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HFSC Subcommittee on Capital Markets and Government Sponsored Enterprises

"Market Structure: Ensuring Orderly, Efficient, Innovative and Competitive Markets for Issuers and Investors"

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Introduction

Chairman Garrett, Ranking Member Waters and members of the Subcommittee, I want to thank you for inviting NYSE Euronext (NYX) to discuss the current status of the U.S. equity market structure. We believe this is an issue of utmost importance to ensuring investors' confidence in markets and believe it is prudent for both the Congress and the SEC to move forward with some of the recommendations I highlight in my testimony.

NYX is a global exchange operator of 7 equities exchanges (3 in the U.S. and 4 in Europe) and 8 derivatives exchanges (3 in the U.S. and 5 in Europe). Although market structure rules in each country have their own nuances, NYX has a unique vantage point from which to compare each country's markets and learn from the experiences of our European colleagues and market participants.

In accordance with the invitation we received from the Subcommittee, we will focus our attention on (i) the current equity market structure, (ii) items we believe deserve the attention and review of the Congress and the SEC, and finally (iii) possible solutions we believe will assist in both leveling the competitive landscape for the trading of securities and increase investors' confidence in U.S. markets.

Market structure reform raises a number of highly complex competitive and regulatory issues. Market microstructure changes implemented over the past few years, coupled with the continued automation of securities markets, have led to an explosion in both innovation and operational challenges. In assessing whether further reform is needed, it is important to highlight that our markets typically function seamlessly and without interruption. Many of the practices that I am going to speak about today are indeed beneficial to the individual parties to such transactions. However, the regulatory framework governing our market structure must take account of the aggregate impact of these individual practices on the quality of our markets as a whole, as well as whether the existing market structure and regulatory regime are fair to all market participants. Is it fair, for example, that a small number of participants in private markets receive the highest quality orders, with no benefit to the public markets? Should different markets that perform identical functions be subject to different regulatory requirements, with certain of those markets under a much lighter regulatory burden? Does it make sense that one-

third of the market does not provide public quotations of the prices at which securities may be bought and sold, or that certain venues have to provide fair access to their markets, but others do not? Why has the volume of securities trading in dark pools tripled over the past few years, despite the intent of Regulation NMS to incent the public display of securities orders? The complexity of our markets and cacophony of self-interested arguments seems to have led to paralysis on important matters of market structure reform. We should not wait for another May 6th to address these logical questions.

Fair Competition among our markets should produce confidence among investors

Even as our securities markets have evolved through competitive and regulatory innovation, regulators and many market participants have remained focused on certain core principles: fair and stable markets and capital formation. A 1975 Senate report on the national market system stated that "one of the 'paramount' objectives for the [system] is 'the maintenance of stable and orderly markets with maximum capacity for absorbing trading imbalances without undue price movements.'"[1] The SEC specifically referenced this objective in 2005 again when adopting Regulation NMS. In moving to implement the market structure reforms of Regulation NMS, the SEC also affirmed its "firm belief that one of the most important goals of the equity markets is to minimize the transactions costs of long-term investors and thereby reduce the cost of capital for listed companies."[2] In its 2010 Concept Release on Equity Market Structure, the SEC also noted Congress' focus on providing for fair competition among broker-dealers, exchange markets and non-exchange markets. [3] Another important core objective of the SEC is to facilitate the availability to brokers, dealers, and investors of reliable information regarding quotations and transactions in securities.

In most developed markets, there is one "national" stock exchange. However in the United States, there are upwards of 250 competing trading venues, which include exchanges, dark pools, electronic communication networks, and broker-dealers.

This competition has spurred tremendous innovation in the form of increased automation and speed of trading, greater reliability of trading systems, and improved functionality. Most importantly, the combination of regulatory changes has benefited investors. Reforms such as decimalization in 2000 and competition among trading venues have resulted in a reduction in quoted spreads (that is, the difference between the price at which sellers sell and buyers buy). This decrease in quoted spreads reduces transactions costs and thus increases returns to investors, a positive development for investors.

