



July 27, 2021

To: Members of the House Committee on Financial Services

From: Thomas Aiello, Director of Federal Affairs, National Taxpayers Union
Will Yopez, Government Affairs Associate, National Taxpayers Union

Re: NTU's Views on July 28, 2021 Committee Markup

On behalf of the National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, I write to express our views on several measures slated for consideration before your Committee. As the Committee works on the passage of bills, substitute amendments, and other changes that may be proposed, NTU urges lawmakers to support proposals that encourage free enterprise, limit government spending and mandates, and protect taxpayers from costly new expenditures. As such, NTU strongly urges Committee members to **oppose H.R. 3332, H.R. 4617, and H.R. 4618**. We look forward to working with you over the course of the 117th Congress on practical solutions that help the American people, businesses, and of course, taxpayers.

H.R. 4618, the Short Sale Transparency and Market Fairness Act. This legislation, sponsored by Chairwoman Maxine Waters (D-CA), would, for institutional investment managers with discretion over at least \$100 million, increase the frequency of 13F disclosures, expand Form 13F disclosure to include direct or indirect derivative interest or position, direct the Securities and Exchange Commission (SEC) to implement rules for short sale disclosures, and mandate a report from the SEC on confidential treatment for Form 13F filings. Currently, Form 13F disclosures must occur within 45 days of the end of the calendar quarter, but this legislation would shorten that to within 10 days of the end of each month. This is a substantial change that would not only needlessly increase the administrative burden for investors but also force investors to reveal proprietary knowledge and investment strategy. This could lead to other investors simply mimicking the behavior of larger investors rather than relying on research or underlying data. If lawmakers wish to shorten the reporting period, a more reasonable alternative should be considered. Similarly, the increased disclosure requirement of "short" positions is policy in search of a problem. Short selling is an important tool for price discovery, increasing liquidity in the market, and hedging long positions, but this legislation would have a chilling effect on this investment tool. One [study](#) estimates that increased short disclosures decreases short sellers' participation in equity markets by roughly 20-25 percent. Overall, this legislation is not only unnecessary, but it would also increase compliance costs for investors small and large. ***NTU Opposes H.R. 4618.***

H.R. 4617, Order Flow Improvement Act. This legislation, sponsored by Rep. Brad Sherman (D-CA) would require the Securities and Exchange Commission to conduct a study on Payment For Order Flow (PFOF). Specifically, H.R. 4617 would have the SEC study PFOF and recommend changes, improvements, and prohibitions on the execution of trades through third-party dealers. Further, this legislation would give the SEC

rulemaking authority to ban the existence of PFOF, which would be detrimental to the ability of retail investors - primarily younger, first-time investors - to participate in stock trading. Generally, NTU is supportive of studies and pilot programs, which can help identify areas for improvement and even make suggestions on where government rules and regulations can be reformed. However, in this case, our concern is that a “study” on PFOF is just a cover or pretext for prohibiting PFOF, which was the original intention of this legislation before the amendment in the nature of a substitute (ANS). Therefore, we believe that this study would be a fait accompli of banning PFOF and harming retail investors. ***NTU Opposes H.R. 4617.***

H.R. 3332, the Manufactured Housing Community Preservation Act of 2021. This legislation, sponsored by Rep. Cindy Axne (D-IA), would sharply increase government spending by creating a new federal grant program. Specifically, this legislation would require the Department of Housing and Urban Development to award grants to nonprofit organizations, public housing agencies, and other entities for the preservation of manufactured housing communities. The grants would be used to provide assistance for the acquisition of manufactured housing complexes, make improvements to existing housing units, or be used to demolish and replace housing in these communities. While NTU certainly understands the need for an expansion of affordable housing units, we are concerned by the significant authorization of taxpayer dollars to achieve this goal. To this end, H.R. 3332 authorizes \$100 million annually, over a period of five years - a significant new allocation of taxpayer dollars. Further, this new authorization is not offset with reductions elsewhere in HUD’s budget or other cuts to other agencies.

Equally concerning as the total dollar amount of this legislation is where the money will actually be spent. At its core, the grant funding in H.R. 3332 would be used to outcompete the private market by encouraging resident cooperatives. The sale of privately-owned land to new buyers is a staple of free-markets, where individuals or businesses have the freedom to make decisions that are in their best interest. However, this legislation essentially puts the government into the middle of these transactions by using taxpayer funds to dissuade the sale of certain properties - a significant overreach by the government. Further, if landowners accept this grant money, a condition of acceptance is the establishment of a federal rent control mandate, where property owners are prohibited from increasing the cost of rental housing above a certain threshold. ***NTU Opposes H.R. 3332.***

NTU appreciates the Committee’s consideration of our views and looks forward to working with you as you work on a bipartisan basis to improve the competitiveness of our economy over the course of the economic recovery.