

July 15, 2016

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The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling,

The Security Traders Association ("STA")¹ appreciates the opportunity to comment on the "Financial CHOICE Act of 2016" discussion draft. STA's comments will focus on section 404 of Financial CHOICE Act relating to the fee structure funding the Securities and Exchange Commission ("Commission" or "SEC").

Section 991 of the Dodd-Frank Act modified the funding sources of the Securities and Exchange Commission to one that relies exclusively on fees on equity securities and security futures transactions. This was a departure from the Investor and Capital Markets Fee Relief Act enacted in 2002, which established a funding mechanism for the Commission through adjusted transaction fees (Section 31 fees), fees on registration of securities (Section 6(b)), fees on the purchase of securities by the issuer (Section 13(e)), and fees for certain proxy solicitations in corporate control transactions (Section 14(g)).

The Dodd-Frank Act gave the Commission significant new responsibilities over areas such as over-the-counter derivatives, credit rating agencies, municipal advisors, private funds, asset-backed securities and other matters. However, rather than broadening the mechanism funding the Commission to reflect its increased responsibilities, the Dodd-Frank Act narrowed the funding source to only transaction fees on equity securities and security futures. This puts the entire burden of funding the Commission on Section 31 transaction fees, while the other fees that previously contributed to funding the Commission are directed to the general Treasury.

While STA does not have a view on the appropriate amount of funding for the SEC to properly regulate the markets and to fulfill its new responsibilities under the Dodd-Frank Act, STA supports the Financial CHOICE Act provisions that allow other fees, beyond Section 31 fees, to also contribute to funding the Commission.

STA looks forward to working with you on these and related issues. Thank you for your leadership and for considering in our views.

Sincerely,



John Russell, Chairman of the Board



James Toes, President & CEO

¹ STA is comprised of 24 affiliate organizations in the U.S. and Canada, and STA members include individuals representing exchanges, ATSS, and buy- and sell-side firms involved in the trading of securities.

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