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CONTACT: Lindsay Nothorn (208) 334-1776
Robert Sumner (202) 224-5150

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CRAPO OPENING STATEMENT ON REGULATORY REFORMS FOR IMPROVING EQUITY MARKETS

Washington, D.C. – Idaho Senator Mike Crapo, Chairman of the Subcommittee on Securities, Insurance & Investment, today delivered this opening statement at a hearing focused on regulatory reforms for improving equity market structure.

“The landscape of stock markets and trading today is substantially different than it was twenty, ten, or even five years ago.

“Regulations and technological innovation have moved stock trading from the floors of exchanges to virtually all trading being conducted electronically on automated markets. Technology and innovation has benefitted investors by leading to tighter spreads, lower costs, and more efficient markets.

“However, the expansion of trading venues, speed, and mandated interconnectedness of exchange and market participants has raised questions regarding market complexity and resiliency.

“For the past several years the Securities Exchange Commission and the Financial Industry Regulatory Authority have been working to better understand whether their market structure rules have kept pace with changes in trading technology and practices.

“In 2014, the Banking Committee held a hearing with a broad mix of market participants to examine the role of regulation in shaping today’s markets as well as whether these markets are as resilient and stable as they should be.

“Several witnesses at the hearing argued that Regulation NMS, a set of SEC market structure rules that passed by a 3-2 vote over 10 years ago, needed to be reexamined.

“Later in the year, SEC Chair White provided an update to her market structure agenda in a response to a letter Senator Johnson and I sent and highlighted three fundamental policy questions the Commission would be focusing on:

“The trade-through restrictions in Rule 611 of Regulation NMS and whether they should be rescinded or modified.

“The current regulatory model for exchanges and other trading venues and whether it makes sense for today’s markets.

“The maker-taker fee structure, including the related issue of restrictions on locking and crossing quotations in Rule 610 of Regulation NMS.

“These are complicated issues and I appreciate the data driven approach by the SEC and FINRA and the extensive comments from market participants, investors, and academics.

“It will be helpful to understand from our witnesses what progress has been made in identifying and prioritizing the key concerns with our equity market structure and what options are being explored to address them.

“After all, the 2010 Flash Crash is still fresh in many of our minds and additional market events have raised concerns about market integrity and resiliency.

“In fact, the SEC’s Equity Market Structure Advisory Committee met to diagnose and discuss one of the latest market disruptions, namely what went wrong last August 24 when dramatic price moves triggered more than 1,000 trading halts in hundreds of stocks and exchange traded funds.

“Today, this committee hopes to hear from our witnesses about what lessons were learned from recent market disruptions and what steps need to be taken to strengthen the operation of the markets?

“The U.S. capital markets are vital to the growth of our economy and we need to take the necessary steps to make sure the U.S. financial system and markets remain the preferred destination for investors throughout the world.”

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