

October 5, 2021

The Honorable Maxine Waters
Chairwoman
House Committee on Financial Services
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
House Committee on Financial Services
Washington, D.C. 20515

Dear Chairwoman Waters and Ranking Member McHenry:

The Healthy Markets Association (HMA) appreciates the opportunity to express our support for two efforts captured by the draft bills noticed in connection with the Committee's October 5th hearing on Oversight of the Securities and Exchange Commission. HMA is a not-for-profit member organization of public pension funds, investment advisers, broker-dealers, exchanges, and market data firms focused on reducing conflicts of interest and improving the transparency, efficiency, and fairness of the capital markets.¹

1. 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)

The SEC's Office of Investor Advocate (OIA) was created by Congress to ensure that the interests of investors would be better represented at the SEC. The OIA's authorizing statute envisions a robust research function, and directs the Office to analyze proposed SEC and SRO rules, with an eye toward ascertaining – in quantifiable terms - their potential implications for retail investors. The OIA should be a powerful voice for investors within the SEC. Unfortunately, that voice is often underutilized and dismissed. The Discussion Draft would enact several necessary and important improvements to safeguard the integrity of the OIA and its ability to accomplish its mission. HMA is pleased to support them.

2. 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)

The Discussion Draft would establish minimum listing standards for National Securities Exchanges listing publicly held companies with multiple classes of stock with unequal voting rights,² including that newly listed companies that utilize multi-class stock

¹ To learn more about HMA or our members, please see our website at <http://healthymarkets.org/about>.

² The Discussion Draft would also establish minimum listing standards for National Securities Exchanges with respect to Board diversity.



structures agree to end such share structure not less than seven years from the date of the issuer's initial public offering.

HMA shares Congress's concern regarding the proliferation of dual and multi-class share structures, which tend to reduce executive and early funders' accountability to public investors, skew corporate incentives in unpredictable and counterproductive ways,³ and may ultimately lead to lower investment returns.⁴ Limiting dual class share structures is the right thing to do for investors, and the markets overall.

Thank you for your attention to these important issues. Should you have any questions, please do not hesitate to contact me at (202) 909-6138.

Sincerely,

A handwritten signature in black ink, appearing to read "Tyler Gellasch". The signature is fluid and cursive, written over a white background.

Tyler Gellasch
Executive Director

³ For example, data suggests issuers using dual class share structures are more likely to exhibit related-party transactions involving the CEO, which may raise concerns about potential conflicts of interest; are less likely to disclose their director evaluation process, which may serve as an indicator of poor board accountability, renewal, and diligence; and more likely to face environmental or social controversies. In addition, directors of dual-class companies are more likely to miss board meetings, which many investors consider a minimum measure of directors' fulfillment of their fiduciary duty to shareholders. See, e.g., Kosmas Papadopoulos, *Dual-Class Shares: Governance Risks and Company Performance*, Inst. Inv. Services, June 28, 2019, available at <https://corpgov.law.harvard.edu/2019/06/28/dual-class-shares-governance-risks-and-company-performance/>.

⁴ Rick Fleming, SEC, *Dual-Class Shares: A Recipe for Disaster*, Oct. 15, 2019, available at <https://www.sec.gov/news/speech/fleming-dual-class-shares-recipe-disaster>.