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CalPERS Supports Westly's NYSE Reform

CalPERS Takes Two Other Significant Actions

Sacramento, CA – State Controller Steve Westly today gained the support of CalPERS in his effort to increase investor freedom and promote competition at the New York Stock Exchange (NYSE).

“I commend CalPERS for supporting much-needed reforms to the outdated ‘trade-through’ rule,” Westly said. “Today’s vote will give CalPERS a real voice in the way the NYSE operates.”

Based on Westly’s recommendation, the CalPERS Investment Committee voted to support the SEC’s Regulation National Market System (NMS) proposal, which includes a trade-through “opt-out” provision.

The trade-through rule was developed in the 1970’s with the intention of helping investors obtain the “best price” when buying or selling stocks. The “best price” does not include important factors that modern investors may want to consider when trading, including certainty of execution, speed of execution, and low market impact.

Additionally, the current rule requires orders to be sent to the best-advertised price, not the best guaranteed price. As a result, markets that are slower to update their prices, such as the manual marketplace of the NYSE, receive a disproportionate number of orders routed to their markets.

Westly and CalPERS will work with the SEC during its 75-day comment period on Regulation NMS to ensure that an “opt-out” provision is feasible.

“The devil is in the details. A real ‘opt-out’ provision can promote both investor protection and investor choice. The SEC must ensure that opt out is as simple as possible for investors to use and for brokers to implement,” Westly said.

In addition to this vote, CalPERS took two other significant actions today.

The Investment Committee approved Westly’s motion to grant the Republic of the Philippines an additional month to provide data that may prevent the nation’s removal from the Committee’s Permissible Equity Markets list.

“An extension does not guarantee that the Philippines will remain on the Permissible Equity Markets list, but it will ensure that the Committee and its staff has all relevant data required to make an informed decision,” Westly said.

In another action, Westly voted to create the CalPERS Environmental Technology Program. The program complements Westly’s environmental agenda, which he announced upon becoming chair of the State Lands Commission on February 5, 2004.

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