

**OPENING STATEMENT OF  
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI  
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,  
AND GOVERNMENT SPONSORED ENTERPRISES  
HEARING ON REVIEWING U.S. CAPITAL MARKET STRUCTURE:  
THE NEW YORK STOCK EXCHANGE AND RELATED ISSUES  
THURSDAY, OCTOBER 16, 2003**

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Mr. Chairman, we meet today to review generally the structure of our Nation's capital markets and examine specifically corporate governance issues at the New York Stock Exchange. In recent years, a variety of securities industry participants have questioned one or more aspects of the regulatory structure of our capital markets. Recent events at the New York Stock Exchange have also brought to light some of the potential conflicts that exist in a self-regulatory model. I therefore congratulate you for convening this well-timed hearing.

Debates on market structure focus on such important issues as competition, the definition of an exchange, access to market data, information transparency, and technological advances. Each of these issues has evolved considerably in recent years. As a result, we have come to a crossroads, facing a number of decisions that could fundamentally alter the structure of our capital markets for many years to come.

As my colleagues well know, I have made investor protection one of my top priorities for my work on this committee. I consequently share your concerns, Mr. Chairman, that our committee must conduct vigorous oversight to examine whether the regulatory system for the securities industry is working as intended and to determine how we could make it stronger.

In addition, I continue by and large to favor industry solving its own problems through the use of self-regulation. Since the enactment of our federal securities laws, U.S. stock exchanges have served both as marketplaces for securities trading and as regulators of their member companies. For the last seventy years, this system has worked remarkably well on balance in protecting the integrity of our markets. In order for self-regulation to endure, however, the system must maintain the confidence of investors.

We developed the self-regulatory model under the stewardship of William O. Douglas, who before he became a Supreme Court justice determined that it was "impractical, unwise and unworkable" for the federal government to try to regulate our decentralized securities markets directly. In order for self-regulation to work, he also determined that the Securities and Exchange Commission needed to keep a "shotgun, so to speak, behind the door, loaded, well oiled, cleaned, ready for use, but with the hope it would never have to be used."

Despite my strong support for self-regulation, recent events at the New York Stock Exchange have revealed some of the conflicts that exist in a self-regulatory model and the need for effective federal oversight. I consequently look forward to hearing from the interim head of the New York Stock Exchange about his recommendations for eliminating and abating these conflicts within his organization. In particular, I want to learn his thoughts as to how we should best separate the exchange's regulatory and commercial functions.

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Additionally, I look forward to hearing from our distinguished witnesses on the second panel, which includes representatives from some of the regional exchanges, noted securities industry experts, and other market participants. Their observations will help us to understand how the New York Stock Exchange might restructure its internal governance system. They will also help us to understand more about other important market structure subjects.

As we begin this series of hearings on market structure issues in the 108<sup>th</sup> Congress, I must caution my colleagues on both sides of the aisle to move carefully and diligently in these matters. In testimony before the Senate yesterday, SEC Chairman Donaldson indicated that the Commission would be focusing with increased intensity on the structure of our equities markets in the upcoming months. It is my hope that the Commission will move expeditiously in these deliberations. It is also my hope that our securities market participants and their federal regulator will resolve these issues without unnecessary congressional interference.

In closing, I want to assure each of our witnesses that I approach the market structure debate with an open mind. Their comments about these matters will help me to discern how we can maintain the efficiency, effectiveness and competitiveness of our Nation's capital markets into the future. I also look forward to continuing to work closely with you, Mr. Chairman, and with others as we address these multifaceted, complicated and important matters so that we can conduct effective oversight over our capital markets and ensure that we maintain an appropriate and sufficiently strong supervisory system for them.

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