

OPENING REMARKS OF THE HONORABLE RUBEN HINOJOSA
HOUSE COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON CAPITAL MARKETS
“REGULATION NMS: THE SEC’S VIEW”

Thank you, Mr. Chairman.

Chairman Baker and Ranking Member Kanjorski, I want to express my sincere appreciation for you holding this very important and very timely hearing.

I join you in welcoming the Chairman of the U.S. Securities and Exchange Commission, William Donaldson, this morning and I commend him and his staff for their diligent work in attempting to modernize our national market system.

As you know, the U.S. Securities and Exchange Commission began its review of the rules governing our national market system in February 2004 with the publishing of its first Regulation NMS proposal. In May 2004, the SEC decided to extend the comment period to June 30, 2004, in part likely due to the amazing amounts of interest in the importance of and the controversy surrounding this proposed regulation.

Once all the comments were in, the SEC decided in December 2004 to repropose Regulation NMS with two alternatives – the Market BBO alternative and the Voluntary Depth alternative – for a 30-day comment period, which ended on January 26, 2005. Now that all those comments are in, the SEC is reviewing all of them and I understand that the SEC expects to issue its final rule soon.

I support the Market BBO alternative applied across all markets. This alternative will promote intermarket competition, modernize our capital markets and promote investor protection regardless of the stock they are trading.

I have serious reservations about the Voluntary Depth alternative. The Voluntary Depth alternative could radically change the structure of the U.S. capital markets and damage our internationally competitive, investor-driven markets.

I urge the SEC to consider carefully the adverse consequences of the Voluntary Depth alternative for the investing public. In this instance, I hope that the SEC will complete the path that it set out to do last year and will issue a final regulation soon.

This subcommittee has held five hearings on the Securities and Exchange Commission's proposed national market structure regulation, and we have heard from many witnesses on the proposal. The Subcommittee, as has the SEC, has been extremely thorough in considering many points of view on Reg NMS, and this rule proposal is the result of more than five years of hard work on the part of the SEC staff.

Mr. Chairman and Ranking Member Kanjorski, again, I wish to express my sincere appreciation for you holding this important hearing today.

I yield back the remainder of my time.