

February 15, 2024

The Honorable Gary Gensler
Chairman
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

Dear Chairman Gensler:

I write with regard to the potential initial public offering (IPO) of the fast-fashion company SHEIN. News reports indicate that SHEIN approached regulators in the People's Republic of China (PRC) to gain approval of its IPO. This revelation makes virtually certain that the Chinese government will censor SHEIN's filing documents to hide pertinent information from U.S. regulators and investors about the extent and nature of its operations in the PRC, as well as the risks of doing business in the PRC. As the nation's chief securities regulator, I urge you to require extraordinary disclosures from SHEIN regarding its structure, interactions with the Chinese government and Chinese Communist Party (CCP), and the risks of doing business in the PRC. If SHEIN is unwilling or unable to provide these disclosures, I urge you to protect U.S. investors by blocking the company's IPO.

SHEIN presents itself as a "global" company to hide its considerable ties to the PRC. While the company moved its headquarters to Singapore in 2022, it was founded in the PRC by a Chinese national, its current CEO, and employs thousands of people in the PRC.¹ SHEIN also sources, manufactures, and ships most of its apparel from a massive network of factories in the PRC.² SHEIN's operations in the PRC mean it is subject to the whim of the Chinese government, and by extension the Chinese Communist Party (CCP). In short, SHEIN is not a "global" company. It is a China-based company.

If there was any doubt that SHEIN is a China-based company, recent news articles reveal the company approached the China Securities Regulatory Commission (CSRC) and Cyberspace Administration of China (CAC) to approve its IPO in the United States.³ These Chinese regulators reportedly are holding discussions with the company's senior executives about the IPO. They are also investigating SHEIN's data-security practices to prevent information about the company's employees, suppliers, and contract manufacturers from leaking outside of the PRC.⁴

SHEIN's collaboration with Chinese regulators raises serious doubts that its IPO filings are complete and accurate. As I have written to you in the past, those very regulators order Chinese companies to deceive U.S. authorities and investors about the risks of doing business in

¹ <https://www.wsj.com/business/retail/shein-ipo-ceo-sky-xu-5483911e>

² <https://www.wsj.com/business/retail/behind-cheap-stuff-from-shein-and-temu-a-hard-bargain-with-suppliers-fa7ba7c0>

³ <https://www.ft.com/content/300cf9c4-6036-42ce-bea7-3af14598f583>

⁴ <https://www.wsj.com/world/china/fashion-giant-faces-new-ipo-hitch-chinas-cybersecurity-police-70c57561>

the PRC.⁵ In March 2023, the CSRC published a directive requiring Chinese companies to comply with the country's national-security laws to list overseas. This rule prohibited Chinese companies from making statements in their prospectuses that "misrepresent or disparage laws and policies, [the] business environment and judicial situation" in China.⁶ The *Wall Street Journal* reports that Chinese regulators specifically forbid statements that the Chinese economy has suffered "adverse changes," that China's judicial and administrative proceedings can be protracted, and that China's laws and regulations are subject to change "without notice."⁷ Later that year, the CSRC commanded law firms not sign off on offshore IPO documents that disclose the risks of China's business environment, including the country's economic instability, expansive national-security laws, and arbitrary judicial system.⁸ Most recently, China's Ministry of Finance and CAC published draft rulemaking requiring "relevant data," broadly defined, to be stored "within China."⁹ The data-storage requirement is likely an attempt to prevent enforcement of U.S. laws like the *Uyghur Forced Labor Prevention Act* (UFLPA), which SHEIN has violated.

Investors deserve to know the truth about SHEIN. As a China-based issuer, SHEIN is subject to enhanced disclosure requirements and review by the SEC.¹⁰ As you consider SHEIN's registration statement and related documents, I ask that you require additional disclosures about its operations, ties to the PRC and CCP, as well as the serious risks of doing business in the PRC. These disclosures should include, at minimum:

- Acknowledgement that a majority of SHEIN's operations are in the PRC, and that SHEIN therefore is subject to the whim of the Chinese government and, by extension, the CCP.
- Acknowledgement that laws and regulations in the PRC can change without notice, a fact that could destroy SHEIN's business overnight if it falls out of favor with the CCP.
- Acknowledgement that China's economy has suffered adverse changes due to deflation and a housing-bubble-induced financial crisis, which could harm SHEIN's many Chinese employees, suppliers, and contract manufacturers.
- Acknowledgement that China's administrative and judicial proceedings can be protracted, threatening to mire SHEIN in legal disputes and divert resources away from its core business.
- Acknowledgement that SHEIN has sold apparel made with cotton fibers from the PRC's Xinjiang Uyghur Autonomous Region (XUAR), where the CCP uses slave labor in the production of cotton.
- Acknowledgement that SHEIN's merchandise could be seized or otherwise barred from its most important consumer market by U.S. Customs and Border Protection for violating the UFLPA.
- Acknowledgement that SHEIN's business model relies on exploiting de minimis entry to avoid customs duties and inspections, and that there are multiple, extant legislative proposals that would end SHEIN's ability to exploit this provision.

⁵ <https://www.rubio.senate.gov/rubio-seeks-to-protect-american-investors-from-chinese-deception/>

⁶ <https://www.csri.global/research/xis-national-security-agenda-how-can-governments-and-businesses-de-risk>

⁷ <https://www.wsj.com/articles/chinas-economy-isnt-ailingits-evolving-ipo-lawyers-told-to-watch-their-language-4d388b23>

⁸ <https://www.reuters.com/world/china/beijing-pushes-toning-down-china-risks-ipo-prospectuses-sources-2023-07-24/>

⁹ <https://www.scmp.com/economy/china-economy/article/3241523/chinas-national-security-push-aims-put-auditors-cross-hairs-when-sensitive-data-involved>

¹⁰ <https://www.sec.gov/news/public-statement/gensler-2021-07-30>

- Acknowledgment that SHEIN has infringed the copyrights of its competitors in the apparel industry, and is subject to protracted and costly legal disputes about the same.

These disclosures are true and essential for anyone to fairly appraise the risk of investing in SHEIN. It is reasonable to ask whether any company so closely tied to an adversary nation should be able to raise funds in our capital markets, but as long as they are, transparent and exhaustive disclosures are the minimum price of admission. If SHEIN refuses to make these disclosures, then I urge you to protect U.S. investors by blocking SHEIN's IPO.

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Rubio', with a stylized flourish at the end.

Marco Rubio
U.S. Senator