AMERICAN CONSUMER & INVESTOR INSTITUTE

April 11, 2025

House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

Re: Financial Services Committee Requests Feedback on Legislative Proposals to Increase Investor Access and Facilitate Capital Formation

Dear Committee:

The American Consumer and Investor Institute ("ACII") is pleased to submit this letter in response to the House Financial Services Committee's (the "Committee") request for feedback on the Committee's legislative proposals to increase investor access and facilitate capital formation. ACII applauds the Committee's focus on this important topic, which has the potential to make our capital markets more resilient and improve the investor experience for millions of Americans.

ACIl's mission is to advocate on behalf of the new generation of American consumers and investors for more choice and access to U.S. financial markets, products, and services, including in the areas of consumer banking, securities, and cryptocurrencies – all accompanied by robust financial education. ACII is committed to promoting free markets and more opportunities for consumers and investors to participate in the greatest economy on earth. ACII believes that every American has the right to take part in our financial system to build a better future for themselves and their families. While recent innovations and new technologies have expanded the number of Americans enjoying the benefits of the U.S. financial system, more can be done to expand access to investment opportunities that have, for too long, been accessible only to the wealthy.

The Committee has played a critical role in advancing capital formation initiatives in recent years. The bipartisan Jumpstart Our Business Startups (JOBS) Act of 2012 introduced a number of significant reforms that reduced the burdens on companies seeking access to the public markets, with appropriately tailored disclosure requirements for smaller entities. Under the leadership of Chairman McHenry, the Committee introduced the Expanding Access to Capital Act, which sought to build upon the JOBS Act by reducing regulatory burdens for investors, job creators, and entrepreneurs seeking access to capital markets, and advanced several legislative measures to promote capital formation, including expanding the definition of accredited investors and facilitating initial public offerings (IPOs). And Chairman Hill has demonstrated that he plans to continue to prioritize legislation promoting capital formation, as evidenced by last month's hearing devoted to this important topic, where he observed, *"Our capital markets should work for everyone. That means reducing barriers for startups to access funding, incentivizing investment in*

regional businesses, and reforming outdated regulations that improve access to growth capital to ensure a public offering is a more viable option again."

ACII commends these efforts and stands ready as a resource to assist the Committee in its work to make our capital markets more accessible to businesses and investors alike. Below, we offer our views on several areas where the Committee might consider focusing its efforts to enhance capital formation to ensure the U.S. capital markets remain the most vibrant, transparent, competitive, and liquid in the world.

Make Capital Formation Great Again

To bolster capital formation and invigorate the U.S. IPO market, Congress should enact legislation or direct the Securities and Exchange Commission (SEC) to implement reforms that simplify the process for companies to go public. This includes expanding and enhancing the provisions of the JOBS Act, which introduced the "Emerging Growth Company" (EGC) status, offering scaled disclosure requirements and easing regulatory burdens for qualifying companies. For instance, EGCs are permitted to present two years of audited financial statements instead of three and are exempt from certain executive compensation disclosures. By broadening the eligibility criteria for EGC status and extending these accommodations, more companies could benefit from a streamlined IPO process, thereby encouraging more firms to access public markets.

Additionally, Congress should mandate that the SEC tailor disclosure requirements for smaller companies, recognizing that one-size-fits-all regulations can disproportionately burden these entities. Implementing scaled disclosures, such as those allowing smaller reporting companies to provide less extensive narrative disclosures and fewer years of financial data, can reduce compliance costs and facilitate capital raising, without sacrificing important investor protections. Furthermore, facilitating on-ramps for emerging growth companies by permitting confidential submission of draft registration statements and allowing "testing the waters" communications with potential investors can enhance the attractiveness of public offerings. These measures collectively can help rejuvenate the IPO landscape, providing companies with the necessary tools to thrive in public markets.

