

RESTORING THE SECONDARY TRADING MARKET ACT

MARCH 25, 2026.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HILL of Arkansas, from the Committee on Financial Services, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 7127]

The Committee on Financial Services, to whom was referred the bill (H.R. 7127) to amend the Securities Act of 1933 to exempt off-exchange secondary trading from State regulation where such trading is with respect to securities of an issuer that makes publicly available certain current information, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Restoring the Secondary Trading Market Act”.

SEC. 2. EXEMPTION FROM STATE REGULATION.

Section 18(a) of the Securities Act of 1933 (15 U.S.C. 77r(a)) is amended—

- (1) in paragraph (2), by striking “or” at the end;
- (2) in paragraph (3), by striking the period at the end and inserting “; or”;
- and
- (3) by adding at the end the following:
 - “(4) shall directly or indirectly prohibit, limit, or impose any conditions upon the off-exchange secondary trading (as such term is defined by the Commission) in securities of an issuer that makes current information publicly available, including—
 - “(A) the information required in the periodic and current reports described under paragraph (b) of section 230.257 of title 17, Code of Federal Regulations; or
 - “(B) the documents and information specified in paragraph (b) of section 15c2–11 of title 17, Code of Federal Regulations.”.

PURPOSE AND SUMMARY

H.R. 7127, the *Restoring the Secondary Trading Market Act*, was introduced on January 16, 2026, by Republican Representative Dan Meuser (PA–09). H.R. 7127 amends the *Securities Act of 1933* to exempt off-exchange secondary trading from state regulation for issuers that comply with Regulation A or Rule 15c2–11.

BACKGROUND AND NEED FOR LEGISLATION

There are two types of markets to invest in securities: primary markets and secondary markets. The primary market is where companies sell new securities to investors for the first time, usually through an IPO. The secondary market is where investors buy and sell securities from other investors, where transactions can take place on exchange or off exchange. The New York Stock Exchange and the NASDAQ are examples of on-exchange secondary markets. Off-exchange transactions are carried out directly between two parties, instead of through an exchange.

The sale of securities is regulated both on the federal and state levels. Before the Securities and Exchange Commission (SEC) was established in 1934, individual states had already implemented “blue sky laws” aimed at addressing fraud. Thus, securities regulation in the U.S. consisted of a nationwide patchwork of federal and state securities laws, which often duplicated each other. As securities markets grew and became more complex, the federal and state laws regulating them became more fragmented and burdensome.

In September 2025, the SEC’s Office of the Advocate for Small Business Capital Formation released a report to Congress summarizing policy recommendations made during the SEC’s 44th Annual Small Business Forum. The Forum recommended that the SEC preempt state blue sky laws for off-exchange secondary trading in companies that make available robust, publicly accessible, and timely public information, such as information required by Regulation A Tier 2.

Despite past attempts to streamline federal and state laws by providing exemptions from certain “blue sky laws,” securities regulation remains disjointed. H.R. 7127 prevents states from prohibiting, limiting, or imposing any conditions upon the off-exchange

secondary trading markets in securities of an issuer complying with their obligations under Regulation A or Rule 15c2–11. This streamlined approach ensures that if a company satisfies federal transparency standards, their shares can be traded nationwide with the cost and complexity of navigating a confusing array of state laws.

COMMITTEE CONSIDERATION

119TH CONGRESS

On January 16, 2026, Representative Meuser introduced H.R. 7127, the *Restoring the Secondary Trading Market Act*.

The bill was referred solely to the Committee on Financial Services. The bill was attached to the February 26, 2025, hearing titled “The Future of American Capital: Strengthening Public and Private Markets by Increasing Investor Access and Facilitating Capital Formation” and the March 25, 2025, hearing titled, “Beyond Silicon Valley: Expanding Access to Capital Across America.”

On March 4, 2026, the Committee on Financial Services met in open session to consider, among others, H.R. 7127. The Committee ordered H.R. 7127, as amended, to be reported with a favorable recommendation to the House of Representatives.

118TH CONGRESS

On April 6, 2023, Representative Meuser introduced H.R. 2506, the *Restoring the Secondary Trading Market Act*. The bill is an earlier iteration of H.R. 7127. The bill was referred solely to the Committee on Financial Services.

