



Dear Chairwoman Waters, Ranking Member McHenry, and Members of the Committee:

Americans for Financial Reform supports the draft bills proposed by the Committee related to Special Purpose Acquisition Companies (SPACs), the Securities and Exchange Commission's Office of the Investor Advocate (OIA), and governance of the dual-class shares of a number of corporations.

- 1. A bill to prohibit registered investment advisers, brokers, and registered representatives of brokers from facilitating the transaction of or recommending the securities of certain special purpose acquisition companies (SPACs), and for other purposes. (Discussion Draft)**

This Discussion Draft would amend Section 206 of the Investment Advisers Act of 1940 that would restrict registered investment advisers and brokers from transacting in SPACs except to accredited investors, unless the "promote" to the SPAC issuer is 5 percent or less.

AFR has written previously to the Committee<sup>1</sup> that the incentives between the issuers and investors in the SPACs are misaligned, calling for better protections retail investors from what is not an asset class but rather a lucrative compensation scheme for SPAC issuers under the current structure.

- 2. A bill to amend the Securities and Exchange Act of 1934 with respect to the Office of the Investor Advocate, and for other purposes. (Discussion Draft)**

AFR supports this legislation strengthening the Office of the Investor Advocate

- 3. A bill to amend the Securities and Exchange Act of 1934 to improve the governance of multi-class stock companies, to require issuers to make annual diversity disclosures, and for other purposes. (Discussion Draft)**

AFR supports the Discussion Draft requiring that newly listed companies utilizing the multi-class stock structures be subject to a sunset provision of such a structure seven years from the issuer's initial public offering date.

AFR also expects that we may support additional investor protection legislation considered during this hearing.

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<sup>1</sup> Americans for Financial Reform and Consumer Federation of America. Letter to Members of the House Financial Services Committee Re: Special Purpose Acquisition Companies (Feb 16, 2021). <https://ourfinancialsecurity.org/wp-content/uploads/2021/02/AFR-Letter-on-SPACs-to-HFSC-FINAL.pdf>