Enhance Retail Investor Access to Private Markets

The private markets have seen tremendous growth, yet outdated SEC regulations continue to restrict retail investors from accessing these opportunities. The current wealth-based "accredited investor" definition excludes many individuals from participating in high-growth investments, despite the availability of modern technology that can equip investors with the knowledge needed

to assess risk responsibly.[1] Congress should encourage the SEC to implement regulatory reforms that expand access to private markets while maintaining important investor protections.
For example, the SEC should adopt a knowledge-based qualification system, allowing individuals who pass a financial literacy exam to qualify as accredited investors. The SEC should also allow "chaperoned access," permitting retail investors to participate in private offerings under the guidance of registered investment professionals. In addition, the SEC should formally permit closed-end funds that invest in private markets to be available to all investors, overturning informal restrictions that limit access.

Finally, the Commission should explore self-certification mechanisms that enable individuals to affirm their understanding of investment risks. Regulations restricting investments to accredited investors are outdated and impractical in an era of Artificial Intelligence (AI) and widespread access to information.[2] Modern technology already empowers retail investors from all backgrounds to assess investment risks and make more informed decisions without unnecessary government oversight. Some market participants have also recently pointed to the potential of tokenization to provide a responsible, transparent, and efficient means for individuals to participate in private markets, making the SEC's accredited investor standard entirely obsolete.[3] By taking steps to increase retail investor access, Congress can drive the necessary reforms to ensure that retail investors are no longer arbitrarily excluded from private market opportunities.

Make America the Home for Digital Asset and Blockchain Innovation by Providing Clear Rules of the Road for Market Participants

The SEC under former Chair Gary Gensler falsely claimed to the American public that the existing securities laws are "clear" as they apply to cryptocurrency markets, and he repeatedly issued

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[1] *See* Jennifer Schulp, "Sophistication or Discrimination? How the Accredited Investor Definition Unfairly Limits Investment Access for the Non-wealthy and the Need for Reform" (February 8, 2023), https://www.cato.org/testimony/sophistication-or-discrimination-how-accredited-investor-definition-unfairly-limits.

[2] *See* Capitol Account, "Bankers Hit Washington as 'Regulatory Tsunami' Recedes," reporting on a March 2025 letter from Congressman Warren Davidson to SEC Acting Chairman Mark Uyeda stating that modern technology now allows retail investors to self-certify their participation in the private securities markets: "The ability to transact in a variety of assets is fundamental to our rights and freedoms as Americans, and the public should not have to seek permission from the federal government to invest and trade the same assets already available to wealthy elites."), https://mail.google.com/mail/u/0/#inbox/WhctKLbVkjfwkvdzxcGVlFkQnLpngbfkJwMLfvXPrQpdDkTzwqjfcqtQcQvLlMnMNJRnlPQ.

[3] *See*, *e.g.*, "MFA submits plan to strengthen U.S. capital markets" (March 31, 2025) ("Private funds are exploring tokenization, blockchain-based recordkeeping, and other digital tools to improve liquidity and transparency. Fostering innovation with appropriate safeguards—not barriers—will make investing more accessible and expand access to financing for small and medium-sized businesses."), https://www.mfaalts.org/press-releases/mfa-submits-plan-to-strengthen-u-s-capital-markets/; "Expanding Retail Access to Private Markets" (January 2025), https://cdn.robinhood.com/assets/robinhood/legal/expand_retail_access.pdf; Bain & Company, "How Tokenization Can Fuel a $400 Billion Opportunity in Distributing Alternative Investments to Individuals," https://www.bain.com/insights/how-tokenization-can-fuel-a-400-billion-opportunity-in-distributing-alternative-investments-to-individuals/.

hollow calls for firms to "register with us."[4] The existing securities laws do not, however, apply cleanly to the cryptocurrency markets, and Gensler did next to nothing to work with the industry to make the changes necessary for SEC registration to become a reality. Instead, Gensler turned proper regulation on its head, relying almost solely on enforcement actions rather than proactive, formal rulemaking. As a result, market participants still lack clear compliance guidelines and a road to SEC registration, and innovation has moved overseas to Europe, Asia, and other jurisdictions with more developed regulatory regimes.[5]

Thankfully, President Trump has prioritized making America the world leader on digital assets and blockchain technology, an issue that will change how the global markets work for generations to come. Now is the time to foster a U.S.-based digital asset industry. ACII commends Chairman Hill and Committee Members who have continued to advance market structure and stablecoin bills that, consistent with the President's vision, will ultimately benefit American consumers and investors.

