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PRESS RELEASE

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Chairman Hensarling Delivers Opening Statement at Hearing with SEC Chairman Jay Clayton

WASHINGTON – Financial Services Committee Chairman Jeb Hensarling (R-TX) delivered the following opening statement at today's full committee hearing with Securities and Exchange Commission (SEC) Chairman Jay Clayton:

I think we all know that the SEC has a well-established three part mission, to include investor protection, the maintenance of fair, orderly, and efficient markets, and the promotion of capital formation.

Unfortunately in the recent past, this latter aspect of the mission has received short shrift. That's why I'm very grateful to Chairman Clayton for his leadership in devoting more time and attention to the capital formation mission.

And although our economy is clearly red hot today, there are some worrisome signs that we must confront. Number one, as recently as 2016, entrepreneurship – the provision of startups – reached a forty-year low. We know that IPOs have been on a slide downward. Although we've seen a gradual uptick, they are half of what they were 20 years ago.

Although we passed a bipartisan banking bill, it is largely a community bank, credit union, and banking bill – when 80% of our business debt comes from investors in our capital markets, not from lending officers in our banks.

Small business represents 99% of all business enterprises and half of our U.S. jobs. Surely they are the job engine of America. And when companies do go public, unfortunately, many are withering on the vine.

And so we have a number of challenges. If these businesses cannot find adequate capital, it begs the question, where will the Amazons, the Googles, and the Apples of tomorrow come from? How can we sustain long-term 3% GDP growth without ensuring that we have plenty of these startups in the pipeline?

It also begs the question, how will we successfully compete with China – particularly "Made in China 2025" – unless we infuse more reforms into our capital markets? Because we know China is committed to dominating several different fields including high tech, biotech, and artificial intelligence. And we know they have a very healthy IPO market and currently produce roughly a third of the world's IPOs – IPOs that I think we would much prefer to have in America.

And another question that we have to ask ourselves and ask the SEC, how can Main Street investors have more opportunities to invest in their futures? How can they invest in great companies when we look at our IPO market and see that so many of our public companies are now older, they're bigger, they're fewer? And when they go to the public markets, this is often at a billion dollar valuation when so much of the explosive growth took place as a private company that they were not allowed to invest in. Why was it only the wealthy

that managed to invest in these companies on the way up, and not our teachers, our barbers, our farmers, and our first responders?

We too must act, and we have an opportunity since we know the Senate will be voting on a package of capital formation bills. Historically, this is something that has been done on a bipartisan basis in this Committee. I note, again, that when President Obama signed the first JOBS 1.0 Act into law he said it was an “important step on the journey to remove barriers of capital formation for entrepreneurs.” That job must continue, both at the SEC and Congress, and I look forward to hearing from our witness on the capital formation agenda of the SEC.

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