

**OPENING REMARKS OF THE HONORABLE RUBÉN HINOJOSA
HOUSE FINANCIAL SERVICES COMMITTEE
SUBCOMMITTEE ON CAPITAL MARKETS
“THE SEC PROPOSAL ON MARKET STRUCTURE: HOW WILL INVESTORS
FARE?”
MAY 18, 2004**

Chairman Baker and Ranking Member Kanjorski,

I want to thank you for holding an additional hearing to review the structure of our capital markets, in particular the SEC’s proposed National Market System (NMS) regulation and how investors will fare under that proposal.

This hearing is very timely in light of the SEC’s recent decision to extend the comment period on its NMS proposal and in light of the recent announcement by several different groups to support changes to the trade-through rule.

I have heard from several different groups on the SEC’s proposal, and after listening to all of them, I have come to the conclusion that this is a very contentious proposal that seems to have at least four sides to what I originally thought was a two-sided argument. Proponents of the SEC’s proposed regulation have told me that the current trade-through rule is antiquated and must be overhauled in order to bring the markets up-to-speed.

Opponents have argued that the NMS proposal would harm investors by promoting timing over best price, which seems to appeal to a particular crowd.

Some associations’ representatives have visited me to state their association’s official position on the proposal, only to turn around and disagree with their association, which is a bit disconcerting.

Furthermore, certain groups have made comments that are better left unsaid.

Mr. Chairman, our capital markets have long been the envy of the world. They have functioned well over the years. They have endured incredible challenges, voluntarily adapting to new challenges, and occasionally with some encouragement, to new market forces and investors’ demands.

It is extremely important that we here in Congress remember the role that we play in this democracy while also ensuring that actions taken by other branches of the government do not harm our constituents, our markets, or our economy.

The SEC has issued its proposed regulation and held a well-attended hearing on it.

They have extended the comment period and will have to review all of the comments they receive and then likely re-propose the NMS regulation for an additional comment period. So, Mr. Chairman, I believe that it is still early in the game.

I look forward to hearing the testimony of today’s witnesses to help clarify the arguments for and against the SEC’s proposed National Market System.

Chairman Baker, I also look forward to hearing investors' opinions of the SEC's proposal in the future if the Committee's schedule permits their appearance.

Mr. Chairman, I yield back the remainder of my time.