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SEC Advisory Committee on Small and Emerging Companies
BY HAND
c/o David Weild

June 4, 2012

Members of the Committee:

As Chief Executive Officer of Cowen and Company, LLC ("Cowen"), a mid-size investment bank that focuses primarily on the growth sectors of the economy, I am writing you in support of increasing the tick size from $0.01 per share for "Emerging Growth Company" (EGC) and other small-cap stocks in order to increase the potential number of IPOs for these companies and enhance liquidity for trading in these stocks.

As I know you're aware, recent studies have shown a correlation between a reduction in tick size and the number of IPOs on U.S. markets raising less than $50 million in gross proceeds[1]. I speak with clients in the EGC and small-cap space everyday who regularly cite fear of a lack of liquidity in their rationale for deciding against an IPO. As a result, these companies have a limited ability to grow their businesses since they have difficulty accessing the capital markets.

The SEC has the ability and opportunity to increase liquidity for these stocks by appropriately increasing the tick size for EGC and small-cap companies. I recommend allowing each small-cap company to set its own tick size, but think a range of $0.05 to $0.10 per share would be reasonable.

By increasing the tick size for small-cap companies, investment banks would be appropriately incentivised to provide increased after-market support for these issuers by committing firm capital to support market-making in these securities. Let me be clear, this capital commitment is not proprietary trading; it is merely ensuring inventory is available to provide liquidity to customers. Increasing the tick size would also make it easier for an investment bank to commit more resources, including research coverage, to smaller companies thereby increasing the ability of smaller companies to access the public equity markets.

I know first-hand the economic disincentives investment banks face in taking small and mid-cap companies public and supporting them in the after-market. Plainly, our ability to generate profits from trading and otherwise supporting these companies has eroded. Cowen, along with others like us, has had to focus more resources on trading larger-cap, more liquid securities and we certainly recognize that this necessary business decision under the current regulatory regime has exacerbated the lack of liquidity for small-cap companies, making it more difficult for them to contemplate IPOs.

[1] GrantThornton, "The JOBS Act—next steps for success," *Public Policy Perspective*, May 2012

Cowen and Company, LLC
599 Lexington Avenue
New York, NY 10022
TEL 212 845 7900

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If the economics of trading small and mid-cap securities becomes more favourable, this would create a virtuous cycle where investment banks like Cowen would be in a stronger position to conduct IPOs for smaller companies, as well as provide research coverage of these securities. By increasing the tick size, I believe the IPO market for smaller transactions and for smaller companies will re-open significantly, thereby providing emerging companies with the growth equity capital they need for the development of their businesses and create more jobs here in the U.S.

I am strongly in favour of increasing the tick size for small-cap companies as I believe it will greatly enhance the capital raising opportunities for these companies and provide increased liquidity to investors. Please let me know if you would like to discuss any of the above. Thank you for your consideration.

Sincerely,

Jeffrey Solomon
Chief Executive Officer
Cowen and Company, LLC