August 23, 2024

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Recommendations to Reform Standards for Exchange-Listed Penny Stocks; File Nos. SR-NASDAQ-2024-29; SR-NASDAQ-2024-45

The undersigned organizations represent a broad cross-section of equity market participants, investors, and advocates. We write to support the recommendations contained in a recent petition (the "Petition") filed with the Securities and Exchange Commission ("SEC") by Virtu Financial, Inc. ("Virtu"), which concerns the growing influence on equity markets of listed stocks that are traded at prices less than one dollar per share ("listed penny stocks").[1]

In recent years, the markets have experienced a substantial growth in both the number of listed penny stocks and the proportion of trading in public markets that they account for.[2] We believe this trend poses heightened risks to investors and overall market integrity. Investors rightfully expect that when they invest in an exchange-listed company, that company operates under certain standards of transparency and corporate accountability. For many penny stocks, that is not the case.

First, as explained in the Petition, listed penny stocks are often issued under capital structures that allow insiders and promoters to receive shares for their own benefit at prices that result in substantial dilution to other shareholders, often with little prior notice or understanding by those shareholders of the risks to the value of their holdings. Also, the trading price of these securities is generally highly volatile, and they are often subject to various forms of price manipulation. These factors combined could create far-reaching consequences for unsuspecting investors, potentially leading to widespread financial losses and eroding public trust.

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[1] The market participants and advocates on whose behalf we submit this letter take no position as to the integrity or value of any particular penny stocks that may be subject to the reforms we support. We focus, instead, on our general concerns about overall market integrity and reliability.

[2] *See* https://www.wsj.com/finance/stocks/hundreds-of-stocks-have-fallen-below-1-theyre-still-listed-on-nasdaq-c8e36abf#.

Because of concerns with risks to investors from penny stocks in general, SEC rules adopted under the Penny Stock Reform Act of 1990[3] impose heightened obligations on brokers trading in penny stocks with or for customers. Exchange-listed stocks, however, are generally exempt from those requirements.

Exchanges have listing rules that require issuers to meet and maintain various minimum standards. These typically include a requirement to maintain a minimum trading price of more than $1 per share. But issuers are often able to use reverse stock splits and other measures allowed by exchange rules to remain listed for a year or longer without meeting minimum share price and other standards. Meanwhile, unscrupulous promoters can point to the fact of the exchange listing to mislead investors about the inherent risk of these securities.

As noted in public press reports, most listed penny stocks presently happen to be listed on Nasdaq, but concerns are not limited to that one market.[4] To address the general concerns, the Petition recommends that the SEC require all exchanges to adopt targeted changes to tighten initial listing standards, substantially reduce the length of time penny stocks can stay listed, restrict the use of reverse stock splits to evade compliance with those standards, and monitor for potential manipulation.

We recognize that investors also face substantial risks, including those described above, from trading in low-priced stocks that are not listed on an exchange. It is important that regulators also consider ways to strengthen oversight and surveillance of trading in these securities, including stocks that have been delisted and are no longer subject to exchange oversight or regulation as NMS stocks under SEC rules. In that respect, the Petition calls on the SEC to adopt enhanced issuer disclosures about risks stemming from dilutive corporate actions. Additional disclosure will benefit all investors irrespective of whether an issuer's securities are listed on a national securities exchange or trade in the unlisted over-the-counter markets. Effective and meaningful disclosure that is easily accessible is a core element of healthy and fair markets.

The undersigned support the principle that a wide range of issuers should have effective access to our capital markets, including the opportunity to seek to list on an exchange. At the same time, investors should be able to expect that exchanges will maintain appropriate minimum listing standards that are effectively enforced and not easily evaded. We believe that SEC action is necessary to raise the bar across listing exchanges to close the gap between this expectation and the current reality.

cc: The Honorable Gary Gensler, Chair
The Honorable Hester M. Peirce, Commissioner
The Honorable Caroline A. Crenshaw, Commissioner
The Honorable Mark T. Uyeda, Commissioner
The Honorable Jaime E. Lizarraga, Commissioner
Dr. Haoxiang Zhu, Director, Division of Trading and Markets

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[3] Public Law 101-429, 104 Stat. 951 (Oct. 15, 1990).

[4] Nasdaq recently has filed to make some modest changes to its listing rules in response to these concerns. While these represent steps in the right direction, they fall far short of what is required, for example by still allowing a company to remain listed for up to a full year while continuously falling below minimum standards, *See* File No. SR-NASDAQ-2024-29; File No. SR-NASDAQ-2024-45.

American Securities Association

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President and Chief Executive Officer

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By: Stephen Hall

Title: Legal Director

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Title: President and CEO

Investors Exchange LLC

By:

Title: Chief Market Policy Officer

Themis Trading LLC

By:

Title: PARTNER