

Opening Statement
House Financial Services Committee Chairman Michael G. Oxley
March 14, 2001
Subcommittee on Capital Markets, Insurance and
Government Sponsored Enterprises Hearing
"Public Access to Stock Market Data:
Improving Transparency and Competition"

I thank the Chair and commend him for holding this hearing on an issue that is fundamental to the health of our capital markets. This morning we will examine how stock market data is provided to the public, how it is paid for, what information is available to the public about market data fees, and how competition might improve the way investors get market data.

While the regulatory structure we will examine is complicated, our goal is simple: to ensure that investors are getting the best possible information about stock prices in the most efficient way.

As one observer put it last year following a hearing I held on this subject, stock market data – that is, the quotes at which people are willing to buy and sell stock, and the information showing the price of the last sale of a stock – is oxygen to investors. Indeed, the transparency of our marketplace is the backbone of its success.

Unfortunately, the regulatory structure that exists today was put in place back in the 1970's, when the only person using a cell phone was George Jetson, and Al Gore hadn't even thought about the Internet yet.

That outdated regulatory structure – which may have made sense before the advent of modern communications technology – put into place a system that prevents competition in the provision of consolidated market data, and impedes innovation in the way market data is presented to investors.

The cost of market data is significant – and those costs are passed on to investors, just like the transaction fees this Subcommittee heard about last week. Competition is always a better way to set prices than regulation – but with no competition in the provision of consolidated market data, the only check on the fees is regulation. One important question we will consider is whether market data fees are "fair, reasonable, and not unreasonably discriminatory," the statutory requirement established by Congress in the 1970's. Of course, the alternative is to actually introduce competition into the market for consolidated market data. We will also hear from our witnesses today about what new competition in this field would mean for investors and the markets.

We will also be seeking to learn how investors might benefit if more information about market data costs and fees were made public. While the SROs publish a great deal of information about market data fees on their websites, some information, for example, certain information about pilot programs, is not so readily available. Today we will examine the implications of increasing the transparency of market data terms and conditions.

No discussion of market data can ignore the fact that market data fees play an important role in funding the activities of stock exchanges and the Nasdaq market. But some critics of the current system question how market data revenues should be used – should they subsidize the cost of regulation? Should they be limited to the cost of providing market data? If they are reduced, by competitive forces or otherwise, will investors be subject to new fees to replace the lost revenue? Some suggest that the governance of market data plans, which set market data fees in the first place, should be expanded to include all market participants, like ECNs and the public, as opposed to only the SROs that receive market data revenue. These are some of the issues we will examine today.

In addition to the cost of paying for market data, the current regulatory structure imposes administrative costs on the marketplace. Market participants who purchase consolidated market data face a maze of different types of fee structures and contract requirements. Reducing the administrative burdens associated with the purchase of market data would bring greater efficiency to the marketplace, and ultimately save investors money.

I thank each of our witnesses for coming today to educate the Subcommittee on this very important issue, and look forward to your testimony.