**Senate Banking Subcommittee on Securities, Insurance, and Investment
Hearing on "Examining the Causes and Lessons
of the May 6th Market Plunge"
May 20, 2010**

Opening Statement of Subcommittee Chairman Jack Reed, as prepared for delivery:

I want to welcome Chairman Schapiro, Chairman Gensler, and our other witnesses to today's hearing, and thank them for making time in their very busy schedules to testify on this important topic.

I also appreciate their efforts following the events of May 6th to coordinate the investigations, report their findings, and quickly propose circuit breaker and other changes in response.

This week the Senate is on the verge of making fundamental and urgently needed changes to reform Wall Street and protect consumers and investors. In the midst of this important debate, Senator Bunning and I felt it was important to hear your thoughts on the causes of the events of May 6^{th}, and to discuss any changes that may be needed to ensure that our markets function in a fair and orderly way going forward.

As we know, on May 6, 2010, starting around 2:40 p.m., the stock market plummeted, but then quickly recovered. At its lowest point during this 20-minute incident, the Dow Jones Industrial Average had fallen 9.2 percent, erasing more than $1 trillion in market capitalization within a matter of minutes.

Although the Dow average rebounded to end the day down only 3.2 percent, the May 6 intraday trading loss on the Dow index not only exceeded the extreme market volatility that occurred during the height of the financial crisis in the fall of 2008, but it also represented the index's largest intraday percentage drop since the October 1987 crash.

This committee has regularly held hearings examining the equity markets, most recently in October to discuss dark pools, flash orders, and high-frequency trading. Today's hearing is another check-up on our equity markets, particularly amidst concerns that technological developments in recent years may be posing new risks to investors and/or the markets more broadly.

Electronic trading has evolved dramatically over the last decade, and it is important that regulators keep evolving with these developments. Trading technology today is measured not in seconds or even milliseconds, but in microseconds, or one millionth of a second.

Today's hearing will help to answer some important questions about the causes of the May 6 market volatility. In addition to speaking about the causes of the plunge, I've asked today's witnesses to discuss what role automated trading, high-frequency trading, and other technological advances may have played in the market disturbance.

I've also asked them to discuss the extent to which disparate trading conventions and rules across various markets contributed to the down and up spike. And I've asked them to discuss any changes to Regulation NMS or other laws or regulations may be necessary to mitigate such market fluctuations in the future.

Finally, I'd like to discuss whether the regulators have all the tools and authorities they need to investigate market disturbances or whether legislative or other changes may be needed to help them more quickly identify the causes of extreme market disturbances.