

June 27, 2024

The Honorable Gary Gensler
Chair, U.S. Securities and Exchange
Commission
100 F Street, NE
Washington, D.C. 20549

Mr. Haoxiang Zhu
Director, Division of Trading and Markets
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: File No. S7-30-22; Release No. 34-96494; Regulation NMS: Minimum Pricing
Increments, Access Fees, and Transparency of Better Priced Orders (“Reg NMS
Proposal”)

Dear Chair Gensler:

We are writing to express our concerns regarding the U.S. Securities and Exchange Commission’s (“Commission”) Reg NMS proposal released on December 14, 2022. Specifically, we are concerned about the four-tick size regime introduced in the proposal and urge the Commission to give serious consideration to the approach put forward by a wide array of public commenters to move to a half-penny quoting increment for tick-constrained stocks. We believe that a minimum quoting tick size of half a penny on tick-constrained stocks will help create a more competitive trading environment, foster fairer and more effective price formation, and improve market transparency for all investors.

The half-penny approach suggested by these commenters is materially different from the four-tick size regime that the Commission proposed. Therefore, in moving forward with the commenters’ approach we strongly urge the Commission to re-propose this rulemaking and set forth this approach in detail. Commenters also widely support commensurate changes to access fees under Rule 612 as acknowledged by the Commission, and any newly proposed rule must include a thorough cost-benefit analysis. This analysis should compare the commenters’ approach with the proposed approach, establish a reasonable methodology for determining which stocks are tick constrained, and evaluate the potential impacts of each approach on market quality, liquidity, and price stability.

Taking this additional step is consistent with the Commission’s internal guidance regarding economic analysis and rulemaking requirements under the Administrative Procedure Act, which are designed to ensure that the Commission’s rulemakings are informed by public input and a comprehensive understanding of the potential costs and benefits. Given that a change to quoting tick sizes will have significant implications for the trading of securities, it is imperative that the Commission makes a well-informed and data-driven decision regarding any modifications to the tick size regime for tick-constrained stocks that properly weighs the costs and benefits of any rulemaking on this topic.

Among investors and market participants impacted by Reg NMS are mom-and-pop investors who rely on their investments to save for retirement and for financial security for themselves and their families. As we discuss below, while we agree that certain adjustments could be made to improve

the current minimum pricing increment in U.S. equities markets, i.e. the “tick size”, there are several potential risks associated with the four-tick size regime put forward in the Reg NMS Proposal that could ripple through the entire market ecosystem, affecting Main Street Americans’ investment accounts and retirement savings.

For instance, the proposal, if adopted in its current form, would introduce significant and unwarranted complexity into today’s efficient market structure that could increase operational risk and create investor confusion, undermining our constituents’ confidence and ability to participate in the equity markets. It could also limit investors’ opportunities for price improvement by mandating the trading increment at which stocks trade. In addition, extremely small quoting increments will increase routing complexity and investor transaction costs by introducing excessive fragmentation and reducing quoted depth. Finally, as commenters have noted, the Commission did not appropriately analyze which stocks are tick constrained and, as a result, proposed to include far too many stocks. All of these aforementioned unintended consequences potentially reduce market participation and trust, thereby limiting opportunities for financial growth for the average American retail investor.

By contrast, the commenters’ suggested approach of adopting a single half-penny quoting increment for tick-constrained stocks would achieve the Commission’s goal of addressing tick-constrained stocks without destabilizing the market. Both brokers and investors have submitted comments to the Commission opposing tick sizes lower than a half-cent as proposed by the Commission, believing that change would create unnecessary complexity and make trading less efficient. Because the commenters’ suggested approach is materially different from the Commission’s proposal, we strongly urge the Commission to repropose the rulemaking incorporating these material changes.


Finally, following the adoption of the Disclosure of Order Execution rule in March 2024, we reiterate the request from many commenters, including a bipartisan coalition in Congress, that the Commission should analyze the newly updated 605 data before considering additional equity market structure changes, including changes to our tick size regime. Such an incremental approach is necessary to ensure that the Commission and market participants are able to assess how any tick size modifications impact our market structure and execution quality for our constituents.

Thank you in advance for your attention to this matter. We appreciate the opportunity to provide my comments, and we trust that the Commission will carefully consider these, and other concerns and suggestions put forth by market participants and stakeholders. We request a response with the information sought above no later than July 8th, 2024.

Sincerely,



Dan Meuser
Member of Congress



Ann Wagner
Chairman
Subcommittee on Capital Markets



Frank Lucas
Member of Congress



Pete Sessions
Member of Congress



Bill Huizenga
Member of Congress



French Hill
Member of Congress



Andrew R. Garbarino
Member of Congress



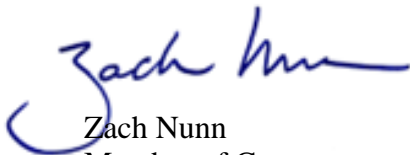
Young Kim
Member of Congress



Byron Donalds
Member of Congress



Michael V. Lawler
Member of Congress



Zach Nunn
Member of Congress

cc:

- The Honorable Hester M. Peirce, Commissioner
- The Honorable Caroline Crenshaw, Commissioner
- The Honorable Mark T. Uyeda, Commissioner
- The Honorable Jamie Lizarraga, Commissioner