



## Consumer Federation of America

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### **Senate Flip-Flops on Investor Protection, Passes JOBS Act They Know Will Harm Investors and Increase Fraud**

Ignoring warnings from securities regulators, institutional investors, IPO experts and a host of other individuals and organizations, the Senate voted 73-26 Thursday to approve the House-passed JOBS Act, setting the stage for it to be signed into law without needed improvements to its dangerously lacking investor protections. The vote on final passage came after an amendment was adopted to strengthen investor protections related to crowd-funding and another amendment to limit the ability of large companies to evade public disclosure obligations was defeated. Because the bill was brought up under a procedure that limited the opportunity for amendments, and because the Reed-Landrieu-Levin substitute amendment fell six votes short of the 60 needed to invoke cloture when it was brought up earlier this week, the vast bulk of the bill's anti-investor provisions went unaddressed. CFA Director of Investor Protection Barbara Roper issued the following statement in response:

“In recent weeks, a growing chorus of critics from securities regulators to IPO market experts to institutional investors has warned that the House-passed JOBS Act would increase fraud, undermine market transparency, and damage our capital markets. They joined with seniors, workers, consumers, and Main Street businesses in calling on the Senate to slow down this juggernaut and adopt a more balanced approach that preserves vital investor protections. By voting for the Reid-Landrieu-Levin substitute amendment Tuesday, 54 senators signaled that they had heard those warnings and recognized the bill to be deeply flawed. Unfortunately, 28 of those senators turned around just two days later and voted for the House bill despite its predicted damaging effect on investors and on markets.

“While we strongly supported the pro-investor amendment on crowd-funding and are grateful it was adopted, this change alone was insufficient to justify support for the broader bill. On the contrary, even with this change, the bill will still unleash a new wave of damaging fraud in the private offering market, make it easier to commit accounting fraud, reignite the abusive securities analyst practices that fueled the tech stock boom and bust, undermine comparability of financial reporting, and enable the Regulation A small offering exemption to be gamed by mid-sized companies seeking to evade public reporting requirements, to name just a few of its many short-comings. The White House, which pushed for passage of a bipartisan bill regardless of its attack on investor protections, and Senate leadership, which brought the bill to the floor with no meaningful opportunity for pro-investor amendments, bear a heavy burden of responsibility for the damage this bill will cause to vulnerable investors and our fragile capital markets. Unfortunately, it is the public who will suffer the consequences.

“The following senators – who voted to improve the bill’s investor protections and voted against final passage when efforts to improve investor protections failed – deserve credit for taking a stand to protect investors, prevent fraud, and promote market transparency and integrity,” Roper said.

1. Sen. Daniel Akaka (D-HI)
2. Sen. Max Baucus (D-MT)
3. Sen. Mark Begich (D-AK)
4. Sen. Richard Blumenthal (D-CT)
5. Sen. Barbara Boxer (D-CA)
6. Sen. Sherrod Brown (D-OH)
7. Sen. Benjamin Cardin (D-MD)
8. Sen. Kent Conrad (D-ND)
9. Sen. Richard Durbin (D-IL)
10. Sen. Dianne Feinstein (D-CA)
11. Sen. Al Franken (D-MN)
12. Sen. Kirsten Gillibrand (D-NY)
13. Sen. Tom Harkin (D-IA)
14. Sen. Mary Landrieu (D-LA)
15. Sen. Frank Lautenberg (D-NJ)
16. Sen. Patrick Leahy (D-VT)
17. Sen. Carl Levin (D-MI)
18. Sen. Robert Menendez (D-NJ)
19. Sen. Jeff Merkley (D-OR)
20. Sen. Barbara Mikulski (D-MD)
21. Sen. Patty Murray (D-WA)
22. Sen. Jack Reed (D-RI)
23. Sen. Jay Rockefeller (D-WV)
24. Sen. Bernard Sanders (I-VT)
25. Sen. Jim Webb (D-VA)
26. Sen. Sheldon Whitehouse (D-RI)

“When, as predicted, this legislation unleashes a new wave of damaging investment fraud on the unsuspecting public, these senators, and particularly Senators Reed, Landrieu, and Levin, will know that they did everything in their power to stop it,” Roper said.

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*The Consumer Federation of America is a non-profit association of some 280 national, state, and local pro-consumer organizations founded in 1968 to promote the consumer interest through research, education and advocacy.*