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April 22, 2010

The Honorable Mary L. Schapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Dear Chairman Schapiro:

By many measurements, the markets for retail and institutional equity investors are as healthy as they have ever been. While I appreciate the Commission's recent efforts to undertake a comprehensive review of our nation's equity market structure, I want to ensure that this analysis starts from the vantage point of preserving or enhancing that which makes our equities trading markets strong, and that change is not pursued purely or largely in response to external political pressures.

As an independent, non-partisan agency, the Securities and Exchange Commission has been entrusted with the responsibility to make its decisions based on objective, prudent and disciplined analysis. It is a great responsibility and requires an adherence to a balanced and data-driven, empirical approach to ensure that regulatory efforts focus on the most productive areas. Conceiving of a problem is not enough; empirical evidence needs to support the basis for regulatory change.

A balanced empirical analysis must ensure that the basis for regulatory change properly accounts for the impact of such change on other areas of the marketplace. This requires balance in the framing of the issues and collection of the data, as well as the underlying analysis.

The Equities Market Structure Concept Release published in January is a well drafted and thoughtful discussion document that accurately identifies many of the areas that have concerned investors and gained media attention within the last couple of years. It is concerning, however, that requests for comments respecting the interests of long-term and short-term investors seem to focus on a perceived conflict between such groups, with little to no reference to the critical inter-dependency between these groups in the overall equities market structure. I am hopeful that the tone of such requests are not reflective of the Securities and Exchange Commission's analytical framework and would urge the Commission to consider that should it determine that additional rule-making be required, the most successful outcome would be one that benefits this synergistic relationship as a whole. While it is critical to ensure fairness in our equities marketplace, the Commission must carefully balance the multitude of considerations (such as the effects on market efficiency, liquidity and transparency) in conducting a cost-benefit analysis of any proposed regulation.

In closing, I support the Commission's efforts to ensure that our nation's regulations are responsive to equities marketplace developments, and appreciate the magnitude of the task it has undertaken. Because of the impact of this undertaking on the nation's capital markets, I urge the Commission to act in a prudent, balanced, deliberative fashion and to base its decisions on empirical data that not only supports the basis for change, but also the benefits to our capital markets. In drawing conclusions from such data, I urge the Commission to use great caution with respect to altering the delicate balance that exists in the marketplace so as to minimize the risk of disrupting market efficiencies and liquidity to the detriment of the very retail investors sought to be advantaged.

Thank you for your consideration of my views.

Sincerely,

Scott Garrett

Scott Garrett
Member of Congress