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June 13, 2014

Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-0609

Re: Pilot Programs [Release No. 34-61358; File No. S7-02-10] RIN 3235-AK47

Dear Ms. Murphy:

The FIA Principal Traders Group (“FIA PTG”)<sup>1</sup> welcomes the SEC’s review of U.S. equity market structure and supports the SEC’s data-driven approach to any proposed changes. As part of that effort, a senior official from the SEC’s Division of Trading and Markets recently intimated that the industry should expect a pilot program to test the use of wider tick sizes for the stocks of small cap companies to be released in a matter of weeks. Last week, SEC Chair Mary Jo White announced that the Commission will “soon complete its review” of a tick size pilot program.

In light of these statements and the recently amplified debate on U.S. equity market structure, FIA PTG is sharing its thoughts on the use of pilot programs.

## **I. Discussion**

FIA PTG supports the use of pilot programs to test ideas for making changes to US equity market structure and applauds the SEC for their continued use of data-driven decision making.

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<sup>1</sup> FIA PTG is composed of firms that trade their own capital on the U.S. futures and equities exchange markets. FIA PTG members engage in manual, automated, and hybrid methods of trading, and are active in a variety of asset classes, such as foreign exchange, commodities, fixed income, and equities. FIA PTG member firms are direct participants on equities and options markets, and membership includes firms registered as broker-dealers, many of whom are registered as designated market makers on various national securities exchanges. FIA PTG member firms serve as a critical source of liquidity to U.S. markets, allowing those who use such markets, including individual investors, to manage their risks and invest effectively by allowing them to enter and exit markets efficiently.

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We believe it is very important that these pilots be well thought out and carefully structured so as to provide the necessary data to evaluate the results. We think the following should be considered before launching any pilot program:

- Objectives should be clearly defined;
- Time periods, including beginning and end should be defined;
- Pilot programs should be conducted in rigid, single variable environments;
- Results should be conducive to rigorous analysis;
- Pilot programs introduce complexity to the marketplace and must be both constructed and introduced carefully; and
- Pilot programs are a cost to the marketplace so should be used efficiently. Cost benefit should be considered when determining duration and scale.

## II. Conclusion

FIA PTG would like to thank the Commission for the opportunity to comment on this very important subject. If you have any questions about these comments, or if we can provide further information, please do not hesitate to contact Mary Ann Burns ([maburns@fia.org](mailto:maburns@fia.org)).

Respectfully,

FIA Principal Traders Group



Mary Ann Burns  
Executive Vice President, Industry Relations  
and Chief Operating Officer  
FIA

cc: Mary Jo White, Chairman  
Luis A. Aguilar, Commissioner  
Daniel M. Gallagher, Commissioner  
Kara M. Stein, Commissioner  
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