

**OPENING STATEMENT OF
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SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,
AND GOVERNMENT SPONSORED ENTERPRISES
HEARING ON AMERICA'S CAPITAL MARKETS:
MAINTAINING OUR LEAD IN THE TWENTY-FIRST CENTURY
WEDNESDAY, APRIL 26, 2006**

Mr. Chairman, we meet this morning to examine how we can maintain America's lead in our global capital markets. This is an important issue, and I commend you for convening this hearing.

The United States has the strongest, most liquid capital markets in the world. As one witness comments in his prepared testimony, with just 5 percent of the world's population and 25 percent of its Gross Domestic Product, the United States has captured more than 50 percent of the global capital markets. We need to work in Washington to ensure that we continue to maintain that lead to the maximum extent possible.

In my view, we can preserve our lead by continuing to protect investors. About one year ago, then SEC Chairman Donaldson delivered a speech in London. At that time, he noted that efforts to promote transparency for investors and the fiduciary duties of corporate leaders were helping to raise standards throughout the world. He also observed that there are still distinct advantages to listing in the U.S. markets and registering with the Securities and Exchange Commission.

He went on to draw a parallel to the U.S. Marine Corps. Of all of our military organizations, the Marines are known as the best of the best. Because individuals want to be part of this elite group, the Marine Corps has traditionally had few problems in meeting its recruitment goals.

We want our U.S. capital markets to be like the Marines: viewed as elite and attracting the best companies and best investors. The many requirements of the Sarbanes-Oxley Act demonstrate our commitment to maintaining the highest standards in the world's capital markets. Many existing companies have stepped up to and met this challenge. Many emerging companies are doing the same. In fact, according to research by SME Capital Markets, in 2005 a record 881 small companies registered with the Commission to raise more than \$16.3 billion in capital. That said, we must do more to ensure that small companies are not discouraged from entering the marketplace.

Arthur Leavitt, another former SEC Chairman, recently wrote in the *Wall Street Journal* that we need to work within the framework of the Sarbanes-Oxley Act to identify ways to make compliance easier and less expensive. I agree with his assessment. We must also ensure that investors are protected with access to accurate accounting information regardless of the size of the public company.

While it is somewhat off subject for today's hearing, which deals with publicly traded companies, we must also remember that there are many smaller, private companies seeking access to venture capital. I would be remiss if I therefore did not mention that we must ensure

that these fledgling businesses have access to the money needed to grow and thrive, so that one day they too can register as a publicly traded company on a U.S. exchange.

Additionally, many of the participants in today's hearing will doubtlessly observe that we live in an increasingly global economy. Some others may point to one variable or another – like excessive regulation, frivolous litigation, unwarranted taxation, or lagging education – as a reason why the U.S. capital markets may lose their competitive edge.

In reality, we live in a multidimensional world, and no one factor alone is likely to contribute to America's continued success or decline as the world's leading capital market. To ensure that we maintain that dominant role, we need to adhere to the principle of making sure that we have quality capital markets with appropriate investor protections.

In closing, Mr. Chairman, today's hearing should help us to better understand what we need to do to make sure that our capital markets continue to lead the world. We should, in my view, remain on the cutting-edge of quality regulation, ensure that every corporation plays by the rules, and make certain that all investors have access to the reliable information needed to make prudent decisions. We must also strive to ensure that each party who violates our securities laws is held appropriately accountable.

I look forward to hearing from our distinguished witnesses on these important matters.
