



September 13, 2022

The Honorable Jack Reed
728 Hart Senate Office Building
Washington, DC 20510

Re: HMA Supports the Private Markets Transparency and Accountability Act

Dear Senator Reed,

On behalf of the Healthy Markets Association (HMA)¹ I write to express our strong support for the Private Markets Transparency and Accountability Act. Your legislation would amend Section 12(g) of the Securities Exchange Act of 1934 to ensure that very highly-valued and large companies provide essential information to investors and the public.

The reforms embodied by your legislation are necessary, long overdue, and directly in keeping with the foundational compromise underpinning our capital markets. As an organization dedicated to informing and empowering investors and regulators, to promote healthy capital markets, HMA supports the policies embodied in your bill, and the principles that underlie them. Indeed, HMA has long urged Congress to give equal consideration to the expectations of *investors* in shaping policy, and your legislation aims to make good on that imperative.²

Your legislation would modernize key aspects of the federal securities laws and reinstate a correlation between the size and value of companies on the one hand, and the obligations to make basic disclosures and be subject to basic accountability on the other. Put simply, your legislation represents a vital rethinking of the relationship between our so-called “public” and “private” securities markets, which has been eroded in recent years by the proliferation of exemptions from the public market regulatory regime.³ In a sharp contrast to the first several decades after the securities laws were

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

² As HMA testified to a House Financial Services Subcommittee in 2018, “[R]ather than focusing solely on what the would-be sellers and their service providers believe might help them, we urge [Congress] to consider equally the expectations and needs of investors.” And what investors generally want is “more, higher quality, and more readily accessible information about companies.” *Hearing on Legislative Proposals to Help Fuel Capital and Growth on Main Street Before the House Financial Services Committee, Subcommittee on Capital Markets, Securities and Investment*, 115th Cong (2018), (statement of Tyler Gellasch, HMA), available at <https://healthymarkets.org/wp-content/uploads/2018/06/05-23-18-HM-letter-Fuel-Capital-Growth.pdf>.

³ Remarks of Hon. Allison Lee, SEC, *Going Dark*, Oct. 12, 2021, available at <https://www.sec.gov/news/speech/lee-sec-speaks-2021-10-12> (“Perhaps the single most significant



adopted, today, a company could argue it is engaged in a “private” offering despite raising an unlimited amount of capital from an unlimited number of investors following a television advertisement during the Super Bowl.

This evolution has resulted in the erosion in investor protections – including rights to information, fair disclosure, and ultimately fair treatment.

At root, the reforms embodied in your bill reaffirm the basic bargain that Congress struck in the depths of the Great Depression; the idea that a company’s ability to avail itself of privilege of raising capital from the public should be conditioned upon the company providing the public with essential information about their operations, governance, and finances.⁴

For years, Section 12(g) helped ensure that large, widely-held companies would be required to make public filings.⁵ Unfortunately, in recent years, technological changes, regulatory changes, and the extreme growth in the private markets have rendered this backstop ineffective.⁶ As a result, companies may be able to avoid triggering any public disclosures of their operations, governance or finances – regardless of how large they may grow.

The Private Markets Transparency and Accountability Act would update Section 12(g) and rebuild this important backstop to ensure that large, widely held companies operate with a baseline of public accountability. It would restore and protect investors and the public markets we all depend upon to drive our economy. 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', written in a cursive style.

Tyler Gellasch
President and CEO
Healthy Markets Association

development in securities markets in the new millennium has been the explosive growth of private markets. The increasing inflows into these markets have also significantly increased the overall portion of our equities markets and our economy that is non-transparent to investors, markets, policymakers, and the public.”).

⁴ H.R. Rep. 73-85 (1933).

⁵ 15 U.S.C. § 78I.

⁶ See, *In the Public Interest: Why Policymakers and Regulators Must Restore Public Markets*, HMA, at 13, Jan. 2022, available at <https://healthymarkets.org/product/public-vs-private-markets-a-special-report>.