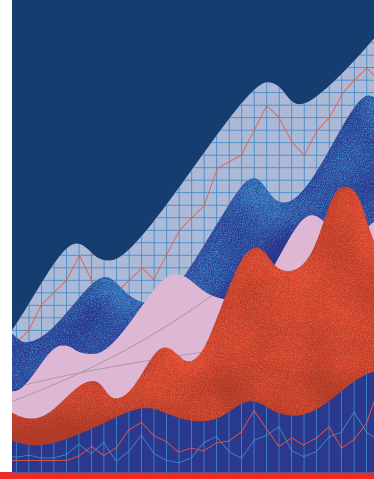


IMPROVING THE REGULATORY ENVIRONMENT FOR PUBLIC COMPANIES

THE UNFINISHED AGENDA

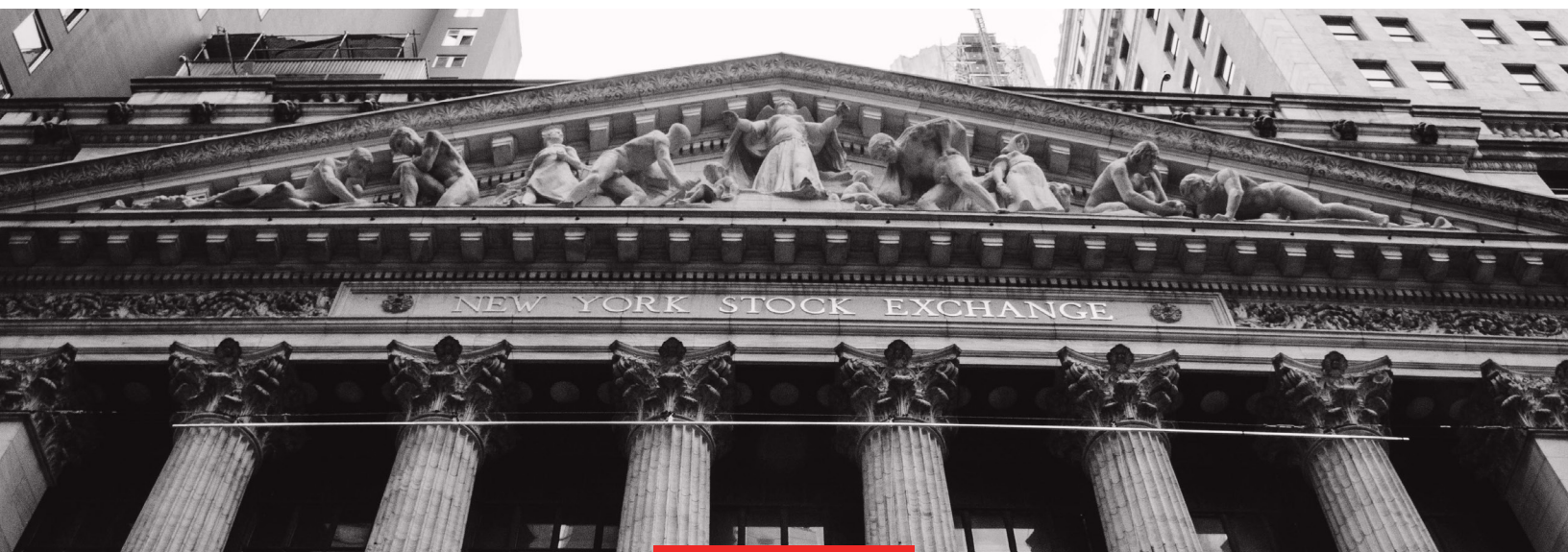


BACKGROUND

In 2018, seven organizations came together and released a [report](#) that included twenty-two recommendations to modernize regulations to help more businesses go and stay public. The report was issued out of the concern shared by our organizations that the secular decline in public companies over the last two decades has negatively impacted job creation and long-term economic growth.

Over the last few years, the Securities and Exchange Commission (SEC) has acted on several of these recommendations, including reform of the [shareholder proposal process](#) and [proxy advisory system](#), expansions of [certain provisions of the 2012 Jumpstart our Business Startups \(JOBS\) Act](#), targeted [relief from the internal controls provisions of the Sarbanes-Oxley Act](#) for small issuers, and [modernizing disclosure requirements](#) for public companies.

Congress has taken a bipartisan interest in the challenges facing companies interested in going public. In 2018, the U.S. House of Representatives, with the support of Representative Maxine Waters, now Chair of the House Financial Services Committee, passed [legislation](#) with a series of proposals designed to help America's small businesses and entrepreneurs and to protect investors. Senator Pat Toomey, Ranking Member of the Senate Banking Committee, recently [indicated](#) his desire to reignite the conversation on ensuring companies can access the public markets.



While these changes mark a big improvement for companies thinking about going public, we urge Congress and the SEC to prioritize additional reforms, including:

- ▶ Promoting research coverage for pre-IPO companies, emerging growth companies (EGCs), and other small issuers. The SEC should conduct a holistic examination of current SEC rules, the Global Research Analysis Settlement, and the EU's Markets in Financial Instruments Directive to produce recommendations for coverage of small companies can be improved;
- ▶ The SEC should permit EGCs to follow simplified quarterly reporting requirements, including the option to issue a press release with earnings instead of the current 10-Q;
- ▶ Purchases of EGC shares by venture capital and other funds should be deemed "qualifying investments" for purposes of Registered Investment Adviser exemption determinations;
- ▶ The SEC should permit EGCs to suspend unlisted trading privileges (UTP) to improve liquidity in their secondary market shares, and exchanges should have the ability to work with EGCs to select the proper intelligent tick size for individual stocks to be traded.
- ▶ Form S-3 should be amended to eliminate the "baby-shelf" restrictions and permit all issuers to use shelf registration Forms S-3 and F-3.

Our organizations remain committed to work with the SEC and Congress on a bipartisan basis to advance these reforms.

