



Newsroom

CRAPO AT HEARING ON EQUITY MARKET STRUCTURE

July 8, 2014

WASHINGTON – U.S. Senator Mike Crapo (R-Idaho), Ranking Member of the Senate Banking, Housing and Urban Affairs Committee, today delivered the following remarks during a Banking Committee hearing entitled “The Role of Regulation in Shaping Equity Market Structure and Electronic Trading”:

Thank you, Mr. Chairman. The U.S. capital markets are vital to the continued growth of the economy. I have repeatedly stressed the need for the U.S. financial system and markets to remain the preferred destination for investors throughout the world. This hearing will 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, given the rise of technology and automated trading.

Recent news about the practices of certain market participants and automated trading has raised concerns as to whether the stock market is rigged against small investors. Securities and Exchange Commission (SEC) Chair White recently stated her view that the market is not rigged, but there is a need to review the current equity market structure, and such a review should be disciplined and conducted in a data-driven manner.

While much has been made recently of the potential dangers of automated trading, what is often forgotten is that technology and innovation has benefitted investors by leading to tighter spreads, lower costs and more efficient markets. Today, an individual retail investor has an easier time participating in our stock markets than at any time in the history of our markets. With fees under \$10 a trade, the spreads between bid and ask prices for most stocks are as narrow as they have ever been, and with trading being done in a matter of sub-seconds rather than minutes, retail investors have been able to enjoy greater involvement in, and access to, the markets.

To continue this level of investor participation, we must ensure that the markets have the resiliency and capabilities to handle the evolving speed and complexity of today’s trading world. I am encouraged by speeches and comments given by SEC Chair White and the other SEC Commissioners acknowledging both the positive and negative roles that SEC regulations played in shaping today’s market structure, as well as an appetite to address the unintended consequences of these regulations.

As evidenced by today’s testimony and by the academic discussions of the U.S. markets, many of the concerns raised by market participants and investors are the outgrowth of SEC Regulation NMS and the overall patchwork approach to market trading infrastructure and stability taken by the SEC in the past. It is important and prudent for regulators to periodically review existing regulations to ensure that they are still appropriate in today’s automated world. However, any such holistic review of regulation should be based on empirical analysis, data-driven, and incorporate the input of market participants, industry and the investors who make the investments.

Everyone should have a seat at the table in this important discussion and everyone must be willing to roll up their sleeves to find the right solutions.

I am particularly interested in the panelists' views on whether the benefits to market participants and investors from the rapid expansion of various trading venues and increased competition have been outweighed by the strain to the market infrastructure. I am also interested in what can be done to build better markets for smaller companies, and what further measures market participants and trading venues need to take to minimize market disruptions and increase the resiliency and durability of the system.

Investor confidence is key. Our markets cannot afford another "flash crash" or major market disruption.

I look forward to hearing from today's panelists about their thoughts on potential enhancements to market structure and integrity, and hope to hear from them about what changes they believe are appropriate.

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