

MEMORANDUM

To: Members of the Committee on Financial Services, Capital Markets Subcommittee

From: Financial Services Republican Staff

Date: June 21, 2024

Subject: June 27, 2024, Subcommittee on Capital Markets Hearing titled “Solutions in Search of a Problem: Chair Gensler’s Equity Market Structure Reforms”

On Thursday, June 27, 2024, at 2:00 pm, (ET) the Subcommittee on Capital Markets of the Committee on Financial Services will hold a hearing titled “Solutions in Search of a Problem: Chair Gensler’s Equity Market Structure Reforms” in Room 2128 Rayburn House Office Building. Testifying at the hearing will be:

- **Jonathan Brogaard**—Professor, David Eccles School of Business at the University of Utah
- **Kevin Kennedy**—Executive Vice President, Head of North American Market Services, Nasdaq, *testifying on behalf of the Equity Markets Association*
- **Ari Rubenstein**—Co-Founder and Chief Executive Officer, Global Trading Systems (GTS)
- **Justin Schack**—Partner and Head of Market Structure, Rosenblatt Securities
- **John Ramsay**—Chief Market Policy Officer, IEX

Background

The U.S. equities markets are the deepest, most liquid in the world, facilitating the trading of over 11.9 billion shares each day through exchange markets alone. Over the past 20 years, the U.S. equities markets have changed dramatically, becoming more competitive, efficient, and accessible for everyday American investors. Today, retail trading accounts for between 10 percent to 20 percent of total trading volume, and millions of Americans rely on the U.S. equities markets for their financial security, stability, and retirement.

In 1975, Congress amended the Securities Exchange Act of 1934 (the “Exchange Act”) and directed the U.S. Securities and Exchange Commission (“SEC”) to establish a National Market System (“NMS”), in which all orders to buy or sell securities would interact. Since then, the current structure of U.S. equities markets has been shaped primarily by four significant SEC initiatives. Specifically, those initiatives include: the Order Handling Rules in 1996, Regulation

ATS in 1998, Decimalization in 2000, and Regulation National Market System (“Reg NMS”) in 2005.¹

Subsequently, in December 2022, SEC Chair Gensler proposed four interrelated equity market structure proposals that would overhaul certain aspects of the market. In October 2023, the SEC proposed another equity market structure rule intended to address volume-based pricing. In March 2024, the SEC unanimously adopted amendments to update Rule 605 data disclosures.

Legislative Proposals

- **H.R. 5273**, to permit a registered investment company to omit certain fees from the calculation of Acquired Fund Fees and Expenses, and for other purposes.
- **H.R. 8222, the Regulation Advancement for Capital Enhancement Act of 2024**, to automatically approve certain offerings statements filed with the SEC under Regulation A tier 2.
- **H.R. 6726, the Responsible Accounting Standards Act of 2023**, to require the accounting principles standard setting body to comply with the Administrative Procedure Act and the Government in the Sunshine Act, to require the head of such body to testify annually before Congress.

¹ Daniel Gallagher, *How to Reform Equity Market Structure: Eliminate ‘Reg NMS’ and Build Venture Exchanges*, Feb. 23, 2017, available at <http://www.heritage.org/article/how-reform-equity-market-structure-eliminate-reg-nms-and-build-venture-exchanges>.