PiperJaffray

800 Nicollet Mall, Minneapolis, MN 55402-7020
Tel: 612 303-6000
Piper Jaffray & Co. Since 1895. Member SIPC and NYSE.

June 8, 2012

Stephen M. Graham, Committee Co-Chair
M. Christine Jacobs, Committee Co-Chair
U.S. Securities and Exchange Commission
Advisory Committee on Small and Emerging Companies
Washington, D.C.

Re: Market Structure – Minimum Trading Increments for Small Capitalization Companies

Dear Mr. Graham and Ms. Jacobs:

We are writing to you in our capacities as Head of Institutional Equity Sales and Head of Equity Trading, respectively, for Piper Jaffray & Co. (including its affiliates, "Piper Jaffray," or "we"), an investment bank and registered securities broker-dealer headquartered in Minneapolis, Minnesota. Piper Jaffray maintains 35 offices in the United States, Europe and Asia and focuses our equity business on serving issuers and institutional investors in the growth sectors of the economy. While our equity research department covers stocks in a broad range of growth industries such as technology, healthcare, renewables and clean technology, and consumer, our research coverage has become progressively larger capitalization in focus due to the deterioration in the profitability of the "cash equities" business that can be traced back to a number of significant regulatory changes – more specifically, the Order Handling Rules (1997), Regulation ATS (1998) and Decimalization (2001).

Larger minimum trading increments ("tick sizes") are essential to revive support for the IPO and small-capitalization markets. Without higher tick sizes, we believe that The JOBS Act will fail to broadly revive the IPO market and job growth – clear intents of Congress. The regulatory changes noted above – not just Decimalization but the changes that preceded Decimalization, created a U.S. equity market that is now geared to the trading of large capitalization stocks but has caused the steady erosion in aftermarket support (including liquidity) for small capitalization stocks. We believe that there is ample IPO "manufacturing capability" in the United States and an ample number of companies that could qualify to go public if the aftermarket support problem was solved through adequate economic incentives (increases in tick sizes).

Many people are surprised when they learn that the median equity market value of a publicly listed company in the United States is under $500 million, which is generally viewed as being within the micro-capitalization range. We believe that most stocks in this capitalization range would require a 5 cent or 10 cent tick size to attract significant aftermarket support. In addition, we believe that those stocks generally viewed as falling within the nano-capitalization range (stocks under $100 million in market capitalization) would require a 25 cent tick size in order to attract significant aftermarket support.

If regulations were to be changed to permit larger minimum trading increments in micro-capitalization and nano-capitalization stocks, Piper Jaffray would be in a position to be able to make significant investments in its aftermarket infrastructure – namely, equity research coverage, equity institutional sales, and equity trading (including the additional capital commitments necessary to support enhanced liquidity in micro-capitalization and nano-capitalization stocks). This, in combination with other firms, would bring sorely needed focus back to the smaller capitalization segments of the U.S. equity markets, which is where most capital formation and job growth occurs. This alone would create significant potential to re-ignite the U.S. IPO market and spur investment in private enterprise.

Increases in tick sizes, we believe, would do more for capital formation and job growth than the all other provisions of The JOBS Act, combined. It is the “missing link” for firms like Piper Jaffray, which have a long tradition of serving the growth company marketplace.

Please feel free to contact us if you would like to further discuss any of the above.

Very truly yours,

James Fehrenbach
Managing Director and
Head of Equity Institutional Sales

Bradford Pleimann
Managing Director and
Head of Equity Trading