

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services
Subcommittee on Capital Markets, Insurance and
Government Sponsored Enterprises
May 17, 2001

**“Fair Disclosure or Flawed Disclosure:
Is Reg FD Helping or Hurting Investors?”**

Good morning and welcome to Acting Chairman Unger, Commissioner Hunt, and all of our distinguished witnesses today.

I want to thank Chairman Baker for holding this important hearing on Regulation FD. It will give members of this subcommittee the opportunity to hear first hand from not only the Commission but also market participants regarding their early experiences with Regulation FD.

The “FD” in Regulation FD stands for “fair disclosure.” That is a goal nobody could oppose. Indeed, fair, and better disclosure for investors is more important than ever before, as individual investors transform this country from a nation of savers to a nation of investors. Over half of the citizens of this country now own equities, either directly or through mutual funds, retirement plans, and other investment vehicles. Information about the companies on which these investors are depending for their retirement savings, their children’s college tuition, and other investment goals is the lifeblood of our marketplace, the most fundamental tool investors need. Promoting the fair and efficient flow of this information is the worthy goal behind Reg FD.

Indeed, improving the quality of and access to market information for investors is a touchstone for this Committee. We have already begun work on this important subject in the context of improving regulations governing market data, and will continue that work in the coming months as we examine other ways in which we can increase the quality and availability of market information for investors.

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Make no mistake, I – and, I suspect, every member of this Committee – am in favor of fair disclosure. I am concerned, however, that the important goal that Regulation FD was designed to achieve may be more elusive than proponents of the rule might have thought. Many market participants, some of who are here today to share their views, have reported that the rule has led not to fair disclosure, but to flawed disclosure. They observe that the rule may, in fact, be limiting the quality of information that investors receive about the marketplace. If that is the case, then the rule is not achieving its goal – and should be fixed.

Others disagree, and argue that the rule has improved the quantity and fairness of information provided to the marketplace. These proponents, also represented on our panels here today, believe the rule has leveled the playing field for individual investors.

We are here today to find out what has actually transpired in the wake of Reg FD. I am most interested in learning our witnesses' views on whether the rule has led to investors getting more information about the markets or less, and what impact the rule has had on the quality of that information. I am also interested in hearing their views on whether Reg FD has contributed to the market's volatility. Increasing market volatility, especially in the down market we've seen in the past year, is not something that most investors welcome. I would like to hear our witnesses' views on whether we, or the Commission, should consider any changes to the rule to ensure that the rule does, in fact, achieve the goal of helping investors by improving the market information they receive.

I thank each of our witnesses for coming today to discuss this issue, and I look forward to your testimony.