**MANAGED FUNDS ASSOCIATION**
The Voice of the Global Alternative Investment Industry
WASHINGTON, DC | NEW YORK

September 20, 2014

**Via Electronic Mail: rule-comments@sec.gov**

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

**Re: Request for 60-day Comment Period for Proposed Tick Size Pilot Program**

Dear Mr. Fields:

Managed Funds Association[1] ("**MFA**") submits this letter in response to the Securities and Exchange Commission's ("**Commission**" or the "**SEC**") public statements on a tick size pilot program for smaller companies.[2] We note that the Commission has indicated that it will provide a 21-day public comment period for the proposal recently filed by the national securities exchanges and the Financial Industry and Regulatory Authority ("**FINRA**") to establish a national market system plan to implement a targeted 12-month pilot program that will widen minimum quoting and trading increments for certain stocks with smaller capitalization (the "**Tick Size Plan**"). We respectfully urge the Commission to extend the comment period for the Tick Size Plan to sixty days in order to allow market participants to more thoroughly analyze and comment on it.

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[1] Managed Funds Association ("MFA") represents the global alternative investment industry and its investors by advocating for sound industry practices and public policies that foster efficient, transparent, and fair capital markets. MFA, based in Washington, DC, is an advocacy, education and communications organization established to enable hedge fund and managed futures firms in the alternative investment industry to participate in public policy discourse, share best practices and learn from peers, and communicate the industry's contributions to the global economy. MFA members help pension plans, university endowments, charitable organizations, qualified individuals and other institutional investors to diversify their investments, manage risk and generate attractive returns. MFA has cultivated a global membership and actively engages with regulators and policy makers in Asia, Europe, North and South America, and many other regions where MFA members are market participants.

[2] SEC Announces Pilot Plan to Assess Stock Market Tick Size Impact for Smaller Companies, August 26, 2014, *available at:* http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370542761050#.VBzmfFJMvIU. *See also*, Plan to Implement a Tick Size Pilot Program Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS under the Securities Exchange Act of 1934, available at: http://www.sec.gov/divisions/marketreg/tick-size-pilot-plan-final.pdf.

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The Tick Size Plan, as submitted by national securities exchanges and FINRA,[3] has expanded far beyond the original focus of Congressional policy makers on small cap stocks,[4] and includes measures with complex policy and implementation issues. By comparison, H.R. 3448 provides that issuers eligible for the liquidity pilot program are emerging growth companies with total annual gross revenues of less than $750,000,000. The Tick Size Plan covers 1,200 stocks, ranging from small-cap to those with a market capitalization of up to $5 billion; consists of four trading frameworks, including three experimental groups; and adds a Trade-At provision to the pilot. Accordingly, the Tick Size Plan is much more complex than that envisioned by some members of Congress. The Tick Size Plan raises multiple policy and practical issues for investors to consider. We echo Chair Mary Jo White's statement that the "secondary markets exist for investors and public companies, and their interests must be paramount."[5] The heightened market capitalization threshold of $5 billion will capture the median stocks in the mid-cap range. Including mid-cap stocks in the Tick Test Plan is a stark departure from the original legislative intent of the Jumpstart Our Business Startups ("JOBS") Act, which called for a review of how "decimalization affected the number of initial public offerings . . . and the liquidity and trading of **smaller capitalization** company securities (emphasis added)".[6]

The complexity of the Tick Size Plan also raises a number of practical implementation issues for investors to consider. By incorporating four different trading schemes, the Tick Size Plan requires investors to consult internally and/or with their intermediary firms on the analysis of the development, build-out, oversight, cost and feasibility of three additional order routing and execution platforms. This inquiry and analysis will require a substantial amount of time on the part of market participants.

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[3] It is unclear whether the Tick Size Plan will be the same proposal the Commission issues for public notice and comment.

[4] *See, e.g.*, U.S. House, 113th Congress. "H.R. 3448. Small Cap Liquidity Reform Act of 2014" *available at: https://beta.congress.gov/bill/113th-congress/house-bill/3448*.

[5] Mary Jo White, Chair, SEC, Enhancing Our Equity Market Structure, June 5, 2014, *available at:* http://www.sec.gov/News/Speech/Detail/Speech/1370542004312#.VAypdlJMtaQ.

[6] Order Directing the Exchanges and the Financial Industry Regulatory Authority to Submit a Tick Size Pilot Plan, SEC Release No. 34-72460 (June 24, 2014) *available at:* http://www.sec.gov/rules/other/2014/34-72460.pdf. *See also,* JOBS Act, Pub. L. No. 112-106 (defining an "emerging growth company" as an issuer with total annual gross revenues of less than $1,000,000,000) *available at:* http://www.gpo.gov/fdsys/pkg/BILLS-112hr3606enr/pdf/BILLS-112hr3606enr.pdf.

Our initial view is that the Tick Size Plan will be extremely costly to investors both with respect to implementation (including costs passed down from intermediaries) and trading costs (*e.g.*, wider spreads, greater chance of information leakage). For a pilot program that is likely to have such costly implications for investors, we believe it would be appropriate for the Commission to provide the public with a 60-day comment period to more fully assess the likely impact of the Tick Size Plan and the SEC staff's questions. Accordingly, we respectfully request that the Commission provide the public with a 60-day comment period with respect to a Tick Size Plan.

Respectfully submitted,

/s/ Stuart J. Kaswell

Stuart J. Kaswell
Executive Vice President & Managing Director,
General Counsel

CC: The Hon. Mary Jo White, Chair
The Hon. Luis A. Aguilar, Commissioner
The Hon. Daniel M. Gallagher, Commissioner
The Hon. Kara M. Stein, Commissioner
The Hon. Michael S. Piwowar, Commissioner
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