Despite the positive effects of competition for investors, many investors nevertheless lack confidence in our securities markets. A number of factors have contributed to this lack of investor confidence, including some aspects of the structure of our equity markets. While some market participants consider volatility to be in their interest, long-term investors look to market

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[1]Regulation NMS, Exchange Act Release No. 51808, 70 Fed. Reg. 37496, 37500 (June 29, 2005) ("NMS Release").

[2] NMS Release at 37499.

[3] Concept Release on Equity Market Structure, Exchange Act Release No. 61358, 75 Fed. Reg. 3594, 3596 (Jan. 21, 2010) ("Concept Release").

stability as the basis for confidence to commit capital. Market stability also gives companies seeking to grow their businesses the confidence that capital will be available to them when needed to invest in job-creating expansions of their businesses.

Not surprisingly, significant negative events in the equity markets adversely impact investors' confidence in the markets. As the Joint CFTC-SEC Advisory Committee on Emerging Regulatory Issues noted, "[w]hile many factors led to the market events of May 6, 2010, and different observers place different weights on the impact of each factor, the net effect of that day was a challenge to investors' confidence in the markets."[4]

Capital flows in the equity markets over the past several years underscore a lack of investor confidence in the securities markets. For example, data on investments in equity mutual funds suggest that investor confidence in the equity markets is at risk. The data show that over the last several years, investors, particularly small investors, have withdrawn billions of dollars from domestic equity funds. As with investor confidence generally, significant negative market events seem to affect negatively investors' participation in the equity markets. For example, the equity markets experienced increased capital outflows after the market events of May 6th. Perhaps more significantly, however, investor withdrawals in recent years have continued even in the absence of significant events and even during periods of increases in the US stock prices. This behavior is inconsistent with historical patterns that show that investors typically invest in the equity markets during times of rising prices.

Increased market competition has also led to unintended negative consequences

During the past decade, and particularly since 2006, the exchanges operated by NYX have embraced, and been fundamentally transformed by, competition among the various securities markets. One of the driving forces behind NYX's transformation, as the SEC has noted[5], has been the SEC's effort to modernize and strengthen the national market system for equity securities, particularly through Regulation NMS, which it adopted in 2005.

In March 2006, the SEC approved the beginning of the New York Stock Exchange's (NYSE) historic shift from a floor-based auction market with limited automated order interaction to a more automated market with limited floor-based auction market availability. With the approval of the "Hybrid Market," the NYSE began the substantial expansion of automatic execution of orders to buy and sell securities, and the ability of its floor members to participate in its automated market electronically. At the time of approval, automatic executions on the NYSE represented approximately 11% of its market share volume, and the bulk of executions occurred manually in its floor-based auction. The average speed of execution was over ten seconds and NYSE's share of consolidated volume in NYSE-listed securities for the year preceding the approval of the Hybrid Market was about 75%.

[4] Recommendations Regarding Regulatory Responses to the Market Events of May 6, 2010: Summary Report of the Joint CFTC-SEC Advisory Committee on Emerging Regulatory Issues. The recommendations are available at http://www.sec.gov/spotlight/sec-cftcjointcommittee/021811-report.pdf.

[5] Concept Release at 3494-3495.

Roughly two years later, the NYSE proposed further and substantial structural reforms with the introduction of its New Market Model. Foremost in significance were: (1) the phasing out of the specialist system and the concurrent creation of the Designated Market Maker, referred to as a "DMM"; (2) the alteration of the NYSE's longstanding priority and parity rules to allow DMMs to freely trade on equal footing with other market participants where the specialist previously had been obligated to yield to public customer orders in the book; and (3) the elimination of the advance electronic "look" at incoming orders that had been a historical feature of the specialist system. In 2009, the year following the adoption of the New Market Model, NYSE's share of consolidated volume in NYSE-listed securities had fallen from to 25%. By 2009, the average speed of execution had fallen from about 10 seconds to less than a second. And between 2005 and 2009, the average trade size in NYSE-listed securities fell from 708 to 344 shares. These structural reforms and the highly competitive market conditions under which they occurred were nothing short of transformative.