On April 24, 2023, Representative Patrick McHenry (R–NC) introduced H.R. 2799, the *Expanding Access to Capital Act of 2023*. This package included the previously introduced H.R. 2506. On April 26, 2023, the Committee on Financial Services ordered H.R. 2799, as amended, to be favorably reported to the House of Representatives by a vote of 28 to 21. On March 8, 2024, H.R. 2799 was passed by the House by a vote of 212 to 205. The bill was received in the Senate and referred to the Committee on Banking, Housing, and Urban Affairs. There was no further legislative action on H.R. 2506 or H.R. 2799 in the 118th Congress.

RELATED HEARINGS

Pursuant to clause 3(c)(6) of rule XIII of the Rules of the House of Representatives, the following hearings were used to develop H.R. 7127:

On February 26, 2025, the Subcommittee on Capital Markets held a hearing titled, “The Future of American Capital: Strengthening Public and Private Markets by Increasing Investor Access and Facilitating Capital Formation.” A discussion draft of H.R. 7127 was attached the hearing. The Subcommittee heard testimony from: Mr. Andrew Barnell, CEO and Co-Founder, Geneoscopy; Mr. McKeever “Mac” Conwell, Founder and Managing Partner, RareBreed Ventures; Ms. Rebecca Kacaba, CEO and Co-Founder, DealMaker; Ms. Anna Pinedo, Partner, Mayer Brown; and Ms. Alexandra Thornton, Senior Director, Financial Regulation, Center for American Progress.

On March 25, 2025, the Committee on Financial Services held a hearing titled “Beyond Silicon Valley: Expanding Access to Capital Across America.” A discussion draft of H.R. 7127 was attached the hearing. The Committee heard testimony from: Mr. Steve Case, Chairman and CEO, Revolution LLC; Mr. Bill Newell, Senior Business Advisor & Former CEO, Sutro Biopharma; Ms. Candice Matthews Brackeen, General Partner, Lightship Capital; Mr. Joel Trotter, Partner, Latham & Watkins LLP; and Ms. Amanda Senn, Director of the Alabama Securities Commission.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee Report to include record votes on the motion to report legislation and amendments thereto.

On March 4, 2026, the Committee ordered H.R. 7127, as amended, to be reported favorably to the House by a recorded vote of 26 yeas and 17 nays. (Record Vote No. FC–254).

The Committee considered the following amendments to H.R. 7127:

- Representative Meuser offered an amendment in the nature of a substitute, which allows the SEC define the term “off exchange secondary trading.” This amendment was adopted by a voice vote.
- Ranking Member Maxine Waters (D–CA) offered an amendment (No. 10), designated Amd1 H7127. This requires that the exemption shall not apply to any transaction that involves a person that has been found to have committed a violation of any Federal or State securities laws or regulations. This amendment failed by a recorded vote of 17 yeas and 26 nays, a quorum being present. (Record Vote No. FC–253).

Committee on Financial Services

Markup 11

Bill: H.R. 7127

March 4, 2026

Measure: ANS to H.R. 7127

Amdt/Designated: 10. Amd1_H7127 [Waters 6]

Record Vote No.

Motion: to adopt the amendment

FC-253

Disposition:

NOT AGREED TO (17-26)

Member	Yea	Nay	Not Recorded	Member	Yea	Nay	Not Recorded
Chairman Hill		X		Ranking Member Waters	X		
Mr. Lucas		X		Ms. Velázquez	X		
Mr. Sessions			X	Mr. Sherman	X		
Mr. Huizenga		X		Mr. Meeks			X
Mrs. Wagner		X		Mr. Scott	X		
Mr. Barr		X		Mr. Lynch			X
Mr. Williams (TX)		X		Mr. Green (TX)	X		
Mr. Emmer		X		Mr. Cleaver	X		
Mr. Loudermilk		X		Mr. Himes	X		
Mr. Davidson		X		Mr. Foster	X		
Mr. Rose		X		Mrs. Beatty	X		
Mr. Steil		X		Mr. Vargas	X		
Mr. Timmons			X	Mr. Gottheimer			X
Mr. Stutzman		X		Mr. Gonzalez			X
Mr. Norman			X	Mr. Casten	X		
Mr. Meuser		X		Ms. Pressley	X		
Mrs. Kim		X		Ms. Tlaib			X
Mr. Donalds			X	Mr. Torres (NY)			X
Mr. Garbarino		X		Ms. Garcia (TX)			X
Mr. Fitzgerald		X		Ms. Williams of GA	X		
Mr. Flood		X		Ms. Pettersen	X		
Mr. Lawler		X		Mr. Fields	X		
Ms. De La Cruz		X		Ms. Bynum	X		
Mr. Ogles		X		Mr. Liccardo	X		
Mr. Nunn		X					
Mrs. McClain		X					
Ms. Salazar		X					
Mr. Downing		X					
Mr. Haridopolos		X					
Mr. Moore (NC)		X					
	0	26	4		17	0	7

