

STATEMENT OF WILLIAM HERBERT HEYMAN
NOMINEE FOR DIRECTOR OF THE
SECURITIES INVESTOR PROTECTION CORPORATION
SENATE BANKING COMMITTEE
JULY 11, 2007

Good morning. My name is William Heyman, and I am Vice Chairman and Chief Investment Officer of The Travelers Companies, a major U.S. property/casualty insurer. I am also a member of the Board of Governors and the Executive Committee of the NASD.

I am honored to have been nominated by President Bush to be a director of the Securities Investor Protection Corporation. From 1991 to 1993, when I served as Director of the Division of Market Regulation of the Securities and Exchange Commission, I was the SEC's observer on the SIPC board, so I am especially pleased at the prospect of renewing that association.

As you know, SIPC was created by Congress in 1970 in response to a rash of broker-dealer failures resulting principally from a "paperwork crisis", in which trading volumes swamped antiquated back-office systems and firms simply lost track of individual customers'

assets. Since 1970, industry consolidation and the advancement of back-office technology have all but eliminated this problem, with the result that some relatively large brokerage firms have failed without requiring SIPC involvement.

The incidence of broker-dealer failures has been further limited by vigorous enforcement of two SEC rules. The Net Capital Rule provides early warnings of broker-dealers' financial distress. The Customer Protection Rule requires firms to reduce to "possession and control" fully paid or excess margin customer securities and to segregate cash in a "reserve account" in an amount roughly equal to net amounts owed customers.

The number of ongoing SIPC liquidation proceedings is at a record low of 21 firms, and the customers in those proceedings have, with very few exceptions, been satisfied. Most of the work in open cases relates to recovery of residual assets of the failed firms. Still, small numbers of broker-dealers regularly fail under conditions requiring SIPC involvement. These failures generally result not from adverse market conditions but rather from failure to operate competently or

honestly. About half are so-called “introducing” firms, which shouldn’t have been handling customer assets in the first place.

So SIPC still has an important role as a limited safety net for the individual investor, whose protection is at the heart of our securities laws. If confirmed as a director, I pledge to do my utmost to ensure SIPC continues to meet its responsibilities as expeditiously, professionally, and fairly as possible and without recourse to the taxpayers.

I thank you for your consideration, and I will be pleased to answer any questions.