CENTER FOR CAPITAL MARKETS
COMPETITIVENESS

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Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: Notice of Filing of Proposed National Market System Plan to Implement a Tick Size Pilot Program on a One-Year Pilot Basis; File No. 4-657

Dear Mr. Fields:

The U.S. Chamber of Commerce ("Chamber") is the world's largest business federation representing over three million companies of every size, sector, and region. The Chamber created the Center for Capital Markets Competitiveness ("CCMC") to promote a modern and effective regulatory structure for capital markets to fully function in a 21st century economy. The CCMC welcomes this opportunity to provide comment on the proposed National Market System (NMS) Plan to Implement a Tick Size Pilot Program on a One-Year Pilot Basis ("Proposal").

The CCMC previously requested that the comment period for the Proposal be extended to ninety days, and we remain concerned that the condensed comment period the Commission has provided could lead to unintended consequences down the road.[1] Nevertheless, the pilot program presents an opportunity for the Securities and Exchange Commission ("Commission") to collect useful data and evidence regarding the trading environment for small capitalization stocks. Should the Commission decide to move forward and implement the pilot program, we believe that a next phase of this initiative would be warranted only if the pilot produced clear and unambiguous evidence showing that the widening of tick sizes fosters capital formation for small businesses, produces benefits for investors, and increases competition within the equity markets. The

[1] November 20, 2014 CCMC comment letter requesting that comment period be extended to ninety days: http://www.centerforcapitalmarkets.com/wp-content/uploads/2014/11/2014-11.18-Tick-size-comment-period-extension-.pdf

Commission should also clearly define and quantify the type of data it would need to see the pilot produce in order to move forward with a permanent widening of tick sizes for small companies.

Discussion

The transition to decimalization in stock quoting at the turn of the century has produced a number of benefits for our capital markets and the broader economy. Decimalization has helped bring our markets into the 21st Century by improving price discovery, tightening trading spreads, and lowering costs for investors. These changes have coincided with other major advancements in our equity market structure that have helped to make stock trading more efficient and cost effective than ever before.

However, some have raised concerns that decimalization may not necessarily be appropriate for every publicly traded company, and that trading in pennies has actually served as a disincentive for investors to buy and sell the stock of certain small and medium-sized companies, negatively impacting liquidity within these markets and impairing the ability of such businesses to raise capital. Many believe that a widening of the "tick size" in which small companies trade would entice more investors to invest in these stocks and create a better market for trading.

The CCMC believes that the Proposal provides the Commission with an important opportunity to determine what impact—if any—the widening of tick sizes will have on the liquidity of small capitalization companies and their ability to raise capital in a cost effective manner. The CCMC has been generally supportive of the use of a pilot program to better inform the Commission in its understanding of the equity markets and what further steps can be taken to promote capital formation.[2] The Proposal is consistent with the CCMC's longstanding principle that sound evidence and data should be the foundation of any rulemaking process.

As the Commission proceeds with implementing the Proposal, the CCMC offers the following recommendations:

[2] *See* February 10, 2014 CCMC comment letter in support of H.R. 3448, the "Small Cap Liquidity Reform Act of 2013" which would create a five year tick size pilot program: http://www.centerforcapitalmarkets.com/wp-content/uploads/2014/02/2014-2.10-SmallCapLiquidityReformAct_House.pdf

- Companies should have the ability to "opt-out" of participation in the pilot program. Allowing companies to opt-out would provide the Commission with another source of data—if the board and management of a significant number of small issuers decided that the pilot is not in the best interest of their shareholders, that information could be used to help the Commission determine whether another phase of this initiative is warranted. The Commission could consider surveying small companies prior to implementation in order to gauge the level of support that issuers have for the widening of tick sizes. This could help mitigate unintended consequences down the road and support the Commission's efforts to understand the costs and benefits of widening tick sizes

- Regardless of whether the pilot program is made optional for issuers, a safe harbor should be provided in order to insulate management and directors from liability for participation in the pilot. Regrettably, we have seen on too many instances that some will use the courts for gain at the expense of investors. This has held true in the example of non-binding say on pay executive compensation votes despite the intent of Congress that such actions not be subject to lawsuits. A safe harbor for companies that participate in the pilot program would codify that management and directors are carrying out their fiduciary duties and acting in the best interest of the company and its shareholders.

- While we are agnostic as to the one-year time frame for the pilot, we believe that the Commission should continue to commit to a hard deadline for ending the pilot and then evaluate all evidence and data at that point. Allowing the pilot to continue on indefinitely would cause uncertainty for issuers and other market participants.

We look forward to continuing to work with the Commission on this initiative, and stand ready to provide further comment as necessary.

Sincerely,

Tom Quaadman