Committee Totals:

17	26	11
Yeas	Nays	Not Voting

Committee on Financial Services

Markup 11

Bill: H.R. 7127

March 4, 2026

Measure: H.R. 7127 (as amended)

Amdt/Designated:

Record Vote No.

Motion: to report favorably

FC-254

Disposition:

AGREED TO (26-17)

Member	Yea	Nay	Not Recorded	Member	Yea	Nay	Not Recorded
Chairman Hill	X			Ranking Member Waters		X	
Mr. Lucas	X			Ms. Velázquez		X	
Mr. Sessions			X	Mr. Sherman		X	
Mr. Huizenga	X			Mr. Meeks			X
Mrs. Wagner	X			Mr. Scott		X	
Mr. Barr	X			Mr. Lynch			X
Mr. Williams (TX)	X			Mr. Green (TX)		X	
Mr. Emmer	X			Mr. Cleaver		X	
Mr. Loudermilk	X			Mr. Himes		X	
Mr. Davidson	X			Mr. Foster		X	
Mr. Rose	X			Mrs. Beatty		X	
Mr. Steil	X			Mr. Vargas		X	
Mr. Timmons			X	Mr. Gottheimer			X
Mr. Stutzman	X			Mr. Gonzalez			X
Mr. Norman			X	Mr. Casten		X	
Mr. Meuser	X			Ms. Pressley		X	
Mrs. Kim	X			Ms. Tlaib			X
Mr. Donalds			X	Mr. Torres (NY)			X
Mr. Garbarino	X			Ms. Garcia (TX)			X
Mr. Fitzgerald	X			Ms. Williams of GA		X	
Mr. Flood	X			Ms. Pettersen		X	
Mr. Lawler	X			Mr. Fields		X	
Ms. De La Cruz	X			Ms. Bynum		X	
Mr. Ogles	X			Mr. Liccardo		X	
Mr. Nunn	X						
Mrs. McClain	X						
Ms. Salazar	X						
Mr. Downing	X						
Mr. Haridopolos	X						
Mr. Moore (NC)	X						
26	0	4		0	17	7	

Committee Totals:

26	17	11
Yeas	Nays	Not Voting

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of H.R. 7127 prevents states from prohibiting, limiting, or imposing any conditions upon the off-exchange secondary trading markets in securities of an issuer complying with their obligations under Regulation A or Rule 15c2-11. This streamlined approach ensures that if a company satisfies federal transparency standards, their shares can be traded nationwide with the cost and complexity of navigating a confusing array of state laws.

COMMITTEE COST ESTIMATE

Clause 3(d)(1) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison of the costs that would be incurred in carrying out H.R. 7127. The Committee has requested but not received a cost estimate from the Director of the Congressional Budget Office. However, pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee will adopt as its own the cost estimate by the Director of the Congressional Budget Office once it has been prepared.

NEW BUDGET AUTHORITY AND CBO COST ESTIMATE

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the *Congressional Budget Act of 1974* and with respect to requirements of clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the *Congressional Budget Act of 1974*, the Committee will adopt as its own the cost estimate for the bill prepared by the Director of the Congressional Budget Office. However, a cost estimate was not made available to the Committee in time for the filing of this report. The Chairman of the Committee shall cause such estimate to be printed in the Congressional Record upon its receipt by the Committee.

