

April 5, 2004

Securities and Exchange Commission
450 Fifth Street, NW,
Washington, DC 20549-0609

Re: **File # S7-13-04**

Concept Release:
Securities Transactions Settlement.

Dear Sirs,

When the SIA held its first conference on T+1 in New York, a survey of the audience was conducted by the first speaker. She asked whether any firm present believed itself to be fully T+1 ready at that time.

One member of the audience rose to his feet in response. This SIA member stated that not only was the first fully capable at that time (2001) of T+1, the firm used real-time software and was already processing fully automated clearing and settlements of even multi-currencied transactions direct to the Canadian Depository for Securities and DTCC. This SIA member pointed out that, at that time, it had already fully achieved all of the requirements of GSTP (Global Straight Through Processing).

Interestingly, there has been no SIA survey, nor any survey in which the SIA has participated which has ever included the question, "Is your firm presently T+1 ready?" This would clearly have created a difficult statistic. No person from the SIA or its T+1 Project Management has ever contacted their member to make any form of inquiry into the validity of the STP claims of its member, yet this member continues independently clear its own trades on both sides of the border.

The SEC concept paper accurately notes, the very first of the "ten building blocks as essential to realizing the goal of improving ... the trade settlement process" is,

1. **Modify** internal processes at broker-dealers,

The specific term "modify" can clearly be, and should be understood as a contrary purpose to the final three Congressional authorizations given to the SEC in 1975, these being,

2. Inefficient procedure for clearance and settlement impose unnecessary costs on investors and persons facilitating transactions by and acting on behalf of investors.
3. New data processing and communications techniques create the opportunity for more efficient, effective, and safe procedures for clearance and settlement.

4. The linking of all clearance and settlement facilities and the development of uniform standards and procedures for clearance and settlement will reduce unnecessary costs and increase the protection of investors and persons facilitating transactions by and acting on behalf of investors.

In 2001, as presently, the fully automated processing clearing and settlement software used by the SIA member that declared itself “T+1 ready” was an entirely and dramatically different genesis from the existing systems and operations of the other SIA members. It was beyond the “modifications” to be pursued by the SIA T+1 committees. It was also a full and substantial evidence that the “VMU model” the SIA intended to pursue was irrelevant, costly and a total waste of resources.

To maintain their efforts in focused pursuit of the “VMU model”, the SIA has, without any form of investigation whatsoever, repeatedly and continuously refuse their “T+1 ready” member permission to present its STP technologies in any of their discussion forums for member scrutiny and debate at any of its Operations Conferences.

The software technology that this SIA member, e3m Investments Inc. employs avoids dependency upon the SIAC computing system. This is a batch processing system that stops the computing process the moment a trade has occurs and is recorded, and delays its further processing until a later time. With computing power ubiquitous throughout the securities industry membership, and rarely fully utilized, the software used by e3m Investments Inc. processes that companies trades immediately, as will be done later by SIAC, and permits e3m Investments Inc to continue to process at the time of the trade, all the well defined and documented, formerly clerical, tasks to complete internally the instruction set required for the final “cash for securities” settlement.

This is GSTP, complete, in existence, and operating under full and detailed regulatory scrutiny for over 4 years. It does not fall within the SIA’s stated purpose to “modify”, but we believe it is within the purview of, and within the interests of, the SEC.

II. Trade Confirmation and Affirmation

For the sake of clarity, we should like to note at the outset of this discussion, “Trade Confirmation and Affirmation” arises only between broker-dealers. Client-B/D, B/D-Exchanges and B/D-Central Depository relationships are governed by the terms of their documented, continuous contractual relationships and the capital requirements set out by regulation and regulator policy.

In contrast, between themselves, the Clearing B/Ds do not have direct, structured, documented and signed obligations, and thus there have arisen legal requirements to confirm and affirm each transaction that they undertake between themselves.

