

May 19, 2025

The Honorable Paul Atkins
Chair
Securities & Exchange Commission
100 F Street NE
Washington, DC 20522

Dear Chair Atkins:

Congratulations on your confirmation and appointment to chair the Securities and Exchange Commission (SEC). As you get settled in your new role, I write to express my concern with the continued risk that Chinese companies traded in U.S. exchanges pose to American investors and fiduciaries. I encourage the SEC to explore additional options to protect American economic and national security interests from these companies.

Despite their presence on stock exchanges in the United States, these corporations are marked by a chronic—and often intentional—lack of transparency; poor corporate governance or even fraudulent behaviors; and the constant threat of arbitrary or spurious enforcement actions by Chinese regulators. Moreover, the Chinese corporations lack incentives to disclose their business practices because the enforcement measures available to U.S. regulators pale in comparison to the punitive threats posed by Chinese agencies. Indeed, the Chinese government just released Chinese-national employees of a U.S. auditing firm from prison after detaining them for two years for carrying out audits that were supposedly permitted under a 2022 agreement with the Public Company Accounting Oversight Board (PCAOB).¹

This is not the first time I have raised this issue with the SEC. I sent a similar letter to your predecessor on June 22, 2023.² At that time, there were 252 Chinese companies listed on major American stock exchanges with a combined market capitalization of \$1.03 trillion. Unfortunately, the prior Administration did not do enough to protect American investors—the problem has only gotten worse. According to the U.S.-China Economic and Security Review Commission (the “Commission”), as of March 7, 2025, there were 286 Chinese companies listed on either the New York Stock Exchange (NYSE), the Nasdaq, or the NYSE American.³ The combined market capitalization is now over \$1.1 trillion.⁴ Indeed, there were 286 new initial

¹ David Pieson & Keith Bradsher, *China Frees Employees of U.S. Consulting Firm After 2-Year Detention*, N.Y. TIMES (Mar. 24, 2025), <https://www.nytimes.com/2025/03/24/world/asia/china-mintz-release-us.html>.

² See Sen. Todd Young, Letter to the Hon. Gary Gensler (June 22, 2023), https://www.young.senate.gov/wp-content/uploads/imo/media/doc/letter_to_security_and_exchange_commission_sec_chair_gary_gensler.pdf.

³ *Chinese Companies Listed on Major U.S. Stock Exchanges*, U.S.-China Econ. & Sec. Rev. Comm’n at 1 (Mar. 7, 2025), https://www.uscc.gov/sites/default/files/2025-03/Chinese_Companies_Listed_on_US_Stock_Exchanges_03_2025.pdf (hereinafter “Comm’n Rep.”).

⁴ *Id.*

public offerings for Chinese corporations conducted in 2024 and early 2025, raising \$250 billion for the Chinese economy.⁵ And although the few Chinese state-owned entities that were listed in 2023 have now de-listed from American exchanges, the Commission reports that it was *Chinese regulators*—not Americans—who made that decision.⁶ Nearly two years after I first raised the issue with the SEC, the risk to American investors remains unacceptable.

The use of variable interest entities (VIEs) is now subject to greater control by Chinese regulators, but it is still not clear whether foreign investors have legal recourse against such companies because their structure remains unrecognized by Chinese law. Investors who fall victim to securities fraud or mismanagement could be stuck holding the bill if Chinese courts refuse to vindicate their shareholder rights.

Second, I am concerned about the risks that U.S. companies undertake when they do business in China. For decades, China has restricted access to its markets for American companies, coerced them to act against their own interest when they do get access, and forced them to hand over their technology and other intellectual property to Chinese firms that collude with government officials. Moreover, in the event of a conflict between the United States and China, U.S. companies operating in China would face serious economic consequences. I believe American investors need more information about these risks.

