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Congress of the United States
House of Representatives

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COMMITTEE

November 17, 2014

Chair Mary Jo White
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Plan to Implement a Tick Size Pilot Program

Dear Chair White:

I want to thank you for your leadership in moving the Tick Size Pilot Program (the "Pilot") forward. As the author of H.R. 3448, the *Small Cap Liquidity Reform Act*, which directed the Securities and the Exchange Commission (the "Commission") to develop a similar pilot, I was encouraged by the commitment of the Commission to see this Pilot into reality.

I also welcome the opportunity to comment and hear from the public on the Plan to Implement a Tick Size Pilot Program (the "Plan") submitted by the NYSE Group, Inc., on behalf of New York Stock Exchange LLC, NYSE MKT LLC, NYSE Arca, Inc., BATS Exchange, Inc. BATS Y-Exchange, Inc., Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, and the Nasdaq Stock Market LLC (the "Participants"), on August 25, 2014.

I am encouraged by both the timeliness and willingness of the Participants to meet the perimeters of the Order Directing the Exchanges and the Financial Industry Regulatory Authority to Submit a Tick Size Pilot Plan (the "Order") the Commission released on June 24, 2014.

However, I remain concerned over the length of the Pilot contained in both the Order and the Plan. As you are aware, H.R. 3448, which the House of Representatives passed on February 11, 2014, directed the Commission to conduct the Pilot for five years, and I believe the Order and Plan submitted should be the same length. I am concerned:

- 1) A one-year Pilot will not be enough time to warrant the start-up costs and other investments needed to participate in the Pilot;
- 2) Data collected on small capitalization companies ("Pilot Securities") in a one-year Pilot will be too easy to manipulate to produce negative outcomes in a one-year Pilot; and

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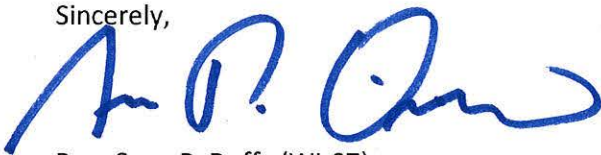
- 3) A one-year Pilot will not be enough time to legitimately change market behavior and provide sufficient data on whether wider tick-sizes for Pilot Securities provide any increased liquidity.

Further, as possibly the strongest supporter in Congress for a Tick Size Pilot Program, I hope that the final Plan for the Pilot be as open and inclusive of a process as it can be. Therefore, I question the rationale of the Commission *ordering* the self-regulatory organizations to develop a plan, instead of engaging in a full rule-making process, as I directed the Commission to do so in H.R. 3448. Engaging in a rule-making process would have allowed all interested parties to contribute to the Plan's draft development, instead of a few.

Finally, I would like to stress my hope that the final Plan for the Pilot be as easy and simple to understand and navigate as possible, while also containing minimal compliance costs and collection of proprietary data. That is what I strove to do in H.R. 3448, and what I hope the Commission does as well. Consequentially, I have concerns that the complicated exclusions and prohibitions included in the Plan's Test Groups, along with the collection of some of the profitability data, may be counter to those goals.

Again, I look forward to hearing from the industry leaders, Plan Participants, Pilot Securities, concerned citizens, and otherwise interested parties on the proposed Plan. I also want to thank the Commission and the Participants for their efforts to develop the first Tick Size Pilot Program to bring increased liquidity and support to America's newest job creators.

Sincerely,



Rep. Sean P. Duffy (WI-07)