We would also like to note that the Fully Disclosed B/D has a continuing, overriding, written contractual relationship to its Clearing Broker and thus is always treated as a “client” of that Clearing B/D by all Clearing B/Ds.

Therefore, the discussion of that which is involved in the Confirmation/Affirmation Process revolves solely around the back office processes of the Clearing B/Ds.

These back offices presently employ computerization and clerical staff. With a single exception, these back offices use at least one computerization process that is “batch-driven”, a software design technology from the earliest computers, and assumes that there is highly constrained access to the processing chips that are the heart of computing. In the earliest years, there were few computers, then they were enormously expensive.

This batch process technology was superceded by “real-time” processing designs by the 1980s when the cost and availability of computing began to dramatically change.

In our present world access to computer chips and computer processing is inexpensive and ubiquitous, however the clearing and settlement groups of the securities industry have ignored these changes, and blindly holding themselves, as if hostage to an unseen force, to outdated designs that await a scheduled time before idled data is entered into a computer processing chip at SIAC.

Once this process is complete, there is another delay as the industry awaits their back office employees to arrive to review the data from SIAC, as if these simple comparisons cannot be noted, catalogued, and reprocessed by computers before their arrival. Then corrections must await the SIAC computer chips again, as if no other chips can process this type of software instruction.

No software and no back office system can be faster than its slowest process. Ultimately, the elimination of all batch process technology within the securities industry must be “sine qua non” to the STP purpose of the SEC.

All staff within the back offices of Clearing B/Ds are regimented to rigid, highly defined processes for each and every situation they encounter. Set processes are carefully followed by each clerk. This clerk then initiates entries into a computer system, typing the required set of instructions.

The process of cataloguing and setting into software code each of these regimented responses for their appropriate situation was a daunting affair, and proved quite a time consuming undertaking, but e3m Investments Inc has been rewarded with an entirely software driven automation of all clearing and settlement procedures. This accurate software eliminates human error and fully automates the internal processes and instructs the other industry computer systems (Central Depositories, banks, custodians, customers, etc.) far faster than the fastest clerical typist.

It is clearly self-evident that the cost savings of GSTP are far greater than the costs.

Using real-time UNIX mainframe software, e3m Investments Inc. and its partner in this software project, T Zero Systems Inc., codified these clerical processes, making them STP and made irrelevant the fact that the all Central Depository systems (eg. DTC, NSCC, CDS [in Canada], etc.) continue to depend on batch process software.

Allow us to return to the previously stated notion that trade confirmation/affirmation is communication between Clearing B/Ds.

In the past, this activity has been accomplished by regular mail, courier, telephone, fax, dedicated lines, and in recent years, it has also be done to a growing extent via the Internet. There is no historical precedent that suggests any requirement for a centralized hub, and even less evidence of a need for information processing at this centralized hub. To recommend such (the VMU Model) shows either a total lack of understanding of the fundamental structure of the securities industry, or a purpose that undermines the immediate pursuit of efficiency within the securities industry.

Structural to the securities industry is the need for the confirming B/D to send, in a timely manner, an understandable message regarding a specific trade to the affirming B/D. Encryption is optional (sealed envelopes were sufficient in the past). It is also a requirement that the affirming B/D be aware of the exact terms of this trade prior to receiving this message, thereby permitting a matching of the message's content to its own records. The affirming B/D also has to report back to the confirming B/D, in an understandable fashion, whether or not their records agree.

Obviously, in the most modern terms "in an understandable fashion" means just about any computer protocol. A communicated computerized file, rather than a letter, telephone call, fax, or email, is clearly the most efficient choice.

When both B/Ds have assured themselves that they agree upon the terms of the trade, each of their computers, separately, can enter these terms into the agreed upon clearing system (DTC, NSCC, RTTM, CDA etc.) creating a "double entry system" matching of the trade, re-enacting and confirming again the inter-Clearing B/D confirming/affirming process.