Congress should work expeditiously to enact legislation (along the lines of FIT21) to establish a clear and practical regulatory framework for digital assets, addressing the prolonged uncertainty that has hindered innovation, capital formation, and U.S. competitiveness. Several critical regulatory gaps remain, including, among other things, defining which transactions in digital assets and services (*e.g.*, staking) qualify as securities, establishing custody requirements, and determining how blockchain-based transactions should be cleared and settled. Legislation should enable platforms to facilitate both transactions in digital asset securities and non-securities while establishing tailored registration categories for issuers, custodians, exchanges, broker-dealers, and other market participants. Until a formal framework is in place, the SEC should issue guidance, no-action, and exemptive relief to prevent unnecessary disruptions, particularly regarding the custody and trading of digital asset securities. Congress should also encourage the SEC to move quickly to unleash the benefits of tokenization (as described in more detail below). Furthermore, enforcement efforts should prioritize actual fraud and market abuse rather than penalizing firms making good-faith compliance efforts.[6]

It is also critical for lawmakers and regulators to take steps to promote the responsible use of stablecoins in financial services. As ACII observed in a recent letter to the Administration,

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[4] Ari Levy and MacKenzie Sigalos, "SEC's Gensler says 'the law is clear' for crypto exchanges and that they must comply with regulators," CNBC (April 27, 2023), https://www.cnbc.com/2023/04/27/sec-chairman-gary-gensler-says-the-law-is-clear-for-crypto-exchanges.html#:~:text=SEC's%20Gensler%20says%20'the%20law,they%20must%20comply%20with%20regulators&text=SEC%20Chairman%20Gary%20Gensler%20said,deal%20with%20conflicts%20of%20interest.%22.

[5] *See* Dmitry Gooshchin, "Haphazard crypto regulation is driving innovation offshore," American Banker (June 12, 2023), https://www.americanbanker.com/opinion/haphazard-crypto-regulation-is-driving-innovation-offshore.

[6] *See* Press Release, "Hagerty Introduces Legislation to Provide Crucial Regulatory Clarity for Digital Assets" (September 29, 2022), https://www.hagerty.senate.gov/press-releases/2022/09/29/hagerty-introduces-legislation-to-provide-crucial-regulatory-clarity-for-digital-assets/.

stablecoins "will make all forms of online payments faster, safer, and more affordable for everyday Americans. For the future of our economy, it is essential we integrate them in our financial ecosystem and make it easier for institutions, businesses large and small, and consumers to access them. The key is ensuring they can use them safely and securely, which requires oversight and enforcement to weed out bad actors."[7]

By taking these steps, Congress and the SEC can ensure a regulatory approach that fosters responsible innovation and strengthens U.S. leadership in digital asset markets.

Make the U.S. a Leader in Tokenization

Tokenization of real-world assets (RWA) has the potential to transform U.S. capital markets by enhancing liquidity, efficiency, transparency, and financial inclusion.[8] By converting traditionally illiquid assets like real estate and fine art, as well as financial instruments, into digital tokens, tokenization enables broader market participation and unlocks new investment opportunities. Blockchain technology further enhances transparency by providing an immutable transaction record, reducing fraud and improving auditability. Additionally, smart contracts automate transactions, cutting out unnecessary intermediation and lowering costs. Tokenized assets also facilitate fractional ownership, allowing retail investors to access asset classes previously reserved for institutions and high-net-worth individuals. These benefits position tokenization as a key driver of capital formation and economic growth in the future.

