



CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

**For Immediate Release:
Tuesday, March 13, 2001**

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BAKER'S SUBCOMMITTEE LOOKS AT WHO PAYS WHAT FOR STOCK MARKET DATA

Subcommittee Chairman Richard H. Baker (LA) will convene a hearing of the Capital Markets, Insurance, and Government Sponsored Enterprises Subcommittee that will cover the current payment and distribution system for stock market data in the United States. The Subcommittee will meet on Wednesday, March 14, at 10 a.m. in Room 2128 Rayburn House Office Building.

Information on stock prices is the most fundamental information investors need when making their investment decisions.

During trading hours, the quote stream of market data runs on signs in Times Square, across the bottom of the screen on CNBC, on electronic communications networks, and through vendor and brokerage firms across the country. It may be delivered in real time or on a delayed basis, and it consists of current stock prices and the bids (offers), asks (requested prices), and final prices of recent transactions.

Currently, the quote stream of market data is provided only through federally mandated consolidators. There is no competition in the marketplace, though, because federal regulations have essentially created a cartel for market data sales.

"The structure of the securities markets has changed and the number of investors has increased dramatically over the past two decades due in large part to the explosion in new technology," said Subcommittee Chairman Baker. "Accordingly, we must ensure that the market data system and fees reflect the increasing retail investor demand for real-time information and the changing structure of the securities industry.

"Our hearing will focus on the four objectives of the market information systems - availability of information, neutrality of fees, quality of information, and fair competition - and how the current systems and fee structures can be improved. We hope to move

towards establishing more objective standards for setting fees and distributing revenues, providing greater public disclosure of relevant information, and broadening participation in the fee-setting process,"said Baker.

The regulations governing market data distribution and fees were developed in the 1970s, long before the technological revolution that brought us the Internet. The boom in online investing has led to a debate about the fees that are charged for market data. Higher demand for stock quotes through online brokers means that brokers, and ultimately investors, pay more.

"Does the sports team own the score?" asked House Financial Services Committee Chairman Michael G. Oxley (OH). "The information age poses all kinds of theoretical and practical questions, like who owns data? We are not tackling that broad question, but what we will examine at this hearing is the regulation that stands in the way of innovation and competition in the sale of market data."

Current law directs the U.S. Securities and Exchange Commission to ensure that securities market data is distributed in a "fair, reasonable, and non-discriminatory manner."

Witnesses scheduled to testify are:

- Randy McDonald, Vice President and Chief Financial Officer, Ameritrade Holding Corporation
- Carrie Dwyer, Executive Vice President, Charles Schwab Corporation
- Gerald Putnam, Chief Executive Officer, Archipelago
- Robert Britz, Group Executive Vice President, New York Stock Exchange, Inc.
- Edward Knight, Executive Vice President and General Counsel, NASDAQ Stock Market
- Stuart Bell, Bloomberg Financial Markets

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