Along with this entry, each Clearing B/D can, and should, instruct the clearing system as to how to prepare its accounts to fulfill this obligation.

This is STP. This is real time software which exists and operates within the securities industry today. This is the efficiency contemplated by the SEC in stating it STP goals.

There is no conceivable reason why these "in understandable fashion" messages between the Clearing B/Ds need to be intercepted, let alone processed by a "hub". "VMU systems" such as Omgeo serve no positive purpose to the securities industry, but they will create major problems within the clearing and settlement process.

Clearly, no Clearing B/D should be, or will ever likely be, required to release assets if its books and records are not in agreement with a request received from an external source. The legal ramifications would be truly colossal. The VMU cannot be permitted to require B/D compliance. Furthermore, should an entry error to the VMU occur, (and the VMU structure assumes unlimited numbers of non-regulated and unsupervised entities can participate and provide entries) because the “trade by trade” relationships are broken in its calculative process, tracing the impact of such an error would take enormous time and effort, and B/Ds would have to set aside regulatory capital (unproductively) until the situation is fully resolved.

Thus, the computations from a “Virtual Matching Utility” (VMU) system, such as “Omgeo” should and must be considered, from a regulatory perspective, irrelevant. Until such time as the B/D has reviewed its own internal records, trade by trade, and afterwards if there is not agreement, the VMU notice must not have any regulatory standing.

Finally, it must be noted that to contact the VMU inherently requires the *identical* software protocol connections (and perhaps encryption technologies) as would contacting another Clearing B/D, custodian, investment manager, or Central Depository; and the transaction information file would also be the same.

To conclude, it is exceedingly hard to conceive that the SEC, under its 1975 authorization from Congress, should undertake any consideration of such an expensive, redundant, structurally complicated and totally inefficient proposal, as is the SIA’s “Virtual Matching Utility” concept.

The fully automated the books and records of an SIA member, e3m Investments Inc., and entire automation of every element of its recording and processing of each trade, from client conversation through to its clearing and settlement at any agreed upon central depository, including the sending or receiving confirmations and affirmations is proof positive that completely accurate, inexpensive, GSTP is presently available, and can be provided by any number of systems vendors.

We would now, in context to the above response, like to respond to the specific discussion questions posed by the SEC concept paper regarding Trade Confirmation and Affirmation,

1. What are the benefits and costs of same-day trade confirmation/affirmation?

At present, every trader and every B/D undertaking a trade must at some point in time enter the full details of their trade into a computer system. For this system to reuse this file to communicate these details to another B/D is simple, inexpensive and universally available technology.

To require a human to enter the details of each trade immediately into the B/D’s computer system is proper business practice. Regulations already require this.

The file that should always be created while in communication with the client, should also include the trade instructions from the client. These trade instructions can then be relayed inexpensively to the computerized trading system and if deemed appropriate, routed to a trader (innumerable technologies are available) to work from, adding to the file his communications with counter-party(ies) and all information of an agreed upon trade(s). This additional entry triggers the automated confirmation/affirmation with the counter-party.

To link these actions to the same source file is inexpensive and eliminates most internal operational errors. Furthermore, it quickly exposes undetected errors through the immediate confirmation/affirmation process.

The benefits are enormous, the cost, minimal.

- 2. What are the relative burdens of trade date confirmation/affirmation on the different market participants involved?*

When undertaken intelligently by the B/D, automation costs should be minimal. These inexpensive software changes can also be implemented by institutional clients and custodians to expedite their own confirmation processes. The confirmation process does not need to affect the central depository, this process “works around” and remains entirely independent of the central depository.

In the case of exchange trades, the central depository, with its own record of the exchange trades, provides a further confirmation to the B/Ds. There is no required investment by the Central Depositories or the exchanges.

- 3. What effect would trade date confirmation/affirmation have on the relationship between a broker-dealer and its customer?*

None. Confirmation/affirmation is required when there are no signed contractual relationships between parties. It should also be noted that prevailing regulatory capital rules and requirements address the impact and cost of customers who are late in fulfilling the obligations to settle the trades that have been undertaken by the B/D on their behalf.

