

# United States Senate

WASHINGTON, DC 20510-0908

May 18, 2020

The Honorable Mike Crapo  
Chairman  
Senate Committee on Banking, Housing, and  
Urban Affairs  
534 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Sherrod Brown  
Ranking Member  
Senate Committee on Banking, Housing,  
and Urban Affairs  
534 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Chairman Crapo and Ranking Member Brown:

We respectfully request that the Senate Committee on Banking, Housing, and Urban Affairs expediently consider and report S.1731, the *EQUITABLE Act*, to ensure that U.S. accounting and oversight regulations are applied equally to all firms listed on U.S. securities exchanges. Currently, Chinese companies listed on U.S. stock exchanges, including state-owned enterprises, are widely shielded by the Chinese government from meaningful oversight by American financial regulators, including the Public Company Accounting Oversight Board (PCAOB).

This untenable situation has created an unfair advantage for Chinese over American companies. While Chinese companies can escape full U.S. oversight of accounting laws, their American counterparts are subject to thorough inspection by the PCAOB. Recent financial scandals involving Chinese companies listed on U.S. stock exchanges, like Luckin Coffee,<sup>1</sup> demonstrate the need for full oversight of Chinese companies. They also highlight the ongoing harm to American investors and capital markets caused by this bifurcated system. Chinese companies can ignore U.S. laws while reaping the benefits associated with accessing the world's deepest and most liquid capital markets.

The Securities and Exchange Commission (SEC) has recently issued statements highlighting the risks posed by emerging markets, including Chinese firms listed on American stock exchanges. While these warnings are a welcome development, they are not a solution to the problem. The problem is not that the market has insufficiently priced in the "risk" that Chinese companies report bad information, but that Chinese companies operate under a categorically different financial regime than their American counterparts.

American investors, particularly small everyday retail investors, have little or no recourse when defrauded by predatory Chinese companies. It falls to Congress to ensure that the standards

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<sup>1</sup> <https://www.nytimes.com/2020/04/30/business/luckin-coffee-china-fraud-wall-street.html>

set about in law are applied across the board without preference for companies from one nation or another.

Thank you for your consideration. We look forward to assisting in any way to ensure that this important concern is fully addressed.

Sincerely,

Handwritten signature of Marco Rubio in black ink.

Marco Rubio  
U.S. Senator

Handwritten signature of Tom Cotton in blue ink.

Tom Cotton  
U.S. Senator

Handwritten signature of Rick Scott in blue ink.

Rick Scott  
U.S. Senator