

United States Senate  
WASHINGTON, DC 20510

January 23, 2015

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

Dear Chair White:

We are writing to urge the Securities and Exchange Commission (SEC) to prioritize robust and effective implementation of a Proposed National Market System Plan to Implement a Tick Size Pilot Program (“Pilot”). As strong advocates in the United States Senate for access to capital for small businesses, we applaud the Commission for its work so far to prioritize the needs of small businesses in American capital markets. We caution, however, that proper implementation is vital to achieving the stated purpose of the Pilot, and therefore request that the Commission make every effort to design the Pilot in a manner that maximizes its ability to succeed.

Under today’s market structure small businesses must trade according to the same set of rules as Fortune 500 companies, though small businesses face different needs in the capital markets from large companies. A number of market observers have attributed recent difficulties facing small businesses in the capital markets to this one-size-fits-all regulation.<sup>1</sup> We have, therefore, been greatly encouraged by the Commission’s efforts to implement a tick size pilot. As you know, the proposal would change the minimum price increments at which certain small capitalization stocks are traded on U.S. exchanges in order to encourage research and investment in these stocks, as well as to ensure adequate liquidity in secondary trading.

While we applaud the Commission’s efforts to design the Pilot, we are concerned that the one-year duration now in the proposal may be too short to attract the attention from market participants needed to appropriately gauge the effectiveness of the Pilot. Changing the various systems and infrastructure to make markets trade at wider spreads requires both time and financial investments, which are less likely to make sense for market participants if the Pilot runs for too short a duration. Without those investments, it will be impossible to judge with any confidence how the public market for small businesses would likely change if the tick-size modification were made permanent. Further, even if participation were high, data collected from a one-year program would be at significant risk to be distorted by short-term market fluctuations that could jeopardize the ability of the Pilot to achieve its goals. We urge you to lengthen the period of the Pilot to ensure adequate and meaningful data is collected.

---

<sup>1</sup> See, e.g., *High Frequency Trading’s Impact on the Economy Before the Subcomm. on Sec., Ins., & Investment of the S. Comm. on Banking, Housing, & Urb. Aff.*, 114th Cong. (2014) (statement of Jeffrey Solomon, CEO, Cowen & Company) (noting the difficult trading environment small-cap stocks face in the current market structure).

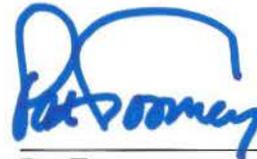
Additionally, in the interest of participation, simplicity and clarity must be powerful guiding principles in Pilot implementation. Asking the Pilot to do too much or otherwise creating barriers to participation due to complication would place an unfortunate and unnecessary burden that could hinder the Commission's promising efforts so far. For these reasons, we urge the commission to create a broadly supported and measurable definition of liquidity at the outset of the Pilot. Doing so will give participants and observers a quantifiable way to gauge the success of the Pilot. We also question whether the market capitalization limits for participation in the program are too large to keep the focus of the Pilot on the small capitalization companies who face the most severe liquidity crisis in the markets, and ask that you re-examine the levels to remain consistent with the goals of the Pilot.

We again commend the Commission for its proactive work on a tick size pilot that has the potential to create new opportunities for small businesses to grow and succeed. Small businesses hold the key to job creation and competitiveness in the U.S., and we are pleased that the Commission is giving this priority due attention. We respectfully urge that the Commission implement the Pilot in a truly robust and effective manner, and look forward to your prompt reply.

Sincerely,



Mark R. Warner  
U.S. Senator



Pat Toomey  
U.S. Senator