The NYSE has undertaken these reforms to meet the needs of market participants while maintaining certain manual market functions. Moreover, the NYSE has maintained these manual elements in the face of tremendous regulatory and competitive pressure to become fully automated. We believe that the flexibility to intervene in markets manually is necessary to maintain orderly markets, as the efficacy of manual intervention during the events of May 6, 2010 demonstrated.

Although structural reforms of securities markets have led to increased competition, those reforms have also had unintended negative consequences. The reforms created lower barriers to entry for new trading venues –some of which lack price transparency with respect to the securities transactions that are executed through them. These alternative venues also operate under a less rigorous regulatory framework. Both of these have led to a dramatic rise in off-exchange trading.

Consolidated, transparent prices form the core of our market system. We believe that investors are more likely to have confidence in the securities markets if they believe that they are receiving fair prices when they buy and sell securities. As trading volume has shifted to new trading centers that operate with less transparency and fewer regulatory requirements, more and more information is outside of public view and excluded from the price discovery process. With incomplete public information concerning the full extent of market activity, combined with ever-increasing complexity regarding routing practices and sometimes limited transparency, it can be difficult to assess whether a customer is getting best order execution. The SEC noted in the release adopting Regulation NMS that "[i]mpaired price discovery could cause market prices to deviate from fundamental values, reduce market depth and liquidity, and create excessive short-term volatility that is harmful to long-term investors and listed companies."[6]

Regulated exchanges, such as the NYSE, serve as *price-makers*. Price makers are critical to the price discovery process as they show the best available quotes for securities on both sides of the market (the lowest prices at which sellers are willing to sell and the highest prices at which buyers are willing to buy). These best available quotes, referred to as the national best bid and

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[6] NMS Release at 37499.

offer (NBBO), are constantly changing with activity in the markets. Price makers show the NBBO at any given point in time.

Alternative trading venues, by contrast, are *price matchers*: they match willing buyers and sellers that participate in their venues, but do not contribute to price discovery by displaying quotes to be included in the NBBO. That is, the off-exchange trading centers provide so-called "undisplayed liquidity". We recognize that undisplayed liquidity has played a role in equity market structure, in one form or another, for many years. For example, it can serve an important function for investors seeking to trade large blocks of securities. With the development of non-exchange trading venues and new trading practices, however, undisplayed trading now accounts for a substantial volume of overall equity trading. But we need to ask ourselves at what level does price discovery materially suffer from gains in the market share by *price matchers*?

Protecting investors requires listening carefully for cautionary signals

Investors' confidence in a price discovery mechanism greatly contributes to their willingness to continue to invest their money, whether through a broker-dealer or through mutual and pension funds (where most Americans keep their life savings). However, there are several cautionary signals regarding the vibrancy of the national market system as a pricing mechanism.

The primary factor contributing to the loss of vibrancy in the pricing mechanism is the increasingly bifurcated equity market structure. As discussed, an ever-increasing volume of trading in equities occurs in dark markets. Today one-third of all equity trading takes place off exchange and over 1200 securities have more than 50% of their volume traded off-exchange, an increase of 143% in less than 2 years.[7] While NYX fully recognizes the legitimate functions served by off-exchange trading models, there is a point at which the aggregate amount of off-exchange trading is detrimental to price discovery and investor confidence.