- 4. Do the benefits of trade date confirmation/affirmation accrue to all participants – brokers, institutional customers, custodians, of matching utilities? Do they accrue to large, medium, and small entities?*

Lower costs from fewer errors and lower staffing requirements, in return for simple software changes are to the advantage of all participants, with the exception of “matching utilities” which become recognized as redundant and superfluous.

- 5. Does trade date confirmation/affirmation introduce any new risks? If so, can they be quantified?*

No. Confirmation/affirmation is the same, whatever date it occurs upon.

6. *Would the modification of the existing SRO confirmation rules or the adoption of a new Commission rule be feasible approaches to having trades confirmed/affirmed by T+0?*

Absolutely.

Are there alternative rule changes?

None required, the systems required already exist and are available to all industry members. Industry members will merely have to update their software.

7. *If rules mandating trade date confirmation/affirmation are adopted, what should be the time frame for implementing them? What factors should the Commission consider in determining the implementation period?*

The software already exists. Other software companies recognizing the developing market can be expected to quickly bring to market competitive products, providing the industry a significant choice within a short time.

Recognizing the regulatory deliberation process involved and the time to be expended prior to the new Rule's adoption, 2 years from the date of adoption appears ample, and entirely reasonable.

8. *Would same day confirmation/affirmation affect cross-border trading? If so, how would it do so?*

Yes, the software is available for US B/Ds, it is also available for those undertaking cross-border trading. Real time software processes immediately, any delay in the response of the external party does not affect the system.

Software and system vendors can be reasonably be expected to offer their new software, promoting better business practice, throughout the world and will extol its merits to all other regulatory bodies.

Should any confirmation/affirmation rule apply to all types of non-exempt securities?

The computer need not differentiate between types of securities. Any differentiation between securities would likely be quickly and easily programmed when and wherever regulations require.

9. *Should all participants in institutional trades be required to use a matching service if the Commission were to require confirmation/affirmation on T+0?*

No. The customer-custodian-B/D relationships are already properly governed under existing rules and regulation. If B/Ds wish to allow their customers to settle in a manner outside of the industry's prescribed conventions, the existing regulations are very clear in these matters, and have worked very well to date.

Allowing broad and unlimited non-regulated and unsupervised access (institutional accounts) into the direct workings of the securities industry's clearing system represents a new and enormous risk to the system itself. When this proposal is further reviewed from the perspective of the purposes and intentions of the Patriot Act and Anti-Money Laundering legislation, the number of issues to be addressed grows exponentially.

10. What, if anything, should the Commission do to facilitate the standardization of reference data and the use of standardized industry protocols by broker-dealers, asset managers, and customers?

Nothing. Each B/D in consultation with its peers and systems provider(s) will ultimately chose an efficient means of meeting the new standards.

III. Securities Settlement Cycles

We would like to note to the Commission the difference between "real-time" software and batch process.

DTCC in its most recent communications to its members trumpeted its ability to meet the record number of trades that occurred within its system on January 29, 2004; 29 million transactions.

If one divides 29 million by an 8 hour shift (although computers can be run 24 hours), this becomes 3.625 million transactions per hour, 60,417 transactions per minute, 1,007 per second. A Sun Microsystems server for a PC Lan can operate at 2,000 transactions per second - and the securities industry has untold numbers of servers of this capacity or greater.

Clearly, the clearing and settlement problems facing the SEC and the securities industry do not arise from the hardware, but from the software. Real time software design prevails amid and powers the general business community, but (the exception proving the rule) is not core to the securities industry's clearing and settlement process.

The SIA, in its white paper openly recognizes the industry's prevailing silo structure and legacy software are major impediments towards meeting the goals set out by the SEC. The SIA also make it clear that its purpose is to "modify" these impediments. There are no undertakings towards seeking their removal and replacement by real time systems.