To ensure the U.S. remains competitive in this evolving financial landscape, Congress should enact legislation or direct the SEC to establish a clear and practical regulatory framework for tokenization. Regulatory clarity is essential to fostering innovation while maintaining important investor protections. This framework should address legal recognition of tokenized securities and RWAs, provide guidelines for compliance, and enable digital asset trading on regulated platforms. Additionally, it should promote financial inclusion by ensuring tokenized markets remain accessible and secure. Without decisive action, the U.S. risks falling behind international counterparts that are actively embracing tokenization. By implementing a forward-thinking regulatory approach, Congress and the SEC can position the U.S. as a global leader in digital asset markets while expanding economic opportunities for all investors.

Restore the Primacy of Shareholder Value in Corporate Governance

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[7] ACII letter to President Trump and Treasury Secretary Bessent (Mar. 31, 2025), https://aciinstitute.org/wp-content/uploads/2025/03/ACII-Stablecoin-Letter-3-31-25.pdf.

[8] *See generally*, Anutosh Banerjee, Julian Sevillano, and Matt Higginson, "From ripples to waves: The transformational power of tokenizing assets," https://www.mckinsey.com/industries/financial-services/our-insights/from-ripples-to-waves-the-transformational-power-of-tokenizing-assets.

Congress and the SEC must act to rein in the excessive influence of proxy advisory firms and activist shareholders who exploit the shareholder proposal process to advance social, environmental, or political agendas that often do not align with long-term shareholder value. Proxy advisory firms wield disproportionate power by issuing voting recommendations that investors often follow without independent analysis, leading to "robo-voting" that can be disconnected from shareholder value and diminishes shareholder engagement.[9] Activist shareholders, meanwhile, frequently submit proposals that are costly for companies to address and are sometimes more focused on environmental, social or (political) governance (ESG) issues rather than financial performance and shareholder value.[10] To address these abuses, reforms should include, among other things, heightened regulatory oversight of proxy advisors' activities, stricter disclosure and conflict of interest requirements for proxy advisory firms, higher thresholds for the inclusion of shareholder proposals on corporate proxies, and stronger enforcement of the "ordinary business" exclusion under Rule 14a-8 to prevent proposals unrelated to a company's core operations from consuming corporate resources.

By amending Rule 14a-8 and prioritizing shareholder value over activism-driven proposals, the SEC can help ensure that public companies remain focused on long-term growth and shareholder value rather than short-term and disruptive attempts to push social, political, or environmental pet projects. Raising ownership thresholds for submitting proposals and limiting the number of proposals per shareholder would reduce unnecessary distractions while allowing legitimate concerns to be addressed efficiently. Furthermore, requiring proxy advisory firms to disclose their methodologies, conflicts of interest, and fees will enhance transparency and help ensure that investors receive unbiased recommendations. These reforms will reduce costs for companies, improve shareholder engagement, and help refocus corporate governance on sustainable value creation rather than political or social debates that do not directly benefit investors. Congress should also consider explicitly returning more authority over corporate governance to the states.[11]

Adopt Needed Reforms of Technical SEC Rules

Congress should take action to reverse the SEC's recent wave of overreaching and contradictory regulations, which have stifled capital formation, innovation, and investor choice. Many of these rules are redundant, conflict with existing regulations, and create unnecessary burdens that hinder economic growth. To restore market efficiency and competitiveness, Congress should encourage

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[9] *See* Letter from Chairman Jim Jordan and Congressman Scott Fitzgerald to Institutional Shareholder Services (March 31, 2025), https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/evo-media-document/2025-03-31-jdj-sf-request-letter-to-iss.pdf.

[10] *See* Commissioner Paul Atkins, "Shareholder Rights, the 2008 Proxy Season, and the Impact of Shareholder Activism" (July 22, 2008), https://www.sec.gov/news/speech/2008/spch072208psa.htm.