Order execution has always started with an investor and the investor's broker-dealer. Once an order is submitted, the broker-dealer has had the option of internalizing that order, meaning it can trade against the customer itself, or routing the order to an exchange where that order is included in establishing the best price. Since the implementation of Regulation NMS, broker-dealers now have at least 4 options: internalizing the order, routing it to one of over 200 other broker-dealers, routing it to any one of more than 40 dark pools, or routing it to an exchange where the order will likely contribute to establishing the best price. These options have increased because technology has enabled and the SEC has permitted non-exchange trading centers to create a very sophisticated web of connectivity which allows them to give select groups of traders and clients access to those orders before anyone else – each with its own level of conflicted interest. It is only after select customers have determined they do not want to execute the order that the order finds its way into the public markets, and only then does the order have the opportunity to contribute to the price discovery process. It is also important to note the increased industry conflict that has grown alongside these market structure evolutions. As I previously noted, exchanges have demutualized, but at the same time most of the non-exchange activity occurs on venues that are owned by brokers who frequently have an agency

[7] NYSE Trades and Quotes (TAQ)

responsibility, but also a profit motive, for the orders that they handle. This lack of independence and objectivity, alongside the lack of transparency, clearly influences decision-making and the philosophies of industry participants more than in the past.

Intuitively, as this bifurcation grows and more volume moves toward non-exchange trading centers, the price discovery mechanism deteriorates. However, there is also data that reinforces this intuition and it is this data, in large part, which has NYX, NASDAQ OMX and BATS exchanges concerned. A recent report issued by Rosenblatt Securities shows that dark pool market share is traditionally inversely proportional with volatility.[8] This means that traders retreat to the public markets (exchanges) when markets are stressed. The market events of May 6th, 2010 are the best evidence of the retreat to public markets during times of volatility. As the CFTC-SEC Advisory Committee stated in its final report on the events of May 6th, so-called internalizers, such as OTC market makers and block positioners, decreased their internalizations during these market events. That is, they decreased the volume of their customers' orders that they executed on a principal or riskless principal basis. In some instances, when they tried to route these orders to other internalizers or to dark pools, the orders were rebuffed. In such instances, "[i]nternalizers instead routed orders to the exchanges, putting further pressure on the liquidity that remained in those venues."[9]

A study by Professor Daniel Weaver of Rutgers Business School provides evidence of a causal link between dark trading and market quality. Professor Weaver found empirical evidence that higher off-exchange trading is associated with a reduction in market quality, and in particular with wider spreads, increased price impact, and volatility from less available exchange depth.[10]

A common argument made in support of the growth in off-exchange trading is that spreads have decreased dramatically as a result of the increased level of competition to exchanges through the adoption of Regulation NMS. However, since 2006, in percentage terms, spreads are actually wider by 2.9 basis points.[11] Again, what this tells us is that there is a dilution of market quality to the detriment of investors.

Finally, as evidenced in SEC Rule 605 data, it appears that higher quality order flows are being routed to dark markets. As a result, orders sent to exchanges and incorporated into the public quote – the only price discovery function – is the more toxic order flow. For example, in March 2012, NYSE-realized spreads were 0.3 basis points versus 3.9 basis points for executions reported to the TRF. This means that execution prices in off-exchange venues move 3.9 basis points over a five minute period whereas they only move 0.3 basis points when executed on NYSE. This data suggests that sophisticated market participants executing against order flow in

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8 Rosenblatt Securities, Inc., Market Structure Analysis and Trading Strategy: Let There be Light, Justin Schack and Alex Kemmsies, May 31, 2012.
9 Findings Regarding the Market Events of May 6, 2010: Report of the Staffs of the CFTC and SEC to the Joint Advisory Committee on Emerging Regulatory Issues (Sept. 30, 2010) at 58. The report is available at http://www.sec.gov/news/studies/2010/marketevents-report.pdf.
10 Daniel G. Weaver Study available at: http://www.sec.gov/comments/s7-02-10/s70210-127.pdf.
11 NYSE, CQS, UQDF

off-exchange venues are more likely to capture revenue from that trade than if the same execution were done on an exchange, highlighting the desire for sophisticated investors to conduct more off-exchange trading despite the policy questions about best execution and price discovery.

The focus of securities regulatory policy should be on improving public confidence

Each of these data points suggest there is reason for Congress and the SEC to be concerned that without action, we leave ourselves open to a greater loss of investor confidence and market stability. To solve the problem, policymakers should focus on establishing fairer and more transparent equity markets, as well as a more level playing field among trading centers and investors.

