

September 26, 2023

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

Mr. Robert W. Cook
President and CEO
1735 K Street, NW
Financial Industry Regulatory Authority
Washington, DC 20006

Dear Chairman Gensler and Mr. Cook:

I and other Members of Congress have previously raised concerns that the SEC and FINRA continue to allow registered broker-dealers with ownership ties to the Chinese Communist Party (CCP), such as Webull Financial, LLC (Webull), Moomoo, Inc. (Moomoo), and Prometheus Inc. (Prometheum) to operate in the U.S.¹ These firms' connections to the CCP raise serious national security, market integrity, and investor protection concerns. Specifically, the connections call into question the ability of the SEC and FINRA to assure the investing public that their personally identifiable information and financial data can and will be kept private and secure even when maintained at firm stems located in the U.S. In addition, neither the SEC nor FINRA have the authority to oversee any operations or employees these firms may have in China (e.g., Webull's operations and employees in China) or their CCP-connected owners, affiliates, partners, or joint venturers.

On July 17, 2023, the SEC's Division of Corporation Finance posted a letter on the SEC's website entitled, "Sample Letter to Companies Regarding China-Specific Disclosures" (Sample

¹ Letters from Sen. Tommy Tuberville (R-AL) to SEC and FINRA (June 5, 2023) available here: https://www.tuberville.senate.gov/wp-content/uploads/FILE_3666.pdf and to SEC and DOJ (July 10, 2023) available here: https://www.tuberville.senate.gov/wp-content/uploads/FILE_3666.pdf; Letter from Sens. Tommy Tuberville (R-AL), Ted Cruz (R-TX), Mike Braun (R-IN), Rick Scott (R-FL), and Roger Marshall (R-KS) to SEC Chair Gary Gensler (July 29, 2022) available here: <https://www.tuberville.senate.gov/newsroom/press-releases/tuberville-colleagues-call-for-investigation-into-stock-trading-platforms-with-ties-to-china/>; Letter from Rep. Ritchie Torres (NY-15) to SEC IG and GAO (July 13, 2023) available here: <https://twitter.com/RepRitchie/status/1679534903661301761/photo/1>; Letter from Rep. Sherman (CA-32) to SEC as reported in Capitol Account (Feb. 23, 2023); Letters from Rep. Lawler (NY-17) to Treasury available here: <https://lawler.house.gov/news/documentsingle.aspx?DocumentID=257> and here: <https://lawler.house.gov/news/documentsingle.aspx?DocumentID=556> and questioning by Rep. Mike Lawler (NY-17), House Financial Services Hearing Transcript (Feb. 7, 2023) at <https://www.congress.gov/event/118th-congress/house-event/115279>; See questioning by Rep. Blaine Luetkemeyer (MO-3), House Financial Services Committee Hearing Transcript Hearing Transcript (June 13, 2023) at <https://www.congress.gov/event/118th-congress/house-event/116085>; See questioning by Rep. Lee Zeldin (NY-1), House Financial Services Committee Hearing Transcript Hearing Transcript (Feb. 18, 2021) at <https://www.congress.gov/event/117th-congress/house-event/111207>; See questioning by Sen. Steve Daines (R-MT), Senate Banking Committee Hearing (Sept. 14, 2021) at <https://www.banking.senate.gov/hearings/09/10/2021/oversight-of-the-us-securities-and-exchange-commission>; Letter from Senator Cotton (R-AR) to Director of National Intelligence Avril Haines (Sept. 23, 2021) available here: <https://www.cotton.senate.gov/news/press-releases/cotton-calls-for-investigation-of-chinese-stock-trading-app>

Letter).² The Sample Letter and associated guidance addresses “the disclosure obligations of companies based in or with a majority of their operations in the People’s Republic of China (China-based Companies).” The Sample letter and associated guidance reminds China-based companies of their disclosure obligations under the Holding Foreign Companies Accountable Act and, where applicable, the Uyghur Forced Labor Prevention Act. The Sample letter also seeks “specific and prominent disclosure about material risks related to the role of the government of the People’s Republic of China (the PRC) in the operations of China-based Companies.”

There is no doubt that the investing public needs full and clear disclosures regarding U.S. companies’ direct or indirect affiliations with the CCP. However, because the Sample Letter and associated guidance appears to be narrowly targeted at China-based companies, it is entirely insufficient to address a number of other serious concerns regarding non-China based U.S. companies with direct or indirect ties to or relationships with the CCP, including the U.S. broker-dealers described above. The SEC’s limited effort in this regard is particularly troubling given the important role registered broker-dealers play in our financial markets, including the fact that many of these firms provide (or intend to provide) products and services directly to retail investors, which requires the collection of substantial amounts of customers’ personal information. Existing and potential U.S. customers of these firms deserve to know material information about these firms’ ties to the CCP, including, for example, whether and how their personal and financial information is protected from the CCP, as well as the fact that neither the SEC nor FINRA have authority to directly oversee any of these firms’ China-based operations and employees or their owners located in China.

Please respond to the following requests:

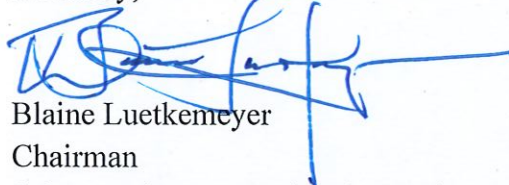
1. Chairman Gensler, describe in detail why the staff of the Divisions of Trading and Markets and Investment Management have not released similar guidance and sample letters directed at SEC/FINRA registered broker-dealers and SEC registered investment advisers, respectively, with direct or indirect connections to the CCP, so that U.S. customers of these firms have the material information they need to decide whether they can safely use the products and services these broker-dealers and investment advisers provide.
2. Chairman Gensler, describe in detail the SEC’s concerns regarding SEC/FINRA registered broker-dealers and SEC registered investment advisers with direct or indirect connections to the CCP including, among other things, market integrity, investor protection and data security concerns.

² <https://www.sec.gov/corpfin/sample-letter-companies-regarding-china-specific-disclosures>

3. Mr. Cook, describe in detail FINRA's concerns regarding SEC/FINRA registered broker-dealers with direct or indirect connections to the CCP including, among other things, market integrity, investor protection and data security concerns.
4. We are aware that U.S. securities laws and other laws apply to U.S. broker-dealers and their operations in employees in the U.S.
 - Chairman Gensler, describe in detail whether and how U.S. securities laws and the SEC's examination and enforcement authorities apply to (1) the China-based employees and/or operations of SEC/FINRA regulated brokers and SEC registered investment advisers; and (2) China-based owners of SEC/FINRA registered brokers and SEC registered investment advisers.
 - Mr. Cook, describe in detail whether and how FINRA's rules and FINRA's examination and enforcement authorities apply to (1) the China-based employees and/or operations of SEC/FINRA registered broker-dealers; and (2) China-based owners of SEC/FINRA registered broker-dealers.
5. Chairman Gensler, describe in detail whether the SEC has authority to directly examine and compel production of information from China-based employees of SEC/FINRA registered broker-dealers and SEC registered investment advisers.
6. Mr. Cook, describe in detail whether FINRA has authority to directly examine and compel production of information from China-based employees of SEC/FINRA registered broker-dealers.

I would appreciate written responses no later than October 26, 2023. If you have any questions, please do not hesitate to contact Mitch Erdel at Mitch.Erdel@mail.house.gov.

Sincerely,



Blaine Luetkemeyer

Chairman

Subcommittee on National Security,

Illicit Finance, and International

Financial Institutions