[11] *See* Letter from American Securities Association to House Financial Services Committee (September 10, 2024) ("The [SEC]'s mission creep into corporate law, which is exclusively reserved to the states, has led to an overreach that has been described as the federalization of corporate governance.") (internal quotations and citation omitted), https://a23bc45c-4554-4d0e-a03d-124f54b031fc.usrfiles.com/ugd/a23bc4_f47b11df19a44db4a233efe41a07b3fb.pdf. *See also supra* n.10.

the SEC to adopt a deregulatory agenda focused on removing barriers to investment, promoting liquidity, and expanding opportunities for businesses and investors. This includes implementing long-delayed market data reforms,[12] exempting thinly traded securities from burdensome rules that limit liquidity, and creating a framework for tokenized securities. Additionally, Congress or the SEC should amend outdated pattern day trading rules to provide more flexibility for retail investors,[13] and should take action to prevent penny stocks from using abusive reverse stock splits to remain listed on national securities exchanges to the detriment of retail investors.[14]

Further regulatory reforms should extend to investment management and accounting oversight. The SEC should adopt rules permitting modern, electronic delivery of investor materials and reduce unnecessary restrictions on exchange-traded fund classes for mutual funds. Congress should also push for updates to structured data requirements, allowing alternatives to XBRL, and require the SEC to establish a materiality framework for auditor independence. These reforms will enhance market efficiency, encourage capital formation, and foster innovation while ensuring regulatory oversight remains effective without stifling economic growth. By directing the SEC to implement these changes, Congress can help restore balance to financial markets and promote policies that support businesses, investors, and job creation.

Rein in the SEC's Enforcement Overreach

Congress should act to restore fairness and accountability in SEC enforcement by passing legislation or urging the SEC to implement key rulemaking reforms. The agency's enforcement approach has increasingly prioritized publicity and political objectives over real investor protection and due process, leading to inconsistent and arbitrary actions. Investigatory processes, penalty determinations, and settlement terms often disregard statutory authority and legal precedent, simultaneously harming businesses, investors, and markets. To address these issues, the SEC should issue clear guidance ensuring monetary penalties align with legal standards and do not unfairly harm shareholders.[15] Additionally, formal rules should limit the use of equitable relief and

[12] Letter from ACII to SEC commenting on equity market structure rule proposals (May 20, 2024), https://aciinstitute.org/wp-content/uploads/2024/10/ACII-SEC-Comment-Letter_5-20-24-1.pdf.

[13] Letter from ACII to FINRA, "Regulatory Notice 24-13 (FINRA Requests Comment on the Effectiveness and Efficiency of its Requirements Relating to Day Trading" (February 28, 2025) (FINRA's Pattern Day Trader rules "are overly complex and unduly restrict retail investor participation in the U.S. securities markets by establishing a de facto 'wealth test' to trade securities and strip individuals of the autonomy to make their own financial decisions."), https://aciinstitute.org/wp-content/uploads/2025/03/ACII-Comment-on-Regulatory-Notice-24-13.pdf.

[14] In recent years, there has been a proliferation in the number of low-priced securities listed on national securities exchanges, in large part because of lax exchange listing rules that allow companies to engage in reverse stock splits to come into compliance with minimum pricing increment rules. These companies are often fraudulent shell companies that are subject to illicit "pump and dump" trading activities that harm investors. *See*, *e.g.*, ACII letter to SEC on NYSE listing rule change proposal (Nov. 4, 2024), NYSE-comment-letter-11-4-24.pdf; ACII letter to SEC on Nasdaq listing rule change proposal (Sept. 13, 2024), https://aciinstitute.org/wp-content/uploads/2024/10/srnasdaq2024045-520477-1494622.pdf.

[15] *See* "What Gets the SEC's Atkins Riled Up," Bloomberg Businessweek (February 14, 2005) ("[W]e should show no quarter to people who intentionally, willfully lie, cheat, and steal. They should not be left with the fruit of their

undertakings to those with a clear statutory basis, preventing regulation by enforcement. Congress should also push for reforms to the SEC's settlement process, including revising the "No Admit, No Deny" policy to allow respondents to publicly explain their conduct without undermining settlements. Congress should also consider reforms to statutory automatic disqualifications resulting from SEC enforcement proceedings, which can unfairly and disproportionately penalize individuals and firms for unintentional conduct or minor violations that often have little or nothing to do with the actual subject matter of the statutory disqualifications (*e.g.*, conducting securities offerings). Such reforms should include eliminating *automatic* disqualifications.

