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May 22, 2008

Via email: rule-comments@sec.gov

Ms. Nancy M. Morris

Secretary

Securities and Exchange Commission

100 F Street, NE

Washington, DC 20549-2001

Re: File No. S7-04-08

Dear Ms. Morris:

The Security Traders Association¹ (“STA”) welcomes the opportunity to comment on rule proposal S7-04-08 by the Securities and Exchange Commission (the “Commission”) to amend the Rule that exempts a foreign private issuer from having to register a class of equity securities under Section 12(g) of the Securities Exchange Act of 1934 (the “Exchange Act”) based on the submission to the Commission of certain information published outside the United States.

In two recent letters the STA has commented to the Commission of proposed changes² in the OTC markets as they affect investors, traders, and securities. In each of these cases, the STA recognized and supported the benefits of more efficient and transparent trading of non-U.S. securities.

The STA commends to Commission in its intention to facilitate trading by foreign private issuers in the U.S. OTC market by setting guidelines, which, if met by these issuers, will preclude the need for written registration. Further, the STA supports the proposed changes that will allow U.S. investors to obtain disclosure information in non-U.S. OTC traded securities over the Internet, in English. The STA agrees with the Commission’s view that “...the globalization of securities markets, advances information technology, the increased use of ADR facilities by foreign

¹ The STA is a worldwide professional trade organization that works to improve the ethics, business standards and working environment for our members. There are approximately 5,200 members, all engaged in the buying, selling, and trading of securities. Members participate in STA through 28 national and international affiliate organizations and represent the interests of the trading community and institutional investors. The STA provides a forum for our traders, representing institutions, broker-dealers, ECNs, and floor brokers to share their unique perspectives on issues facing the securities markets. They work together to promote their shared interest in efficient, liquid markets as well as in investor protection.

² Letter to the Commission from Bill Yancey and John Giesea re: File No. SR-NASD-2004-130, proposed amendments to NASD Rules 2320(g) and 3110(b) regarding the “Three Quote Rule”; Letter to the Commission from Lisa Utasi and John Giesea re: File No. SR-NASD-2007-039 re: requiring FINRA to disseminate real-time trade reports in OTC-traded ADRs.

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companies to trade their securities in the United States, and other factors have increased significantly the number of foreign companies that have engaged in cross border activities, as well as increased the amount of U.S. investor interest in the securities of foreign companies.³

The STA supports foreign issue access by U.S. investors in the U.S. market. Accordingly, the STA opposes the 20% trading volume in the U.S. threshold that will determine which issues require registration to file and furnish reports under Section 13(a) and 15(d) of the Exchange Act. This arbitrary “circuit breaker” may have the unintended consequence of driving U.S. investors to trade the same securities overseas, without the access and protection afforded in U.S. trading.

STA has had a constructive and productive dialogue on issues affecting our members, markets and the investors we are privileged to represent. We have supported appropriate regulation as key to market integrity and confidence, and in support of investor protection. Therefore the Commission’s rules should encourage the trading of foreign securities in the U.S. This will protect U.S. investors, assure access, and the support U.S. broker-dealer community.

The STA’s Comments on the specific proposed amendments to the Rule are detailed below:

Disclosure

STA supports the amendment that information supplied by foreign issuers under Exchange Act Rule 12g3-2(b) be available in English over the Internet. This will provide ready access by U.S. investors to the disclosure materials produced by foreign private issuers and level the playing field with non-U.S. investors.

STA supports the Commission’s proposal to eliminate the written application requirements of Rule 12g3-2(b). That said, an issuer that relies on the exemption should file with the Commission and publish on EDGAR the location of the materials supplied in compliance with the Rule, thereby allowing broker-dealers to fulfill their obligations under rule 15c2-11.

Investors rarely request the information filed under Rule 12g3-2(b) from broker-dealers. It is difficult to understand the purpose of requiring broker-dealers to maintain copies of this information in their files. Rather, issuers should identify the location of this information through a filing published on EDGAR, as EDGAR is the likely source for this information by investors.

The 20% Threshold

STA opposes Exchange Act registration if U.S. trading volume of the subject class of securities in the U.S. for the issuer’s most recently completed fiscal year is greater than 20% of the average daily volume of that class of securities in a worldwide basis for the same period. This requirement will injure investors and cause business currently conducted by U.S. broker-dealers to move outside the United States.

¹ SEC FILE NO. S7-04-08 Exemption from Registration Under Section 12(g) of the Securities Exchange Act of 1934 for Foreign Private Issuers p. 13.

Issuers neither dictate nor control trading volume in their securities. The threshold, in practical terms, may lead to unintended consequences. To avoid the triggering the requirement mandated by the threshold, non-U.S. issuers may cancel U.S. ADR trading, with the effect that trading volume moves to the primary non-U.S. market. This will move U.S. investment abroad, while simultaneously having a negative affect on the ease of access U.S. investors have to non-U.S. issues. It will also bolster trading on non-U.S. markets – trading, that in the absence of the threshold would have occurred here. This potential loss of trading will directly impact the STA's broker-dealer members.

U.S. investors will be harmed in two ways. First, investment opportunities for U.S. investors in non-U.S. securities will be reduced. Second, U.S. investors that are determined to invest in foreign securities will be forced to open foreign brokerage accounts. The Commission does not supervise the activity of non-U.S. broker-dealers operating outside the United States. As a result, these U.S. investors will be denied the substantial protection offered to customers of U.S. broker-dealers under federal securities laws and FINRA rules. The potential access and protection issues raised by the threshold will directly impact STA's institutional members.

The STA is also concerned regarding the enforcement of this amendment, should it be adopted.

For the reasons detailed above, the STA opposes the 20% threshold.

The STA appreciates the opportunity to offer its perspective and looks forward to a continuing dialogue with the Commission on this important issue.

Respectfully submitted,



Bart Green
Chairman



John C. Giesea
President & CEO

CC: Chairman Christopher Cox
Commissioner Paul S. Atkins
Commissioner Kathleen L. Casey
Dr, Eric Sirri, Director, Division of Trading and Markets