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May 14, 2021

The Honorable Maxine Waters
Chairwoman
U.S. House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
U.S. House Committee on Financial Services
4340 O'Neill House Office Building
Washington, DC 20024

Dear Chairwoman Waters and Ranking Member McHenry,

The Security Traders Association (“STA”)¹ appreciates the opportunity to provide comments on certain Proposed Bills (“Discussion Drafts”)² and the U.S. House Committee on Financial Services (“Committee”) May 6, 2021, virtual hearing, “Game Stopped? Who Wins and Loses When Short Sellers, Social Media and Retail Investor Collide. Part III.”

General Statements

STA appreciates the Committee’s actions of holding three public virtual hearings on the market events in late January 2021 involving GameStop and other meme stocks. Public hearings serve an invaluable function by providing information useful in public policy decision making.

STA believes that when new technologies disrupt current practices and investor behaviors, it is prudent and necessary for regulators and legislators to review the regulatory reporting regime to ensure that the

¹ STA is a trade organization founded in 1934 for individual professionals in the securities industry. STA is comprised of 24 affiliate organizations in North America with individual members who are engaged in the buying, selling and trading of securities. STA is committed to promoting goodwill and fostering high standards of integrity in accord with the Association’s founding principle, Dictum Meum Pactum – “My Word is My Bond.” For more information, visit <https://securitytraders.org/>.

² [H.R. _____](#), to amend the Securities Exchange Act of 1934 to prohibit trading ahead by marketmakers, and for other purposes.

[H.R. _____](#), to amend the Securities Act of 1934 to establish certain requirements with respect to retail investor options trading, and for other purposes.

[H.R. _____](#), to require the Securities and Exchange Commission to carry out a study on the impact of the gamification of online trading platforms, and for other purposes.

[H.R. _____](#), to amend the Securities Exchange Act of 1934 to prohibit payment for order flow.

[H.R. _____](#), the “Capital Markets Engagement and Transparency Act of 2021.”

[H.R. _____](#), to amend the Investment Advisers Act of 1940 to limit the exemption provided for family offices from the definition of an investment adviser to those family offices with less than \$750,000,000 in assets under management and for other purposes.

SEC is achieving its core public policy goals of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

STA agrees with Securities and Exchange Commission (SEC) Chairman Gensler’s remarks³ that the policy issues raised by the market events in late January are bigger than those companies acutely involved. Like Chairman Gensler, we believe that the events were about the intersection of finance and technology.

STA is pleased to know that Commission staff is in the process of compiling a report on the events in question which will be completed by the summer. Having such data will prove to be useful in making important policy decisions on complex topics which have received considerable attention.

STA believes that better understanding of mobile investing apps, including whether certain features of these apps may incentivize customer behavior, is important to address areas of investor protection and benefits. We are pleased that Chairman Gensler has directed Commission Staff to prepare a request for public input for consideration on these issues.

Recommendation

As a general matter, STA believes the Commission possesses broad statutory authority to address these market structure related issues through rulemaking if it is deemed necessary. STA believes that proposed legislation to require the SEC to engage in immediate rulemaking is premature and should be informed by the SEC report and comments from interested parties on that report and empirical data. Such an approach would ensure that problems that may need to be remedied are clearly defined, and legislative solutions, if needed, are efficiently designed.

STA looks forward to working with Congress and the SEC on the important market structure issues identified by the GameStop events and raised at your Committee hearings.

Sincerely,



James Toes
 President & CEO
 STA

³ Testimony of Gary Gensler Chair, Securities and Exchange Commission Before the House Committee on Financial Services May 6, 2021 <https://financialservices.house.gov/uploadedfiles/hhrg-117-ba00-wstate-genslerg-20210506.pdf>