



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
TRADING AND MARKETS

July 29, 2021

David Becker, General Counsel
Equiniti Trust Company
275 Madison Avenue, 34th Floor
New York, NY 10016

Re: Request for No Action Relief from Section 17A of the Securities Exchange Act of 1934 and Rules 17f-1 and 17Ad-19 thereunder

Dear Mr. Becker:

In your letter dated July 19, 2021, you request that the staff of the Division of Trading and Markets (“Staff”) of the U.S. Securities and Exchange Commission (“Commission”) grant no-action relief from Section 17A of the Securities Exchange Act of 1934, as amended (“Exchange Act”) and the Rule 17f-1 Requirements for Reporting and Inquiry with Respect to Missing, Lost, Counterfeit or Stolen Securities and Rule 17Ad-19 Requirements for Cancellation, Processing, Storage, Transportation, and Destruction, or Other Disposition of Securities Certificates, in connection with the administration by Equiniti Trust Company (“EQ”), a registered transfer agent, and General Electric Corporation, a publicly traded issuer client of EQ (“GE”), of certain exchanges of shares related to the reverse stock split of GE described in your letter (“GE Reverse Split”).

Response:

On the basis of the facts and representations contained in your letter, the Staff will not recommend enforcement action to the Commission under Exchange Act Section 17A, including under Rules 17f-1 and 17Ad-19 thereunder, against EQ or GE if EQ and GE conduct the exchanges of shares in connection with the GE Reverse Split in the manner and subject to the conditions and procedures described in your letter.

The position of the Staff is based strictly on the facts, circumstances, and conditions discussed in your letter, and any different facts, circumstances, and conditions might require a different response. This response expresses the Staff’s position on enforcement action only and does not purport to express any legal conclusions on the questions presented. The Staff expresses no view with respect to any other questions that

the proposed activities may raise, including the applicability of any other federal or state laws. This position is subject to modification or revocation by the Staff at any time.

Sincerely,

/s/

Moshe Rothman
Assistant Director



Equiniti Trust Company
275 Madison Avenue
34th Floor
New York, NY 10016

July 19, 2021

Moshe Rothman
Assistant Director
Division of Trading and Markets
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: *Request for No Action Relief from Section 17A of the Securities Exchange Act of 1934, as amended ("Exchange Act") and Rules 17f-1 and 17Ad-19 thereunder*

Dear Mr. Rothman:

On behalf of Equiniti Trust Company ("EQ"), a registered transfer agent, and General Electric Corporation, a publicly traded issuer client of EQ ("GE"), we are writing to request that the Division of Trading and Markets staff ("Staff") of the United States Securities and Exchange Commission ("Commission" or "SEC") confirm that it would not recommend enforcement action against EQ or GE for violation of Section 17A of the Securities Exchange Act of 1934, as amended ("Exchange Act") and specifically, the Rule 17f-1 Requirements for Reporting and Inquiry with Respect to Missing, Lost, Counterfeit or Stolen Securities and Rule 17Ad-19 Requirements for Cancellation, Processing, Storage, Transportation, Destruction, or Other Disposition of Securities, in connection with their administration of certain exchanges of shares related to GE's reverse stock split. GE has expressed a desire to engage in reverse stock splits whereby holders of shares of GE would, depending on the issuer involved, receive one share of a new security issued by the company in exchange for shares currently held. In connection therewith, for the convenience of both the shareholders and the company, GE has expressed a desire to automatically cancel the share certificates and place the new position into the Direct Registration System ("DRS") for certain shareholders with an account value of \$2,000, calculated using the closing price on the primary market where the security is traded, on the effective date of the transaction, in lieu of the standard Letter of Transmittal process, and in view of the controls in place to prevent abuse.

Example of an EQ Client Currently Contemplating a Reverse Stock Split

Shareholders whose current holdings entitle them to cash in lieu rather than shares

The GE reverse stock split contemplates that a shareholder holding eight or more shares would receive one share of the new security for every eight held, with any fractional shares remaining paid out as cash in lieu of the security. Holders of less than eight shares would receive cash in lieu of the securities held at the time of the reverse split.

Shareholders holding certificates

The following actions have been approved by a vote of the shareholders of GE.

- All shareholders holding physical stock certificates valued over \$2,000 would receive a Letter of Transmittal with the instructions governing the reverse split. Shareholders holding physical stock certificates valued over \$2,000 would be requested to submit their existing shares to EQ, serving as exchange agent, and the existing shares and certificates would be cancelled. DRS shares would be issued for the new share amount and a statement reflecting the new DRS shares, along with any payment for fractional shares created after the exchange, would be mailed to the shareholder.
- Shareholders with an account value of \$2,000 or less but more than eight shares would be informed that their shares would be automatically exchanged without the need for them to return their old certificates. Shareholders with shares that are automatically exchanged would be provided with the appropriate number of new DRS shares, as well as payment for any fractional shares. These shareholders would also receive a recommendation that they either mark their certificates as "Cancelled" or that they physically destroy their certificates, which would help to ensure that these certificates are not confused with valid certificates.
- Because the issuer will only be issuing whole shares after the reverse split, those shareholders who hold fewer than eight shares at the effective date of the reverse split would receive cash in lieu of a fractional share.

