

ICI Supports Market Structure Modernization and Focus on Investor Interests, July 2004

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Washington, DC July 22, 2004 – On the second day of Senate Banking Committee hearings on the SEC's [Regulation NMS proposal](#), the Investment Company Institute again expressed its support for the examination of the structure of the U.S. securities markets. Institute President Paul Schott Stevens said, "The Institute strongly supports a comprehensive reexamination and restructuring of the U.S. securities markets. These hearings will contribute importantly to the debate over what new market structure will best serve investors; this is an objective of the highest importance."

Kevin Cronin, Senior Vice President and Director of Equity Trading at AIM Investments and a member of the ICI's Equity Markets Advisory Committee, [testified](#) that "the structure of the securities markets has a significant impact on mutual funds, as increased efficiencies in the markets will clearly benefit mutual fund shareholders in the form of lower costs." The Institute strongly concurs with Cronin; as noted by Stevens, tens of millions of individuals rely on mutual funds as their investment of choice.

The hearings focused on Regulation NMS' proposed trade-through rule, which could have the greatest impact on the securities markets. Cronin stated that "if appropriately instituted and enforced, a uniform trade-through rule would increase investor confidence in the securities markets by helping to prevent an investor's order executing at a price worse than the displayed quote." Mr. Cronin emphasized, however, that "in order for a trade-through rule to fully achieve its objectives, it is extremely important that the only quotes provided protection under the rule be 'automated' quotes."

The hearings also examined the need for automatic execution of investor orders on the New York Stock Exchange. Cronin urged the NYSE to move expeditiously to implement true automation in its market to benefit investors but cautioned that "it is imperative ... that any automation on the NYSE not be wrought with conditions and exceptions that would, in effect, make claims of automation folly."

Cronin opposed the proposed rule's "opt-out" exception, another issue examined in the hearings. The ICI agrees the opt-out exception would prove counterproductive to the objective of providing greater protection for limit orders. Nevertheless, Mr. Cronin added that "if the SEC does not restrict trade-through protection to only automated markets or automated quotes ... some sort of flexibility should be provided to investors to permit them to trade through markets that cannot provide the highest order of certainty and speed."