Perhaps more importantly, I continue to worry that American investors are providing capital to Chinese companies that are propelling China's advancements in military technology, ultimately funding the weapons and systems that will be used against U.S. forces on the battlefield. The Biden Administration's outbound investment regulations—while perhaps a good first start—are insufficient to ensure that American funding does not underwrite the Chinese military.⁷ As the Commission noted, Chinese company Hesai Group remains listed on the Nasdaq despite having been designated as a Chinese military company last year.⁸ And as we already know, *all* Chinese companies are required to “provide technical support and assistance to public security organs” by sharing private, proprietary information with government intelligence agencies.⁹ In other words, *any* investment in Chinese companies advances Chinese military efforts.

Based on these concerns, I—and the American public—need more information from the SEC to ensure that everything possible is being done to protect American investors. I therefore request your response to the following questions:

⁵ *Id.*

⁶ *Id.*

⁷ See generally Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern, 89 Fed. Reg. 90398 (Nov. 15, 2024) (codified at 31 C.F.R. pt 850).

⁸ See Comm'n Rep. at 6.

⁹ Murray Scot Tanner, *Beijing's New National Intelligence Law: From Defense to Offense*, LAWFARE (July 20, 2017), <https://www.lawfaremedia.org/article/beijings-new-national-intelligence-law-defense-offense>.

1. Are current disclosure standards for VIEs sufficient to protect U.S. investors? What further regulations are needed to provide effective oversight of VIEs? Should VIEs continue to be permitted to list on U.S. stock exchanges?
2. Similarly, the current disclosure requirements for U.S. businesses that operate in China sufficient to protect U.S. investors? What other information do investors need to make informed decisions about the risks companies assume when they do business in China?
3. Given the willingness of the Chinese government to compel Chinese firms to engage in extensive economic and financial deception, what steps is the SEC taking to ensure that access remains sufficient to meet the enforcement requirements of the *Holding Foreign Companies Accountable Act*, as amended?¹⁰
4. What additional information actions will you commit to taking to ensure the SEC is adequately educating asset managers, financial planners and advisors, and index makers to the threat posed by Chinese regulators to Chinese firms, the risks of Chinese political actions that may jeopardize the stability of Chinese financial markets, and the accompanying risk to index funds, exchange-traded funds (ETFs), and passive investors?
 - a. Is the SEC considering any new actions or regulations mandating broader disclosure requirements for indexes?
 - b. What additional actions, to include requiring registration of all Chinese equity transactions and holdings in U.S. capital markets, is the Commission exploring? If you believe the Commission should not require registration, why not?
5. Given the inherent risk, why should Chinese companies with VIE structures be permitted to be listed on indexes—especially indexes used by passive investors and retirement and pension funds? If the Chinese government refuses to recognize such structures, is it not true that American investors would be left without recourse?
6. What actions is the SEC taking to assess the role of Chinese firms listed on American exchanges that also play a role in China’s Military-Civil Fusion strategy? Please describe cooperation between the SEC, the Department of the Treasury, and the Department of Defense in monitoring U.S.-listed firms to ensure that they are not actively contributing to the material or financial benefit of the People’s Liberation Army.
7. Do you believe the SEC should be able to restrict the ability of American persons and firms to invest in Chinese companies on the Bureau of Industry and Security’s Entity List? If not, why?
 - a. What steps can the Commission take to ensure investors are aware that investments in listed companies—to include their subsidiaries and successors—may be supporting the economic and national security objections of the Chinese Communist Party?
8. Do you believe the SEC should explore a mandatory risk assessment for corporate directors and governors to provide to shareholders on an annual basis that details the risk to shareholders of any Chinese regulatory or political action that may jeopardize operations, investments, financing, or supply chains in China?
 - a. If not, why?
 - b. If so, what steps do you believe the SEC should require publicly traded companies in the U.S. to pursue?

¹⁰ Pub. L. No. 116-222, 134 Stat. 1063 (2022).

Thank you for your prompt attention and response to these matters. I look forward to engaging with you on these pressing issues.

Sincerely,

A handwritten signature in blue ink, appearing to read "T. Young", with a stylized, cursive script.

Todd Young
United States Senator