UNFUNDED MANDATES STATEMENT

The Committee has requested but not received from the Director of the Congressional Budget Office an estimate of the Federal mandates pursuant to section 423 of the *Unfunded Mandates Reform Act*. The Chairman of the Committee shall cause such estimate to be printed in the Congressional Record upon its receipt by the Committee.

EARMARK STATEMENT

In compliance with clause 9 of rule XXI of the Rules of the House of Representatives, this bill, as reported, contains no congressional

earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI.

FEDERAL ADVISORY COMMITTEE ACT STATEMENT

No advisory committees within the meaning of section 5(b) of the *Federal Advisory Committee Act* were created by this legislation.

APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the *Congressional Accountability Act*.

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of the Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

Section 1 provides the short title is the “Restoring the Secondary Trading Market Act”.

Section 2. Exemption from state regulation

Section 2 amends Section 18(a) of the *Securities Act of 1933* to exempt off-exchange secondary trading from state regulation for issuers that comply with Regulation A or Rule 15c2–11.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

SECURITIES ACT OF 1933

TITLE I—

* * * * *

SEC. 18. EXEMPTION FROM STATE REGULATION OF SECURITIES OFFERINGS.

(a) SCOPE OF EXEMPTION.—Except as otherwise provided in this section, no law, rule, regulation, or order, or other administrative action of any State or any political subdivision thereof—

(1) requiring, or with respect to, registration or qualification of securities, or registration or qualification of securities transactions, shall directly or indirectly apply to a security that—

- (A) is a covered security; or
- (B) will be a covered security upon completion of the transaction;
- (2) shall directly or indirectly prohibit, limit, or impose any conditions upon the use of—

- (A) with respect to a covered security described in subsection (b), any offering document that is prepared by or on behalf of the issuer; or

- (B) any proxy statement, report to shareholders, or other disclosure document relating to a covered security or the issuer thereof that is required to be and is filed with the Commission or any national securities organization registered under section 15A of the Securities Exchange Act of 1934, except that this subparagraph does not apply to the laws, rules, regulations, or orders, or other administrative actions of the State of incorporation of the issuer; **[or]**

- (3) shall directly or indirectly prohibit, limit, or impose conditions, based on the merits of such offering or issuer, upon the offer or sale of any security described in paragraph (1)**[.]**; or

- (4) *shall directly or indirectly prohibit, limit, or impose any conditions upon the off-exchange secondary trading (as such term is defined by the Commission) in securities of an issuer that makes current information publicly available, including—*

- (A) *the information required in the periodic and current reports described under paragraph (b) of section 230.257 of title 17, Code of Federal Regulations; or*

- (B) *the documents and information specified in paragraph (b) of section 15c2-11 of title 17, Code of Federal Regulations.*

(b) COVERED SECURITIES.—For purposes of this section, the following are covered securities:

(1) EXCLUSIVE FEDERAL REGISTRATION OF NATIONALLY TRADED SECURITIES.—A security is a covered security if such security is—

- (A) a security designated as qualified for trading in the national market system pursuant to section 11A(a)(2) of the Securities Exchange Act of 1934 (15 U.S.C. 78k-1(a)(2)) that is listed, or authorized for listing, on a national securities exchange (or tier or segment thereof); or

- (B) a security of the same issuer that is equal in seniority or that is a senior security to a security described in subparagraph (A).

(2) EXCLUSIVE FEDERAL REGISTRATION OF INVESTMENT COMPANIES.—A security is a covered security if such security is a security issued by an investment company that is registered, or that has filed a registration statement, under the Investment Company Act of 1940.

(3) SALES TO QUALIFIED PURCHASERS.—A security is a covered security with respect to the offer or sale of the security to qualified purchasers, as defined by the Commission by rule. In prescribing such rule, the Commission may define the term “qualified purchaser” differently with respect to different categories of securities, consistent with the public interest and the protection of investors.