The batch process designs inherently stop and restart the computing process. This is ostensibly to collect like files of data prior to releasing them to be processed through a computer chip. With all the excess computing power within the industry, it is time to ask why?

Why does the industry have to await the SIAC computers to match each trade, when this simple process can be done with immediacy between two PCs that are already connected to the Internet?

Nothing good can happen to the data awaiting the SIAC computers.

The real time matching of files with the trade's counter-party(ies) and the resultant instructions from this confirmation/affirmation being immediately sent to the central depository, custodians and B/D's bank, represents the creation of a multiple source database and a structural redundancy vastly superior to our existing centralized, batch process systems and the proposed VMU structure. Furthermore, the historical data that arises from this real time system permits all parties to automate continuous reconciliation of their records against records held throughout the industry.

"Modification" simply does not adequately nor appropriately address the problem. It clearly stifles the securities industry from adopting new and superior business practices.

The software that the SIA and its T+1 committees have made every effort to avoid, is an IBM UNIX based system that operates within the entire range of computing, Fidelity Management using this UNIX platform in their mainframes, e3m Investments Inc. uses it in their PC. The software connects to the IBM UNIX platform. Load the platform, load the software, set the B/D's business parameters, start to trade. From then on, all appropriate instructions will be sent, in "real time" to the exchanges, central depositories, customers, counter-parties, custodians, banks etc. as required.

This is not modification. It is less expensive and more efficient. This software does not "stop" or delay process. The three day period within Rule 15c6-1 is of no consequence.

As to the "Request for Comment" within the Concept Release, we submit the following thoughts,

- 1. Should the securities covered by Rule 15c6-1 be expanded? If so, what securities should be added? Why should these securities be added?*

To computer software that facilitates trading, clearing, settlement, or custodial functions the entitlements represented by security, what ownerships or obligations it represents is irrelevant. The security is a unit being traded (an identification code to be processed), settlement instructions can be identical to other units, or according to any parameter set for that security code within the computer's database.

Our real time software system handles every trade by instantaneously processing it to the final “cash for security” transfer instructions, and then awaits this transference to occur at, and be reported by the Central Depository.

Which securities should or should not be included in Rule 15c6-1 is not a systems issue, this decision should turn upon the human perceptions of the security and its meanings.

- 2. Given the increase in cross-border transactions and the dually traded securities over the past eight years, are the conditions set forth in the Commission’s exemption order for securities traded outside the United States still appropriate? If not, why not? If the exemption should be modified, how should it be modified?*

See above.

- 3. Are the conditions set forth in the Commission’s exemption order for variable annuity contracts still appropriate? If not, why not? If the exemption should be modified, how should it be modified?*

See above.

- 4. If the Commission were to mandate a settlement cycle shorter than T+3, should the Commission shorten the settlement cycle for firm commitment offerings priced after 4:30 p.m. Eastern time from T+4 to T+3 or T+2?*

See above.

- 5. How would a shortened settlement cycle affect processing newly issued securities?*

See above.

- 6. What systems and operational changes would be necessary in order to settle newly issued securities in a shorten settlement cycle?*

The retirement of batch-processing systems and of the silo structures in most Clearing B/Ds and the transition to real time software systems.

- 7. How much would it cost to shorten the settlement cycle beyond T+3?*

This process would press B/Ds to retire their legacy and batch processing systems. Such a transition would include the one time costs for the retirement of many of the back office clerical staff at these firms, however, this one time cost would be recovered quickly, as the operating cost of real time software is dramatically lower than the staffing it replaces. The elimination of most trading errors a shorten cycle towards the discovery of the balance of human error, represents highly significant

cost savings for every B/D. The costs incurred in a transition to real time system would be vastly, if not entirely, mitigated by these savings alone.

