THOMSON

June 04, 2004

By Hand and Electronically

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Mail Stop 6-9
Washington, D.C. 20549

Re: *Commission File No. S7-13-04*

Dear Mr. Katz:

The Securities Information Center ("SIC") submits this letter to comment on the above-referenced concept release (the "Concept Release") regarding, among other things, improving the safety and efficiency of securities transactions settlements by reducing the use of physical securities. SIC is an operating division of Thomson Financial, a US$1.5 billion provider of information and technology solutions to the worldwide financial community, and part of The Thomson Corporation, (NYSE: TOC; TSX: TOC) a US$7.6 billion global provider of value added information, software tools and application to more than 20 million users in the fields of law, tax, accounting, financial services, higher education, reference information, corporate training and assessment, scientific research and healthcare. SIC has administered the Commission's Lost and Stolen Securities Program ("LSSP") since its inception in 1977.[1]

SIC commends the SEC for recognizing the need to reduce the use of physical securities certificates. SIC agrees that the continued existence of physical certificates is an impediment to shorter settlement time frames and straight-through-processing, and presents substantial and avoidable risks and costs to the marketplace. As the administrator of the LSSP, SIC has observed many of these risks and costs first hand.

In addition to the problems associated with lost or stolen certificates, which are identified in the Concept Release, substantial risks and costs also arise in connection with cancelled, escheated and other certificates whose transferability has been compromised. As the Commission recently noted in adopting new rules and rule amendments regarding processing requirements for cancelled certificates, there have been a number of spectacular mishaps involving billions of dollars of cancelled certificates over the past

[1] The LSSP is conducted in accordance with Section 17(f) of the Securities Exchange Act of 1934 and Rule 17f-1 thereunder.

decade or so.[2] Recognizing the severity of this problem, the SIA launched an industry-wide initiative in 2000 to have cancelled, stopped and escheated securities certificates added to the LSSP database.[3]

As a result of this initiative, approximately 50% (by volume) of the transfer agent community now submits cancelled certificate details to the LSSP database. These reporting parties include in-house agents such as AFLAC and Merck, as well as commercial agents such as Equiserve, Wells Fargo and Registrar and Transfer. The effect of this voluntary reporting has been dramatic.

Prior to the addition of the permissive categories of certificates on the LSSP database, the average "hit" rate was 3%.[4] Today, with the more robust database, the hit rate is 10%. Identifying problem certificates early in the transaction cycle avoids the risks and costs attendant to the rejection of a security at or after settlement; it also inspires confidence that the remaining certificates will advance through the settlement cycle in a timely fashion.

The LSSP database presents an effective early-warning system that today can address some of the thorniest problems associated with the continued existence of physical certificates. Therefore, SIC respectfully requests that while the debate over the best way to achieve dematerialization continues, the Commission support the augmentation of the LSSP database to include all cancelled, stopped, excheated and other non-transferable certificates. Doing so, SIC submits, will produce immediate benefits to the safety and soundness of the clearance and settlement process.

SIC and Thomson Financial very much appreciate the opportunity to comment on this proposal.

Very truly yours,

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[2] SEC Rel. No. 34-48931 (December 16, 2003), 68 FR 74390 [December 23, 2003] ("Cancelled Certificates Release").

[3] Although Section 17(f)(1) of the Securities Exchange Act of 1934 and Rule 17f-1 thereunder mandate the use of the LSSP database only for lost, stolen, missing or counterfeit securities certificates, reporting companies can voluntarily report other categories of problem certificates if they so desire. *See* Rule 17f-1(e), which allows "permissive reports and inquiries." *See also* Cancelled Certificates Release, 68 FR at 74396.

[4] A "hit" occurs when an inquiring party (typically a broker-dealer) inquires about a particular certificate that has been reported to the database as lost, stolen, missing, counterfeit or otherwise compromised. Once such a match is discovered, the inquiring broker-dealer can pull the certificate from the normal settlement process and avoid a rejection later in the settlement cycle.

Michael Manton
President, SIC

cc: (By Hand)
Hon. William H. Donaldson
Hon. Paul S. Atkins
Hon. Roel C. Campos
Hon. Cynthia A. Glassman
Hon. Harvey J. Goldschmid
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Jerry Carpenter