(4) EXEMPTION IN CONNECTION WITH CERTAIN EXEMPT OFFERINGS.—A security is a covered security with respect to a transaction that is exempt from registration under this title pursuant to—

(A) paragraph (1) or (3) of section 4, and the issuer of such security files reports with the Commission pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934;

(B) section 4(4);

(C) section 4(6);

(D) a rule or regulation adopted pursuant to section 3(b)(2) and such security is—

(i) offered or sold on a national securities exchange;

or

(ii) offered or sold to a qualified purchaser, as defined by the Commission pursuant to paragraph (3) with respect to that purchase or sale;

(E) section 3(a), other than the offer or sale of a security that is exempt from such registration pursuant to paragraph (4), (10), or (11) of such section, except that a municipal security that is exempt from such registration pursuant to paragraph (2) of such section is not a covered security with respect to the offer or sale of such security in the State in which the issuer of such security is located;

(F) Commission rules or regulations issued under section 4(2), except that this subparagraph does not prohibit a State from imposing notice filing requirements that are substantially similar to those required by rule or regulation under section 4(2) that are in effect on September 1, 1996; or

(G) section 4(a)(7).

(c) PRESERVATION OF AUTHORITY.—

(1) FRAUD AUTHORITY.—Consistent with this section, the securities commission (or any agency or office performing like functions) of any State shall retain jurisdiction under the laws of such State to investigate and bring enforcement actions, in connection with securities or securities transactions

(A) with respect to—

(i) fraud or deceit; or

(ii) unlawful conduct by a broker or dealer; and

(B) in connection to a transaction described under section 4(6), with respect to—

(i) fraud or deceit; or

(ii) unlawful conduct by a broker, dealer, funding portal, or issuer.

(2) PRESERVATION OF FILING REQUIREMENTS.—

(A) NOTICE FILINGS PERMITTED.—Nothing in this section prohibits the securities commission (or any agency or office performing like functions) of any State from requiring the filing of any document filed with the Commission pursuant to this title, together with annual or periodic reports of the value of securities sold or offered to be sold to persons located in the State (if such sales data is not included in documents filed with the Commission), solely

for notice purposes and the assessment of any fee, together with a consent to service of process and any required fee.

(B) PRESERVATION OF FEES.—

(i) IN GENERAL.—Until otherwise provided by law, rule, regulation, or order, or other administrative action of any State or any political subdivision thereof, adopted after the date of enactment of the National Securities Markets Improvement Act of 1996, filing or registration fees with respect to securities or securities transactions shall continue to be collected in amounts determined pursuant to State law as in effect on the day before such date.

(ii) SCHEDULE.—The fees required by this subparagraph shall be paid, and all necessary supporting data on sales or offers for sales required under subparagraph (A), shall be reported on the same schedule as would have been applicable had the issuer not relied on the exemption provided in subsection (a).

(C) AVAILABILITY OF PREEMPTION CONTINGENT ON PAYMENT OF FEES.—

(i) IN GENERAL.—During the period beginning on the date of enactment of the National Securities Markets Improvement Act of 1996 and ending 3 years after that date of enactment, the securities commission (or any agency or office performing like functions) of any State may require the registration of securities issued by any issuer who refuses to pay the fees required by subparagraph (B).

(ii) DELAYS.—For purposes of this subparagraph, delays in payment of fees or underpayments of fees that are promptly remedied shall not constitute a refusal to pay fees.

(D) FEES NOT PERMITTED ON LISTED SECURITIES.—Notwithstanding subparagraphs (A), (B), and (C), no filing or fee may be required with respect to any security that is a covered security pursuant to subsection (b)(1), or will be such a covered security upon completion of the transaction, or is a security of the same issuer that is equal in seniority or that is a senior security to a security that is a covered security pursuant to subsection (b)(1).

(F) FEES NOT PERMITTED ON CROWDFUNDED SECURITIES.—Notwithstanding subparagraphs (A), (B), and (C), no filing or fee may be required with respect to any security that is a covered security pursuant to subsection (b)(4)(B), or will be such a covered security upon completion of the transaction, except for the securities commission (or any agency or office performing like functions) of the State of the principal place of business of the issuer, or any State in which purchasers of 50 percent or greater of the aggregate amount of the issue are residents, provided that for purposes of this subparagraph, the term “State” includes the District of Columbia and the territories of the United States.