- a. *Is achieving 100% confirmation/affirmation or matching on trade date a prerequisite for shortening the settlement cycle beyond T+3?*

No, but the software systems that would be implemented to achieve 100% confirmation/affirmation or matching on trade date would facilitate the reduction of the settlement cycle time to either T+1 or T+0.

- b. *If so, what are the additional costs of shortening the settlement cycle after achieving 100% of confirmation/affirmation or matching on trade date?*

Very low, if one assumes that the software purchased for the 100% confirmation/affirmation or matching on trade date does not already facilitate clearing and settlement. Otherwise, if already part of the software, "further" transition costs would be zero.

8. *What parties will bear the costs of moving to a settlement cycle shorter than T+3 (such as broker-dealers, investment managers, custodians, investors, and other market participants)?*

Each party will have to make their own investment, accepting both the costs and efficiencies, but ultimately, the net cost or benefit will accrue to the investor. All the firms intensely compete for customer business, but none are charities.

9. *What are the benefits of shortening the settlement cycle beyond T+3? Are there economic benefits in terms of reduction in credit and liquidity risk associated with shortening the settlement cycle beyond T+3?*

The real time software that permits the shortening of the settlement cycle works from a single database that stores significant amounts of data regarding each client. This permits the implementation of vastly enhanced systems to assist in customer service, to protect privacy, to implement anti-money laundering and anti-terrorist surveillance and to meet the most stringent aspirations within the Patriot Act.

10. *Who will benefit from shortening the settlement cycle beyond T+3 (such as broker-dealers, investment managers, custodians, investors, and other market participants)?*

All participants. (except, perhaps, the VMUs)

11. *How would shortening the settlement cycle affect efficiency and risk?*

Efficiency would vastly improve, many risks would be eliminated.

- a. *What are the risks associated with upgrading computer systems and transaction processing procedures to convert existing systems to new systems and the establishment of necessary linkages between other market participants?*

The real time system used at e3m Investments Inc. is installed on a rep-by-rep basis. Therefore the transition can be done one office at a time, permitting the new user to intelligently prepare for and manage its transition process. Those linkages it had prior to the transition can be installed and tested before the first rep is changed over.

- b. *Would shortening the settlement cycle beyond T+3 encourage market participants to implement additional risk management procedures? What additional operational risks would result from shortening the settlement cycle beyond T+3?*

Real time software requires a unified database, that permits each user unfettered access its data, allowing new ways to recognize, analyze, contain, and mitigate risks within their company. This database can, and will also be used to prevent risks from being undertaken. Other than buying a replacement system that does not meet the buyers needs, we do not perceive additional operational risks as a result of shortening the settlement cycle beyond T+3.

- c. *Would a shorter settlement cycle encourage market participants to invest in technology and automation that would enhance their operational efficiency? Would such investments improve market efficiency?*

Yes. And Yes.

- d. *Are there alternatives to shortening the settlement cycle that would increase efficiency in the clearance and settlement system?*

There is the less desirable and far more intrusive alternative of mandating real time software.

- e. *Are there alternatives to shortening the settlement cycle that would mitigate risks in the clearance and settlement process?*

Not of which we are aware.

12. *How would shortening the settlement cycle affect the information, benefits, and protections that investors have under the present U.S. clearance and settlement arrangements?*

It will lower the costs of obtaining investments. The real time software presently available would lead to superior reconciliation procedures by B/Ds to further protect client's custodialized assets.

13. How can the safety and soundness of the U.S. clearance and settlement system be increased while ensuring that investors can continue to obtain direct registration of their securities on issuer records in a less-than-three-day settlement environment?

Yes, the real time systems can permit more than one depository for each security.

14. What impact would a shortened settlement cycle for U.S. equities and corporate securities have on cross-border trading by non-U.S. entities of these instruments?

Non-U.S. entities would have to make similar investments in software, or jitney through U.S. entities.

IV Immobilization and Dematerialization of Securities Certificates

1. Should securities be completely immobilized or dematerialized in the U.S.? If so, which would better serve the market – complete immobilization or dematerialization? Why?

