, or directly by issuer corporations acting as their own record keeper and transfer agent.

We appreciate the opportunity to comment on the Concept Release, in particular, Section IV thereof regarding the immobilization and dematerialization of securities certificates. Many of our issuer members have been actively involved with the implementation and operation of the Direct Registration System (“DRS”). Their experience with DRS through numerous corporate actions, such as mergers, spin offs, stock splits, and new issues, has confirmed the benefits of dematerialization by eliminating paperwork and improving distribution efficiencies. We therefore echo the comments registered by the American Society of Corporate Secretaries (“ASCS”) and support the efforts of the Securities and Exchange Commission (“SEC”) and others – the Securities Industry Association, *e.g.* - to eliminate the use of physical securities certificates.

The Concept Release does a thorough job of outlining the history of dematerialization, immobilization, and DRS development and of the overall benefits to the securities markets associated with implementation to date. The ASCS’ submission, as already noted, also provides positions with which the CTA concurs. We do not want to reiterate the comments and observations already made in the Concept Release and by other commentators filed. We do, however, want to address some of the SEC’s specific questions regarding impediments, issuer encouragement, and actions to be taken to encourage the full elimination of physical securities.

With respect to Question 1, we advocate complete dematerialization in the United States to better serve the market. The elimination of physical certificates will provide, among many benefits, a necessary building block to achieve shorter settlement timeframes and to provide registered shareholders with parity to the service efficiencies currently enjoyed by beneficial holders.

Question 3 asks for comments on operational, legal, or regulatory impediments to immobilization or dematerialization. As the SEC is aware, there are certain states, *e.g.*, Delaware, which require issuers incorporated in that state to offer shareholders the option to receive a certificate for their shares. Given the high number of issuers incorporated in Delaware, any move towards dematerialization would be hampered by the existence of such laws. In an effort to eliminate this roadblock, some of our issuer members have agreed to join the SIA in their efforts to lobby these state jurisdictions. It is imperative that the SEC support and encourage such efforts at the state level. Furthermore, if jurisdictionally feasible, it would be beneficial to have a federal mandate that preempts state law in this matter.

In response to Question 8 regarding encouragement of issuers to dematerialize, we advocate the notion that public companies seeking listing with exchanges be required to become DRS eligible. In July, 2002, the SEC approved an amendment to the New York Stock Exchange's rules which allows a listed company to issue stock in a dematerialized or completely immobilized form provided the company's stock is included in DRS. This amendment needs to be taken further and require all listed companies to become DRS eligible. [However, as noted above, state laws currently limiting the ability of issuers to dematerialize would have to be changed.] A legal mandate of complete dematerialization will assist issuers in responding to the few disgruntled shareholders that will decry the elimination of certificates.

Finally, with respect to Question 9, a mandatory education program is needed for broker-dealers, regarding the DRS program, to facilitate complete dematerialization. Our issuer members have experienced numerous instances in which their shareholders were faced with brokers that did not understand the DRS process. Such misconception by brokers causes delay, confusion and further undermines the confidence being sought of shareholders in the reliability of DRS. A standardized and mandatory broker-dealer education program is a critical component that must be completed before dematerialization can be successfully implemented.

In summary, the CTA fully supports efforts by the SEC to eliminate the use of physical securities certificates. We hope these comments assist the SEC in developing a clear implementation plan for dematerialization. We also have encouraged our members to submit their individual comments on the Concept Release.

Please call the undersigned should you have any questions about the comments provided in this submission.

Sincerely,
Karl Wagner
President, CTA

[Contact Info]