

Opening Statement
Congressman Ed Royce (CA-40)
16 October 2003

**“Reviewing U.S. Capital Market Structure: The New York Stock
Exchange and Related Issues”**

Mr. Chairman, thank you for holding this timely hearing to address recent developments at the New York Stock Exchange ("NYSE" or "exchange"). I would also like to thank all of our witnesses for coming here today.

Mr. Reed, you are to be commended for stepping into your current role at a particularly difficult time for the NYSE. I have reviewed your prepared remarks today and was very pleased to see that you are addressing a number of corporate governance issues at the exchange.

1. The NYSE board is too large and needs reform.
2. The NYSE also needs to alter the make up of those that serve on the board.
 - It seems odd to me that regulatees are represented on the board and have a say in the compensation of their regulator. It would be as if bank CEOs decided the compensation of the Comptroller of the Currency.
 - I believe the NYSE's largest constituencies should be represented on the board. As a holder of some \$6.7 trillion of assets, the mutual fund industry should have at least one board seat.
3. The NYSE should consider separating the dual roles of its CEO. There are clearly times when the role of regulator conflicts with the role of business leader.

Finally, in my view the exchange should not limit itself to examining corporate governance issues. I have felt for some time that the NYSE needs to do a better job of explaining the benefits of the specialist system to the marketplace. I was very troubled to learn of this morning's news that five specialist firms had engaged in improper trading activity.

Mr. Chairman, thank you for your leadership on this issue. I look forward to the testimony from our panelists today. I yield back.