August 30, 2016

Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: File No. S7-12-16

Dear Mr. Fields:

Nasdaq, Inc. (“Nasdaq”)1 is writing in support of the Securities and Exchange Commission’s (“Commission”) proposed amendments to the definition of smaller reporting company (“SRC”).2 Nasdaq appreciates the opportunity to comment on these important proposals and applauds the Commission for its continued efforts to promote capital formation and reduce compliance costs for smaller companies while maintaining important investor protections. An important way the current disclosure system achieves these goals is through scaled disclosure accommodations for SRCs.

Nasdaq operates The NASDAQ Stock Market, which lists more than 2,800 companies in the U.S. These companies are among the most innovative and high-growth companies in the world. Their ground-breaking and pioneering work in a wide range of sectors including biotechnology, biopharmaceutical, technology, consumer goods and services, and community banking, among many others, propels the U.S. economy, creating millions of jobs and enriching our lives in countless ways.

Many of these innovative companies are dependent on the capital markets to fund the medical break-throughs, life-saving research, technological advancements and pioneering products and services that make our capital markets the envy of the world. Nasdaq has long supported and promoted a regulatory framework, including scaled disclosure accommodations for SRCs, that provides companies with the opportunity and ability to allocate capital to these critical purposes while always keeping in mind important investor protections. A scaled disclosure regime also recognizes that “one-size fits all” disclosure requirements do not provide meaningful information for investors in all companies, particularly smaller ones.

1 Nasdaq is a leading provider of trading, clearing, exchange technology, listing, information and public company services across six continents. Nasdaq is home to more than 3,700 listed companies with a market value of approximately $9.3 trillion. Among other things, we operate a variety of listing platforms around the world to provide multiple global capital raising and liquidity solutions. Our main listing markets are The Nasdaq Stock Market and the Nasdaq Nordic and Nasdaq Baltic exchanges. We also operate the Nasdaq Private Market, a marketplace providing equity management tools to private companies.

In its proposal, the Commission explicitly recognizes the benefits of scaled disclosures for small companies, noting that compliance costs “typically burden[] smaller registrants disproportionately” and that a lower disclosure burden could spur growth in smaller companies as capital and other resources (including management time and attention) currently devoted to compliance are “productively deployed in alternative ways.” The Commission also noted that the proposed amendment to the SRC definition could also encourage capital formation because companies that may have been hesitant to go public may choose to do so if they face reduced disclosure requirements. We agree wholeheartedly with these observations.

By increasing the number of small companies eligible to make scaled disclosures, the Commission’s proposed SRC amendments allow these companies to allocate capital and resources that was previously diverted to compliance costs, enabling them to fund ground-breaking research and other value and job-creating activities. But we also agree with the Commission that investor protections cannot be compromised. The fact that, under the proposal, SRCs would remain subject to liability for their disclosures (which would also remain subject to Commission review), together with Nasdaq’s monitoring and enforcement of listing standards, ensures that investor protections are not diminished.

For these reasons, Nasdaq supports the Commission’s proposed amendments to the SRC definition to increase the minimum public float threshold and, where there is no public float, to increase the minimum revenue threshold.

Notwithstanding the Commissions’ commendable efforts in this area, for smaller companies, the compliance costs that divert capital from research and development remain – as the Commission recognized – disproportionately high, and we urge the Commission to continue its focus on appropriate accommodations. One area that warrants further Commission consideration is increasing the public float threshold in the definition of accelerated filer in parallel with the proposed increase to this threshold in the definition of a SRC. By amending the accelerated filer definition, more companies would benefit from the regulatory cost savings that result from the exemption in the Dodd–Frank Wall Street Reform and Consumer Protection Act from the requirement that a company’s registered public accounting firm provide an attestation report on internal control over financial reporting, as required by Section 404(b) of the Sarbanes-Oxley Act. It would also ensure uniform treatment of SRCs and non-accelerated filers in this regard.

We also ask the Commission to give consideration to a well-crafted revenue-only threshold alternative to public float in the definitions of SRC and accelerated filers, keeping in mind the maintenance of appropriate investor protections and disclosure obligations. Properly constructed, this would allow for companies with higher valuations but low revenues that engage in focused research and development over extended periods of time to be eligible for scaled disclosures. As with SRCs under the proposed amendment, these companies would benefit from the reduced compliance costs and concomitant ability to divert capital and resources previously consumed by compliance costs to product development, research and innovation.

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Thank you for your consideration of our comments. Please feel free to contact me with any questions.

Sincerely yours,

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