

**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515-3213

February 3, 2012

Commissioner Elisse B. Walter  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549

Dear Commissioner Walter:

I am writing with regard to the proposal by the Financial Industry Regulatory Authority ("FINRA") to establish a Quotation Consolidation Facility, or QCF, to collect and distribute quotes for over-the-counter ("OTC") equity securities. As you know, this proposal would essentially allow FINRA, an industry regulator, to take OTC quotation data that is currently owned and distributed by private firms and distribute it on a consolidated basis alongside NASDAQ market data without compensation to the owners.

I have had occasion to review FINRA's proposal and the related public comments submitted to the Commission, and I believe the QCF raises several troubling issues that are well documented in the comment letters. First and foremost, the QCF proposal appears to be completely unnecessary in light of the current widespread distribution of OTC quotations by the private sector. The private market already ably ensures that investors and market professionals have access to consolidated OTC market data at competitive prices. There is nothing in the SEC's comment record to suggest that this system will not continue to operate efficiently and in the best interest of investors. In fact, it is my understanding that in addition to the many existing avenues to receive consolidated OTC quotations, NASDAQ itself has made arrangements to purchase OTC quotations from the current owners and redistribute the data on a consolidated basis - the very thing FINRA seeks to do through regulation. The New York Stock Exchange owned NYSE Technologies also announced a similar distribution channel that will include the privately sourced OTC market data. It is hard to see how FINRA's distribution of the data will benefit the market in any way. The only difference between FINRA's QCF proposal and the current distribution of market data is that FINRA does not propose to pay for the quotations it takes and distributes. The fact that the QCF is completely unnecessary at this time should be reason enough for the Commission to reject FINRA's QCF proposal.

Beyond the fact that the QCF appears to be unnecessary, the QCF proposal raises serious concerns regarding whether FINRA is seeking the Commission's assistance in taking the property of private parties and whether the QCF proposal is consistent with the purposes and requirements of the Securities Exchange Act of 1934. Further, it is easy to envision approval of

the QCF causing considerable economic harm to the private enterprise that currently collects and sells the vast majority of OTC quotations or to any other persons that seek to enter this line of business. The market data that FINRA's QCF would capture and distribute constitutes a substantial portion of the income earned by such companies. FINRA usurping this income through the QCF would harm such companies and potentially hinder their collection of quotations, thereby harming liquidity and transparency in the OTC market to the detriment of small companies and their investors. Unnecessarily increasing the costs of investing in small companies without providing a corresponding benefit runs counter to the country's pressing need to spur economic growth.

The primary problems with the QCF proposal should be more than sufficient to guide a timely decision by the Commission. At such time as the private sector fails to make consolidated OTC data available at reasonable cost or FINRA can demonstrate that the QCF would have a significant positive impact on market participants, the Commission can then grapple with the additional concerns the proposal raises, such as a regulatory taking of private property and the overall negative impact on market participants and investors. Given the overwhelming facts as they stand today, the Commission should act swiftly and decisively to reject the QCF proposal.

Thank you for your consideration of my concerns.

Sincerely,

A handwritten signature in blue ink that reads "Michael G. Grimm". The signature is fluid and cursive, written over a horizontal line.

Michael G. Grimm  
Member of Congress