

Summary of Testimony by Kurt P. Stocker

I am grateful for the opportunity to appear before the Commission to discuss issues that are of great importance to individual investors. I chair the Individual Investor Advisory Committee of the New York Stock Exchange, which counsels the NYSE Board of Directors on matters of interest to America's 85 million individual investors. Earlier this year, the Board of Directors appointed me to represent individual investors as a member of the Exchange's Board of Executives, an advisory body comprised of representatives of all of the various constituents of the Exchange.

The viewpoint of the Individual Investor Advisory Committee is that individual investor deserves to get the best price when they -- or the institutions representing them -- invest their hard-earned funds. It is wrong for the SEC to even consider giving away this guarantee. It is wrong for the executives of the institutions that are promoting this proposal to break their trust with their own customers, in an effort to increase their bottom line.

Research on this subject indicates that individual investors don't really know or understand the specifics of the Trade Through Rule, or how it protects them. They never worried that the institutions they entrusted with their money, and the government agency that is supposed to protect them, would be proposing the elimination of a guarantee that the real investor -- the funder -- gets the benefit of the best price for their trades. The elimination of this guarantee would add an average of 4.21 cents per share to each trade, costing investors a total of \$3.5 billion annually.

The proposal to let investors to "opt out" of the rule that provides the real investor with the best price is totally antithetical to everything that Congress and the SEC have done to improve trust in the markets. Individual investors generally hold their stocks for months or years, and few would knowingly opt to forfeit an opportunity to get the best price for the sake of saving 10 seconds.

Therefore, in practice, opting out would be a choice for institutional investors, in effect splitting the market into retail and institutional components. This runs counter to one of the core strengths of U.S. markets -- aggregating the orders of investors both large and small so that the playing field is level. To bifurcate the market in this way would detract from the most efficient way to discover the price of a stock. For individuals, confidence in the efficiency of that process is critical. Calls for increased transaction speed are being addressed by the New York Stock Exchange, thereby eliminating the only argument for such an exception that had even minimal merit.

Individual investors might not yet understand what is being contemplated, but if they are once again ignored in favor of large institutions, it will undermine all that the exchanges, the regulators and Congress have done to rebuild their trust.