

STATEMENT OF THE HONORABLE  
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Before  
The Subcommittee on Capital Markets, Insurance, and Government Sponsored  
Enterprises

“Reviewing US Capital Market Structure:  
The New York Stock Exchange and Related Issues”

October 16, 2003

Mr. Chairman, in excess of 100 million individuals in this country own stocks, mutual funds or some type of financial instrument regulated by the New York Stock Exchange (NYSE). When we take into consideration the numbers that pension funds represent, over 75% of all households in the country have pecuniary interests in the structure of the NYSE. Since such a broad spectrum of the population is affected by the issues relating to this industry, transparency of regulation is necessary.

The NYSE is a nonprofit organization owned by its 1,366 for profit members. The exchange is also a self-regulatory organization charged by the Securities and Exchange Commission with overseeing its member firms. It is this description of a self regulated organization that causes much of the concern among investors, both individual and corporate.

The NYSE is also undergoing a change in the position of chairman and chief executive with Richard Grasso resigning and John Reed replacing him on an interim basis. There were concerns raised over the level of compensation of the past chairman and these concerns further included those of conflict of interests on various levels of operations for the exchange to regulate itself.

The trading practices of several specialist firms are being investigated by the NYSE and the SEC. Many believe that specialists too often trade for their own accounts at the expense of investors and should be required to be more transparent with their trading books. Additionally, there are issues about promoting competition and reforming the rules of the NYSE.

I am eagerly awaiting the testimonies of the various witnesses today and especially want to hear what the new chairman, Mr. John Reed has to say about his plans for reforming the role and size of the board and, more importantly, the makeup of the board. I also have a keen interest in hearing about the “powerful, entrenched (though unnamed) interests that don’t want to see much change” according to Mr. Reed.

This is but the first of many hearings on this subject of US capital market structure and I want to be deliberate in assessing the needs for reforming this vital asset of our economy.

I want to see if the reforms that Mr. Reed and the NYSE are contemplating are sufficient and are indeed legitimate reforms instead of measures designed to quiet those who seek changes.

Mr. Chairman, I ask unanimous consent to submit my statement into the record.