I am certain that you will hear arguments from industry participants that the equity market structure is as good as it's ever been. We agree. However, while we recognize that things are better than they were 15 years ago, better does not mean there aren't practices to be improved, or that every practice that has evolved has had a positive effect on investors. Additionally, we believe the cost to the market from activities that may be good for a small group of individuals has overtaken the benefits, and we need to find a way to maintain a better balance for the public good.

The time has come for policymakers to bring perspective to the public. We fear that as a result of too much focus on market microstructure incrementalism, there has been too little public discourse on the formidable reliability and resilience of the equity markets during crises and overall fairness to investors. Public confidence stems in part from policy leadership and we need this policy leadership to come from inside the Congress, the Administration and industry in order to achieve a better market structure and to restore confidence to investors for the betterment of our public markets and companies who need long-term capital to grow and produce more jobs.

While not all of the solutions we're putting forth today are going to be popular with our own customer base, we believe putting all the options on the table, regardless of their popularity, is necessary if we're going to have an intellectually-honest discussion. Obviously all market participants, including us, have self interest in any outcome, but the current market structure yields an unlevel playing field not just for interested parties but also for investors, which has an adverse impact on public confidence in markets – something that hurts us all.

We believe the items outlined below would have the greatest positive impact if implemented in whole or in part.

Promote public price discovery

As previously discussed, we believe that investor confidence in markets is of utmost importance and that a deterioration of price discovery is not only bad for exchanges and markets, but also contributes to a lack of investor confidence. As discussed in our comment letter to the SEC's Concept Release we believe internalization should be permitted, provided the

internalizing firm simultaneously displays a protected quote at the NBBO or provides meaningful price improvement over the NBBO. The exchange believes this approach accomplishes several goals. First, requiring a contribution to the NBBO will result in a greater number of orders included in the price discovery process and therefore assist in establishing an NBBO that better reflects the "true" market. Additionally, if an internalizing firm does not want to contribute to the NBBO, investors' orders that are internalized will need to receive meaningful price improvement over the NBBO.

Create a consolidated audit trail that can adequately surveil the market

NYX believes that a consolidated audit trail is necessary to appropriately surveil the U.S. capital markets. Neither the SEC nor private industry has the resources to surveil markets in real-time. This is why NYX and FINRA jointly supported the SEC adopting a rule two years ago that would have advanced the project by using existing infrastructure to create an audit trail with end-of-day reporting. It is unfortunate that a consolidated audit trail has still not been adopted but we are optimistic that the SEC will seek adoption of a proposal in the near term.

Move forward with outstanding rulemaking proposals

We believe that the SEC should move forward with its proposals to include actionable indications of interest within the definition of bids and offers; to reduce the threshold for display of dark liquidity; and to establish post-trade transparency for dark pool executions as was proposed in its 2009 proposal, Regulation of Non-Public Trading Interest.[12]

Level the competitive playing field

Regulation NMS brought competition to the exchange space and broke down the duopoly of the NYSE and NASDAQ. As a result there are currently 13 equities exchanges. However, despite the increased competition in public exchanges, advances in technology and connectivity among Alternative Trading Systems and broker-dealers have led to one-third of all trading taking place off-exchange not all of which is positive for U.S. capital markets or investors. Because of these issues, we believe that changing the following items would create a fairer, more level playing field between exchanges and non-exchanges.

SEC Filings. Registered exchanges are required to make public rule filings concerning various changes to their businesses. The regulatory process often includes a substantive review and takes considerable time and effort to complete. The current rules also require exchanges to make public disclosures regarding business strategies and fee structures. In contrast, ATSs are required to make only limited notice filings on Form ATS twenty days prior to implementing any material changes. This regulatory inequality allows ATSs to innovate quickly without SEC approval, while exchanges must undergo a rigorous and lengthy regulatory review process to initiate change.

