



January 29, 2014

Chairman Joseph Dear
Investor Advisory Committee
United States Securities and Exchange Commission
100 F Street
Washington, DC 20549

Re: Recommendations to the Investor Advisory Committee by its Market Structure Subcommittee regarding Decimalization and Tick Size

Dear Chairman Dear:

The Market Structure Subcommittee (the “Subcommittee”) of the SEC’s Investor Advisory Committee (the “Committee”) recently submitted draft documents containing recommendations on Decimalization and Tick Size for consideration at the Committee’s meeting on January 31, 2014. As the voice of the venture industry, the National Venture Capital Association (NVCA) appreciates the attention your committee brings to this important topic.

NVCA represents nearly 400 venture capital firms across the U.S. Our members invest in thousands of startup companies each year. These companies are on high-growth trajectories with the goal of someday being acquired by larger companies or going public themselves through an IPO. Venture backing allows start-ups to conquer technical risk, as well as learn how to produce a product and sell that product in the marketplace. But, in order to scale an enterprise so that it has truly global market capability, companies typically need more capital than their venture investors alone can provide. This is the point at which accessing additional capital – either through an acquisition or the public markets – becomes critical to continued growth. For this reason, a strong, vibrant public market is vital to our nation’s overall economic health. Recognizing this, NVCA has supported the work of the IPO Taskforce, which led to many of the recommendations in the JOBS Act, and the more recent work of the Equity Capital Formation Task Force. Both of these groups have offered suggestions to improve market conditions for small companies looking to enter the public markets, or that have recently done so. While the IPO Taskforce concentrated on creating a pathway for emerging growth companies to go public, the Equity Capital Taskforce focused on the challenges faced by small-cap companies post-IPO. We firmly believe addressing both ends of this spectrum is critical to maintaining robust, healthy capital markets for all investors.

The purpose of this letter is to urge the Committee, and ultimately the SEC Commissioners, to adopt the Subcommittee’s *Alternative Recommendation #1*, which calls for a pilot program for small-cap public companies to trade at wider spreads and limited increments. *Alternative Recommendation #1*

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offers a clear path to testing market structure in support of small company capital formation and aligns with the interests of individual investors, the largest owners of small-cap stocks.

As the Equity Capital Taskforce's report discusses in detail, a pilot program offers a fair process to test a market structure that we believe will have a positive impact on the U.S. economy, individual investors, institutional investors and small companies. *Alternative Recommendation #1* provides several suggested guidelines to ensure clear measurements of success or failure in a pilot implementation. The suggested guidelines are consistent with the views presented to the U.S. Treasury in a November 2013 report, ["From the On-Ramp to the Freeway: Refueling Job Creation and Growth by Reconnecting Investors with Small-Cap Companies"](#) by the Equity Capital Formation (ECF) Task Force. *Alternative Recommendation #1* is also consistent with the recommendation made on February 1, 2013 to the SEC by the Advisory Committee on Small and Emerging Companies.

As your committee finalizes its work, we urge you to adopt *Alternative Recommendation #1*. We believe that doing so will be an important first step toward ensuring that the U.S. capital markets remain a viable and essential source of public capital for the innovative, emerging growth companies we need to drive American job creation, economic growth and prosperity now and in the future.

Respectfully submitted,



Bobby Franklin
President and CEO

cc: Honorable Mary Jo White, Chair
Honorable Luis A. Aguilar, Commissioner
Honorable Daniel M. Gallagher, Commissioner
Honorable Kara M. Stein, Commissioner
Honorable Michael S. Piwowar, Commissioner
Lona Nallengara, Chief of Staff
John Ramsay, Acting Director of SEC's Division of Trading and Markets