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October 5, 2021

Chair Maxine Waters
Honorable Members of the Committee
U.S. House of Representatives Financial Services Committee
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chair Waters and Members of the Committee:

On behalf of more than 500,000 members and supporters of Public Citizen, we support the legislation being considered by the House Financial Services Committee in conjunction with the October 5, 2021 hearing entitled, “Oversight of the U.S. Securities and Exchange Commission: Wall Street’s Cop Is Finally Back on the Beat,” where the witness will be Securities and Exchange Commission (SEC) Chair Gary Gensler.

Generally, this suite of bills addresses important areas in need of reform. As our securities markets face dangers new and recurring, protection from those who would abuse investors is critical, especially in times of economic troubles.

We address these bills as they are listed on the committee’s hearing notice. Specifically:

- We support the discussion draft titled, “Strengthening the Office of Investor Advocate,” which will improve the reliability of funding for the SEC’s Office of Investor Advocate, therein helping solidify its independence. This office has provided stalwart defense for investor concerns, even when the SEC has promulgated rules under other administrations that weaken protections. The draft bill would also authorize the office to conduct testing, which can show how rules would play out before they are finalized. We also support the discussion drafted titled “Investor Justice Act of 2021” that creates a grant program administered by this office to support investor advocacy clinics. Finally, we support the discussion draft titled “Empowering States to Protect Seniors from Bad Actors Act” that creates another grant program also housed in the Office of Investor Advocate to support and strengthen states’ senior investor protection programs.
- We support the untitled discussion draft that amends the Securities Exchange Act of 1934 for a number of purposes, including improvement of governance of multi-class stock companies and a requirement that issuers make annual diversity disclosures. This draft would also require newly

listed companies that use multi-class stocks to eliminate this structure within seven years and establish a conventional “one share, one vote” standard. (Multi-class stocks allow minority shareholders with special shares to control company governance.)

- We heartily re-state our support for the Investor Choice Act, introduced in this Congress as HR 2620 by Rep. Bill Foster (D-Ill). This bill prohibits financial professionals from forcing their clients into pre-dispute arbitration agreements; the bill also bans prohibitions on class action lawsuits in customer contracts. Mandatory arbitration essentially invites corporations to abuse customers knowing that that they are shielded from true accountability. Public Citizen has long contested mandatory arbitration in all contracts.
- We also restate our enthusiastic support for the draft bill titled “Whistleblower Protection Reform Act,” sponsored by Rep. Al Green (D-Texas). This bill would protect whistleblowers against retaliation, including those who only report misconduct to their employer. Currently, anti-retaliation protection only applies to individuals who report information directly to the SEC. This bill is identical to H.R. 2515, which passed the last Congress 410-12.
- Finally, we support the discussion draft that would limit financial professionals registered with the SEC from marketing special purpose acquisition companies (SPACs) to average investors. SPACs have become runaway vehicles for unproven companies to go public, endangering investors to a significant probability that these companies will eventually fail. Many SPACs allocate as much as 20 percent of investor proceeds to promotion of the fund, which often include celebrities. This bill would limit the marketing of SPACs to retail investors where the promotion amount exceeds 5 percent of the fund.

In conclusion, we applaud the committee for its consideration of needed reforms in the securities sector. For questions, please contact Bartlett Naylor at bnaylor@citizen.org.

Sincerely,

Public Citizen