Yes.

Once a computerized process has been created, real time software systems will process through the appropriate sequence for the client/trade whether there is immobilized or dematerialized.

2. What are the costs and benefits of complete immobilization or dematerialization?

The primary benefit is the “enclosed systems assists B/Ds to better comply with Anti-Money Laundering, Anti-Terrorist and Patriot Act requirements obligations.

3. Are there operational, legal, or regulatory impediments to immobilization or dematerialization?

No comment.

4. What advantages might certificates have over securities held in book-entry-only form (i.e., proof of ownership in the event of a loss of electronic records of ownership)? What regulatory initiatives should be considered to address these advantages if the markets were to move away from certificates?

Back up technologies for software systems tend to be far more reliable than custody of certificates or proof of ownership by individual clients. Regulatory initiatives that ensure redundant storage of databases should prove to be the best means of addressing this issue.

5. *Should the existence of a viable, widely available direct registration system that preserves the benefits of holding securities in the form of physical certificates be a prerequisite to complete immobilization or dematerialization?*

Yes.

6. *What should be done to increase the availability and use of DRS or to otherwise improve DRS? For example, should the Commission adopt operational or processing rules specifically for processing book-entry transactions (i.e., DRS and dividend reinvestments and stock purchase plans), including, but not limited to timeframes for processing these transactions?*

This question inherently recognizes the limited response to the DRS.

This lack of demand is not a result of what the investor can potentially expect from the DRS system, but it is rather a clear reaction to the perception that the DRS alternative holds an absence of value to the investor.

7. *What are the back office costs at broker-dealers to process securities certificates? What are the costs at transfer agents to process securities certificates? How do these costs compare to the costs of processing book-entry securities?*

They represent the most expensive form of trade in the retail business. It is also one of the most contentious, the issuer will not pay for the costs to the B/D, and clients who hold certificates are always surprised that there are costs involved for obtaining certificates or delivering them for settlement. Dealing with lost certificates is even more expensive for the B/D and totally unsettling to the retail client when they are faced with the costs of the indemnity bond.

8. *What should be done to encourage more companies to issue their securities in a completely immobilized or dematerialized format? Should publicly traded companies be required to do so?*

Create a Rule that requires all new issuance of shares to be in a completely immobilized or dematerialized format, whether an IPO (primary or secondary), re-organization, share split, stock dividend, payment in kind or any other such corporate activity. This should also include certificates that are returned for a new or change in registration.

9. *What can broker-dealers do to facilitate complete immobilization or dematerialization on both the retail and institutional levels? Are registered*

representatives sufficiently educated about DRS and do they communicate to investors available options to holding a certificate?

Comply with above Rule suggestion.

10. What can transfer agents do to facilitate complete immobilization or dematerialization on both the issuer and investor level?

See above, Rule suggestion

11. What incentives or disincentives can be employed to discourage shareholders from requesting certificates? Will investors be less inclined to request a certificate if they were required to pay more to obtain, transfer, and trade certificated securities than book-entry securities? Should investors who choose to hold certificates bear a greater amount of the overall costs associated with producing and processing those certificates?

See above, Rule suggestion

Higher payments clearly dissuade certificate requests. They also often create a disgruntlement from the customer who previously received them as lower cost or for free.

Unless the shareholders convince their company to accept the costs, they are the appropriate party who should pay the costs for the product and service they request for themselves.

12. Are any rules or regulations needed to enhance the safety of book-entry systems operated by transfer agents or broker-dealers?

Rules to ensure there is a full redundancy of their database.

13. What can be done to engender public confidence in certificate-less systems?

Confidence is best built from experience.

We would like to thank the SEC for reviewing our comments. We hope that we have added valuable insight into these discussions.

Should you wish to inquire further regarding our real-time clearing and settlement software, I can be reached at the following address.

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Yours truly,

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