[12] SEC Release No. 34-60997; Regulation of Non-Public Trading Interest

By way of example, NYX filed a proposal with the SEC after over 9 months of negotiations with staff. The innovative proposal, which would guarantee retail customers price improvement, is the first of its kind to allow exchanges to segment retail order flow from other order flow. The proposal received opposition from several dark markets due to the program's guarantee of price improvement and the likely outcome that it may attract valuable order flow away from the dark trading venues. First filed publicly with the SEC in November 2011, the SEC has still not taken action over 220 days later. During that time, non-Exchanges have had the opportunity to object to the proposal and our exchange competition has had the opportunity to develop their own similar programs to propose. We believe that the costs associated with going through this process do not outweigh the benefit of the SEC's review process. However, it is the competitive advantage that non-exchanges have over exchanges that troubles us most. The lack of regulatory scrutiny of non-exchanges also can lead to the proliferation of unfair trading practices such as the flash order structure and actionable indications of interest privately transmitted by non-exchanges to only select market participants.

Fair Access. Registered exchanges are required to have membership rules and procedures specifically designed to ensure access to exchange facilities is granted in a fair and impartial manner. The fair access requirements applicable to ATSs are far narrower. ATSs must comply with general fair access requirements only if a five percent trading volume threshold in an individual security is exceeded, and certain exceptions apply. The narrower fair access requirements have resulted in extreme levels of discrimination by ATSs against their customers. For example, dark markets often segment certain customers from others, giving one customer a first look at the order flow the ATS receives before showing it to other customers. In fact, it is common practice for orders to flow through many non-exchange trading centers before being executed. Although certain retail customers benefit from this process, pension funds and mutual funds that represent the majority of retail investors in the markets are often not allowed access since they too have more sophisticated trading strategies. Accordingly, NYX believes comparable fair access requirements should be applicable to all venues.

Market Surveillance. Under the current market structure, registered exchanges have self-regulatory responsibilities and must either maintain an extensive regulatory organization to conduct market surveillance or enter into a regulatory services agreement with another self-regulatory organization, either of which involve significant time and resources. Non-exchange trading venues are not subject to the same rules and are free from any self-regulatory requirements. NYX estimates that it will spend nearly $85 million for U.S. equity market surveillance in 2012; however our exchanges only accounted for 24.7 percent share of U.S. equity trading in May 2012. We believe all market centers should share the same responsibilities and contribute to the cost of market surveillance based on their respective market shares. In addition, NYX believes consideration should be given to the establishment of one self-regulatory organization with responsibility for surveillance across the entire marketplace.

These general issues of client segmentation, fair access and market surveillance also highlight the excessive level of focus on the "trees" rather than the "forest." While there continues to be increasing levels of compliance focus on Exchanges' rules and prohibitions, the level of activity that is not subject to any of these requirements continues to grow unfettered.

Addressing market structure for SMEs

As another NYX executive testified last year before the House Oversight and Government Reform Committee's Subcommittee on TARP, Financial Services and Bailouts of Public and Private Programs, companies with small capitalizations consistently raise two market-structure concerns in connection with their initial public offerings: will there be sufficient interest in the company's stock will there be sufficient analyst coverage of the stock to attract long-term investors. These two concerns highlight the reason both short-term liquidity providers and long-term investors are necessary to provide Small and Medium Enterprises with the capital they need to grow their companies, while maintaining an investor's confidence that they will have the ability to exit their positions when desired.

As the SEC recognized in the Concept Release, small cap stocks can – and often do – trade differently from large cap stocks. One area of concern is whether the current market structure itself, which treats all stocks similarly, impacts small cap stocks in an adverse manner. In particular, we have observed less liquidity at the NBBO for small cap stocks and less exchange activity in less-liquid securities, which we believe may be the result of too-narrow minimum tick size. While narrower spreads are generally a positive result for investors, especially in more liquid securities, we believe a $0.01 minimum tick size for low-cap stocks may counter-intuitively create a disincentive to provide liquidity at the best price, resulting in smaller quoted sizes and thinner markets. In addition, it is also likely that deeper liquidity in smaller cap stocks as a result of wider spreads may lead to additional volume and with additional volume there may come increased analyst coverage.