(3) ENFORCEMENT OF REQUIREMENTS.—Nothing in this section shall prohibit the securities commission (or any agency or

office performing like functions) of any State from suspending the offer or sale of securities within such State as a result of the failure to submit any filing or fee required under law and permitted under this section.

(d) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

(1) OFFERING DOCUMENT.—The term “offering document”—

(A) has the meaning given the term “prospectus” in section 2(a)(10), but without regard to the provisions of subparagraphs (a) and (b) of that section; and

(B) includes a communication that is not deemed to offer a security pursuant to a rule of the Commission.

(2) PREPARED BY OR ON BEHALF OF THE ISSUER.—Not later than 6 months after the date of enactment of the National Securities Markets Improvement Act of 1996, the Commission shall, by rule, define the term “prepared by or on behalf of the issuer” for purposes of this section.

(3) STATE.—The term “State” has the same meaning as in section 3 of the Securities Exchange Act of 1934.

(4) SENIOR SECURITY.—The term “senior security” means any bond, debenture, note, or similar obligation or instrument constituting a security and evidencing indebtedness, and any stock of a class having priority over any other class as to distribution of assets or payment of dividends.

* * * * *

MINORITY VIEWS

This bill would preempt state “blue sky” laws for off-exchange, secondary trading for companies who make available certain current public information, including information required by Regulation A or SEC Rule 15c2–11. Blue sky laws are important state-level, anti-fraud regulations that require issuers of securities to register with the state securities commissioner and disclose important details of their offerings, and also creates liability for issuers by allowing investors to bring lawsuits against them for blue sky law violations. Preempting blue sky laws for these kinds of trades reduces the types of recourse investors have against private issuers, and also removes critical layers of oversight that protect retail investors from fraud and high-risk speculative schemes.

There are several reasons why this bill could be detrimental to investor protection. First, it would eliminate the protections of state-level “merit reviews,” which many state regulators conduct to ensure an offering is fair and equitable. Critically, state regulators can actually block a security from being sold if they think the company is a scam, compared to the rules for federally registered securities which generally allow any legal business to trade as long as they file the paperwork, regardless of how bad the investment is. By preempting these laws this bill would remove a vital safety net that prevents predatory investment structures from reaching unsophisticated retail investors in the secondary market. Additionally, the bill would increase the risk of pump and dump schemes, as state-level registration often serves as a deterrent to bad actors seeking to manipulate low-volume, off-exchange stocks. By removing state oversight for securities that only meet the lower transparency thresholds of Rule 15c2–11 or Regulation A, the bill could inadvertently facilitate fraud in the over-the-counter markets where price manipulation is most prevalent. Finally, it would weaken the enforcement of local fraud violations, which state regulators are often the first responders to as they are closer to the victims and can act more quickly than the federal government. Preemption would strip states of their ability to set specific standards for secondary trading, potentially leaving local investors without recourse until a scheme becomes large enough to attract limited SEC resources.

Of note, the Alabama State Securities Commissioner testified at the hearing that, “this legislation is unnecessary given the deliberate and conscientious efforts by states to streamline certain processes while ensuring investors have the information they need to make informed decisions. Additionally, the bill “would not solve the longstanding illiquidity problems in the Regulation A market as [. . .] secondary trading does not provide liquidity to the issuer but to the selling security holder.” Further, the Reg A market “still suffers from a lack of demand among other reasons because investors

want to avoid high costs, high information asymmetries, and high investment minimums associated with these deals regardless of preemption.”⁴⁴

This bill was previously included in H.R. 2799 in the 118th Congress and received near unanimous Democratic opposition on the House Floor. The North American Securities Administrators Association (NASAA) currently opposes this bill, and it was previously opposed in the 118th Congress by NASAA, along with Consumer Federation of America (CFA), Americans for Financial Reform (AFR), Public Citizen, Council of Institution Investors (CII), and the Center for American Progress.

For these reasons, we oppose H.R. 7127.

Sincerely,

MAXINE WATERS,
Ranking Member.
 NYDIA M. VELÁZQUEZ,
 BRAD SHERMAN,
 AL GREEN,
 BILL FOSTER,
 JOYCE BEATTY,
 JUAN VARGAS,
 SYLVIA R. GARCIA,
Members of Congress.

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