Reforming the SEC's use of Administrative Proceedings (APs) is critical to ensuring due process and public trust. The agency has historically overused its in-house courts, raising concerns about bias and fairness. Congress should require the SEC to undertake rulemaking under the Administrative Procedure Act (APA) to guarantee respondents the right to remove cases to federal court, ensuring fairer adjudication. Additionally, minimum qualifications for Administrative Law Judges (ALJs) should be updated to require relevant securities industry experience, ensuring decisions are made by individuals with appropriate expertise. By implementing these types of reforms, Congress can ensure that SEC enforcement is guided by legal integrity, due process, and investor protection rather than political agendas.

Promote Operational Efficiency at the SEC

Congress should take action to improve the SEC's structure and governance by encouraging the agency to implement reforms or by passing legislation to ensure greater efficiency, accountability, and market expertise. The SEC should reorganize and consolidate (where appropriate) its six divisions and 24 offices to better align with modern financial markets and allow for more effective oversight and management. The SEC should also consolidate its geographic footprint, which currently spans 10 regional offices in nine states across the country. To further strengthen oversight, the SEC should review its hiring practices to ensure the agency attracts professionals with expertise in key areas such as cybersecurity, fixed income, and digital assets, while preventing an overreliance on academic hires.[16] Congress should also push the SEC to reassess its contracts with external consultants and other third parties to eliminate wasteful spending.

Misdeeds. But when we extract a penalty from a company for financial fraud, it affects shareholders and employees. If you're a shareholder who held shares through all that and are still holding the shares now, your shares are worth less, but now we're taking money from the company to give only pennies on the dollar back to you. That hurts the company's ability to grow and ultimately hurts shareholder value. Are we just sort of headline-grabbing? Is that really the best way to deter bad conduct, by hurting the people that we're supposedly helping? No. The best solution is to hold individuals accountable because someone in the company cooked the books. We ought to hold individuals accountable, not shareholders."), https://www.bloomberg.com/news/articles/2005-02-13/online-extra-what-gets-the-secs-atkins-riled-up.

[16] *See* Letter from Chairman James Comer to Gary Gensler (August 1, 2023) ("The [Intergovernmental Personnel Act's (IPA)] intent is to allow agencies to hire individuals for short periods of time. The SEC's hirings appear to undermine the IPA, raising concerns that the SEC is using the IPA to avoid normal federal hiring practices and circumvent federal wage restrictions. Additionally, these hirings raise concerns about potential conflicts of interest

To ensure sound decision-making, Congress should direct the SEC to enhance its economic analysis processes and review its use of delegated authority. Establishing Commission-level guidance on economic analysis would improve the quality of regulatory proposals and prevent inadequate assessments from shaping policy. Additionally, the SEC should form a task force to evaluate all existing delegations of authority to staff, identifying which powers should be returned to the Commission to ensure proper accountability. Finally, Congress should authorize the Government Accountability Office to regularly review inefficiencies and potential misuse of resources at the SEC, ensuring taxpayer funds are spent effectively while advancing the agency's core mission of protecting investors, maintaining fair markets, and facilitating capital formation.

Pursue Needed Reform of SROs

In recent years, self-regulatory organizations (SROs) such as the Financial Industry Regulatory Authority (FINRA), the Public Company Accounting Oversight Board (PCAOB), and the Municipal Securities Rulemaking Board (MSRB) have increasingly overstepped their statutory mandates, raising concerns about their effectiveness and accountability. FINRA, for instance, has faced judicial rebuke for attempting to expel brokerages without proper oversight from the Securities and Exchange Commission (SEC), highlighting potential overreach in its enforcement practices, among other criticism of its structure and operations.[17] Similarly, the PCAOB has been criticized for imposing stringent audit standards and substantial fines that may exceed its authority, leading to calls for its functions to be integrated into the SEC. The MSRB's recent rule amendments, aimed at harmonizing dealer regulations and accelerating transaction reporting times, have prompted industry concerns regarding overregulation and the need for thorough cost-benefit analyses.