Accordingly, NYX has advocated that a market-wide pilot program requiring wider spread increments for less liquid securities could be a worthwhile experiment. During the pilot period, market participants and the SEC could review data to determine whether the impact is providing added investor benefits to less-liquid securities. A pilot program would also provide the SEC with additional data that can be utilized in a cost-benefit analysis should it decide to make the pilot permanent.

With regard to Chairman McHenry's draft legislation, we believe the creation of a program in which exchanges could provide incentives to market makers for meeting liquidity requirements is a worthwhile endeavor. In fact, NYX currently has a proposal out for comment with the SEC that would allow a similar pilot program for exchange-traded products.[13] Today, market makers receive more favorable economics for meeting our market maker liquidity and quoting requirements as their primary incentive from the exchange to provide liquidity. Although FINRA rules adopted in 1997 prohibit any direct or indirect payment by an issuer to a market maker, NYX believes Chairman McHenry's legislation may warrant further review by both FINRA and the SEC, and is a topic that we have been pursuing. We would also note that this is a process allowed in Europe and academic research has shown beneficial effects on the liquidity of smaller issuers.[14]

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[13] NYSE Arca Lead Market Maker Issuer Incentive Program; SEC Release No. 34-66966.
[14] Johannes A Skjeltorp and Bernt Arne Odegaard (2011). "Why do listed firms pay for market making in their own stocks?"

The JOBS Act and NYSE Big StartUp

Finally, I want to provide a few comments on the the JOBS Act that this Committee and others in Congress were instrumental in passing. The struggling U.S. economy received a welcome boost when the JOBS Act survived our divided Congress and received President Barack Obama's signature. The passage of this new law signals that leaders in both parties understand that providing targeted, temporary relief to small businesses seeking to access capital is critical to the recovery.

Small businesses account for 99 percent of all U.S. companies, make up half of private sector employment, and have accounted for almost all net job growth in the U.S. over the last three decades. Yet today, many entrepreneurs with the ability to turn innovative ideas into successful, job-creating businesses do not have adequate access to capital. By phasing in certain regulations on small firms, the JOBS Act will help open new sources of capital for growing companies at a critical stage in their development.

We believe exchanges have a responsibility to help small companies grow by providing entrepreneurs with a source of capital. In the best of times, exchanges may facilitate a hundred or more companies executing an IPO each year. However, given the scale of our current jobs challenge, exchanges must look beyond the IPO and offer new avenues to allow small businesses access capital markets.

Last month, NYX joined with other organizations to launch an initiative aimed at accelerating growth for small businesses. Our idea, "The NYSE Big StartUp", is aimed at encouraging big companies to help small companies. It's a pathway for corporate America to provide banking services, financial training, accounting services, legal services, marketing and logistics support, website construction, and other essential tools to enable small companies which lack those resources to get to the next level. The program also offers training, mentoring and education programs for startups and entrepreneurs, as well as a fund to help ensure that capital is available to those least able to access it from traditional sources.

Getting America's entrepreneurial engine firing on all cylinders requires cooperation between the public and private sectors. Good public policy, such as the JOBS Act, ensures that entrepreneurs and small businesses have access to the capital they need to expand and thrive. American corporations want to and must be part of the solution as well. Small businesses and entrepreneurs are our neighbors, our customers, and our futures. It is time to unleash the unparalleled innovation and creativity of American business to find solutions even more powerful than the economic challenges we face.

Conclusion

In closing, I want to reiterate our belief that although our capital markets are the best in the world, the data we've discussed suggests there remains room for improvement. Our arguments for change are simple: promote market structure changes that enhance transparency and level the playing field for both trading venues and investors.

Thank you for allowing me to testify and I look forward to your questions.