All certificates, whether submitted or not, would be cancelled on the books and records of the transfer agent, and the Securities Information Center ("SIC") would be notified of the cancellation. As described above, a recommendation would also be made to these shareholders that they either mark the certificate as Cancelled or that they physically destroy the certificate. If a shareholder does not cash the check paid in lieu of fractional shares, EQ would make all reasonable efforts to locate that shareholder in accordance with Exchange Act Rule 17Ad-17.

The automatic cancellation of the share certificates and placement of the new position into the DRS for shareholders with an account value of \$2,000 or less but more than eight shares was clearly described as a potential course of action in the reverse stock split proposal approved by shareholders in May 2021.

As required by the Operational Agreement with the Depository Trust and Clearing Corporation (DTCC), EQ would include the DTCC in the process to ensure that all non-registered holders are also advised of the reverse split. In accordance with existing practices, DTCC would be provided with new shares and cash in lieu of fractional shares.

Benefits to Shareholders and Issuers

The purpose of automatically cancelling the share certificates and placing the new position into the DRS for shareholders with an account value of \$2,000 or less but more than eight shares would be the convenience of the shareholders and the issuers. For the shareholders, it would mean fewer mailings and less responsibility to submit paperwork. Also, because the exchange would occur on the effective date of the reverse split, there would be no delays in processing, and dividends would be received when paid and not accrued until after the exchange occurs. For the issuers, it would mean a reduction in delays in processing and completing the corporate action and reduced costs because multiple mailings would not be necessary. It has been the experience of EQ that shareholders holding smaller numbers of shares often require multiple mailings and communications before their shares are submitted for processing. For example, in one recent reverse split situation, a majority (51%) of the shareholders holding less than \$3,000 in value were not processed until more than 90 days after the effective date, and this was only after three separate mailings to these shareholders.

Historically, EQ as exchange agent would mail Letters of Transmittals to shareholders requesting that all shareholders return their stock certificates in order to receive the new shares, along with the payment for fractional shares. After a period of time, usually 3-6 months, EQ would send a second Letter of Transmittal to those shareholders who did not respond to the initial mailing, requesting the stock certificates be returned in order for the shares to be exchanged. A third Letter of Transmittal may be mailed 3–6 months after the second mailing to shareholders who have still not responded, as per the issuer's instructions. Any dividend payment during this time would be held as accrued dividends until the old physical certificates are submitted for exchange. Once exchanged for the new shares, the accrued dividend would be paid. This also follows the industry practice and required accrued dividend payment through the DTCC for any old certificates deposited to a broker or bank custodian via the DTCC. Generally, a year after the reverse stock split's effective date, the issuer would engage with EQ in what the industry refers to as an "unexchanged shareholder clean-up program" to continue to reach out to shareholders requesting they submit their old stock certificates to complete the reverse stock split for these shareholders.

Analysis of \$2,000 Threshold

We have performed an analysis of the holders of the client currently looking to automatically cancel certain share certificates and place the new position into the DRS. This analysis represents the registered accounts holding physical stock certificates valued up to \$1,000 and \$2,000. The analysis demonstrates that the difference between holders of \$1,000 in share value and \$2,000 in share value does not significantly change the number of impacted holders, although the total number of shares is impacted. In this example, the value of the holdings was assessed as of the closing price of the issuer in question on March 16, 2021.

| <u>Value Below "X"</u> | <u>Accounts</u> | <u>Certificates</u> | <u>Total Certificate Shares</u> | <u>Total Book Shares</u> |
|------------------------|-----------------|---------------------|-------------------------------------|------------------------------|
| \$1,000 | 92,055 | 185,926 | 1,799,053 | 27,744,664.71 |
| \$2,000 | 113,683 | 245,858 | 4,158,738 | 51,931,074.77 |

Because the number of impacted accounts does not significantly increase as the value moves from \$1,000 to \$2,000, we believe that using a value of \$2,000 strikes an appropriate balance of providing the issuer, and its shareholders, with the most impactful solution while not greatly increasing the number of impacted shareholders.

Controls in Place to Protect Issuers and Shareholders

It is our belief that the controls in place around the negotiability of the certificates are sufficient to prevent wrongdoing with respect to the automatic cancelling of certain share certificates and placement of the new position into the DRS. As discussed above, the certificates will be marked as cancelled on the books and records of the transfer agent and the SIC would be notified that the particular certificate numbers have been cancelled. By taking these steps, any individual or entity that is approached about these certificates would be able to check through either the transfer agent or the SIC on the status of these certificates. That individual or entity would be advised that the certificates are cancelled, and would thus be on notice to avoid entering into any transactions involving those certificates. Any certificates that are submitted to the exchange agent or to the transfer agent following the exchange would immediately be confiscated and the submitter would be advised that the certificate is no longer valid due to the exchange and provided information about the issuance of the new shares and the date of issuance.

Conclusion

Accordingly, we request that the Division of Trading and Markets confirm that it would not recommend enforcement action against EQ or GE for violation of Section 17A of the Exchange Act, and specifically, the Rule 17f-1 and Rule 17Ad-19 requirements referred to above, in connection with their administration of certain exchanges of shares related to the clients' reverse stock splits if such actions are taken in accordance with the terms of the procedures outlined in this request.

If you have any questions regarding this request, please feel free to contact David Becker at david.becker@equiniti.com or 347 640-1017, or Katie Sevcik at katie.sevcik@equiniti.com or 651 450-4190.

Respectfully submitted,



David L. Becker
General Counsel