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for individuals who maintain their prior employment relationships."), https://oversight.house.gov/wp-content/uploads/2023/08/SEC-Intergovernmental-Personnel-Act-Letter.pdf; Letter from Chairmen Jim Jordan, Patrick McHenry, and James Comer to Gary Gensler (Setpember 10, 2024) (the SEC appears to have unlawfully considered "an applicant's political ideology when hiring bureaucrats, a conclusion only reinforced by the SEC's hiring of individuals from left-leaning organizations to fill senior roles at the SEC"), https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/evo-media-document/2024-09-10%20JDJ%20PM%20JC%20to%20SEC%20re%20Political%20Hires%20%281%29.pdf.

[17] *See, e.g.*, Capitol Account, "Finra gets some more unwanted attention from Republicans," reporting on (i) letter from Reps. Luetkemeyer (R-MO), Loudermilk (R-GA), and Rose (R-TN) criticizing FINRA as "a quasi-private, quasi-governmental entity that wields largely unchecked executive powers with virtually no regulatory or legislative accountability"; (ii) letter from Senators Boozman (R-LA), Hagerty (R-TN), and Kennedy (R-LA) criticizing FINRA's penalty guidelines; and (iii) letter from Rep. Byron Donalds (R-FL) criticizing FINRA's board composition as lacking critical experience and expertise, and FINRA's DEI policies as discriminatory (Dec. 6, 2023), https://www.capitolaccountdc.com/p/bank-ceos-can-take-heart-annual-senate; Hester Peirce, "The Financial Industry Regulatory Authority: Not Self-Regulation after All," Mercatus Center Working Paper (January 2015), https://www.mercatus.org/research/working-papers/financial-industry-regulatory-authority-not-self-regulation-after-all; Charles Gasparino, "Trump likely to take an ax to the gov's vast 'woke' bureaucracy if he's back in office," New York Post (September 28, 2024), https://nypost.com/2024/09/28/business/trump-likely-to-take-an-ax-to-the-govs-vast-woke-bureaucracy-if-hes-back-in-office/.

Given these developments, it is imperative to reconsider the current structure of these SROs. To the extent the current SRO structure cannot be fundamentally overhauled to reflect the vision Congress originally intended – as House Republican Conference Chair Lisa McClain wisely proposes in her recently introduced bill, the Restoring Accountability in Market Supervision Act[18] – consolidating FINRA's functions within the SEC would help ensure that future rulemaking and enforcement activities are conducted within the bounds of the SEC's statutory authority and are subject to direct congressional oversight and appropriations. This integration would not only eliminate redundancies and inefficiencies, but also promote a more cohesive and accountable regulatory framework which would be better suited to protect investors and maintain fair, orderly, and efficient markets.

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In closing, ACII once again thanks the Committee for its attention to the important topic of legislative proposals to increase investor access and facilitate capital formation. ACII believes Congress and the SEC need to take decisive action to enact needed reforms to simplify the process for companies to access both the public and private capital markets, enhance access to these markets for all market participants, and ensure that retail investors and consumers have greater opportunities to participate, ultimately fostering a more resilient and vibrant U.S. financial system.

Sincerely,

Katie Boyd
President and Policy Director, The American Consumer and Investor Institute

[18] *See* Sam Sutton, "Global trade war (partially) averted. Now what?", Politico Morning Money (April 10, 2025 ("House Republican Conference Chair Lisa McClain (R-Mich.) has introduced a bill, the Restoring Accountability in Market Supervision Act to refer rulemaking, examination and enforcement authority held by the Financial Industry Regulatory Authority (FINRA) to the Securities and Exchange Commission."), https://www.politico.com/newsletters/morning-money/2025/04/10/global-trade-war-partially-averted-now-what-00283242#:~:text=McClain's%20FINRA%20play%20%E2%80%94%20House%20Republican,the%20Securities%20and%20Exchange%20Commission.