January 29, 2014

Honorable Mary Jo White, Chair
Joseph Dear, Chairman Investor Advisory Committee
United States Securities and Exchange Commission
100 F Street
Washington, DC 20549

Mssrs. White and Dear:

This letter addresses our view of the impact on small capitalization stocks, including "Emerging Growth Companies", of implementing a program of increased trading tick sizes. This letter is in support of A Dissenting Opinion and Alternative Recommendation #1 regarding the Market Structure Subcommittee’s Recommendation #1 on Decimalization and Tick Size.

By way of background, Stifel is a middle market-focused investment bank with over $1.8 billion in revenue based in St. Louis and traded on the NYSE under the symbol "SF". We are the largest provider of U.S. equity research and U.S. small cap (less than $1 billion market value) equity research on Wall Street. We cover over 1,300 U.S. stocks and over 400 small cap stocks, trade over 10 billion shares per year and are a prolific underwriter and advisor to small cap companies. In addition to a large institutional trading business, we also operate the 6th largest retail brokerage network in the U.S. with over 2,000 financial advisors and over $150 billion of client assets. The revenue from trading, underwriting and advising small cap companies is an important component of our equity trading and capital markets businesses overall.

Decimalization, best execution and other regulatory mandates established over the last 15 years have made stock trading a market driven by high volume and low commissions and spreads. Accordingly we believe less-liquid small cap stocks have suffered the most in terms of liquidity and investor attention. We nevertheless have remained committed to small cap stock trading and research as they are central to our overall business plan. We believe that, executed effectively, a tick size increase could have a meaningful impact on the liquidity of, investor interest in and capital formation for affected stocks over time. This could also increase the volume of IPO’s, and corresponding exposure for both retail and institutional investors, as that path becomes a viable competitor for more companies to the path of a sale to private equity. The pilot program currently under consideration is a logical next step and to explore implementation strategies.

We would like to highlight the following actions that we would take upon implementation of an increase in tick size:

1. We would dedicate specific traders to trading stocks with higher tick sizes as the process for making markets in these stocks is more labor intensive and therefore requires more attention from traders. These "high touch" stocks would need to be treated differently.

2. Wider spreads would encourage our market makers to take trading risk with more comfort and therefore make deeper markets in affected stocks. We believe this has the potential to increase both institutional and retail interest as a result of enhanced liquidity. As you know many institutional investors today have minimum liquidity standards that exclude large numbers of small cap stocks. We believe a network effect could develop whereby more brokers risk more capital to create more liquidity for affected stocks and thus the possibility of creating an improved environment for small cap stocks in general.

3. We would re-evaluate research coverage priorities over time with increased liquidity in affected stocks. Among many criteria, trading revenue is an important input into the stocks for which we consider providing research coverage.

In summary, the evolution of equity markets has created a difficult environment for small cap stocks on many levels. We believe an increase in tick size has the potential to have a meaningful impact leading to increased trading liquidity, investor interest and capital formation for affected companies. The development of a pilot program would be a focus for Stifel.

Regards,

Ronald J. Kruszewski
Chairman, President & CEO

Thomas Weisel
Co-Chairman of the Board