The IPO Market Has Become a Last Resort. SEC Chairman Atkins Can Make IPOs Great Again.

SEC Chairman Paul Atkins' "Boom Belt" speech diagnoses a generation of structural decay in America's public markets. His three-pillar reform agenda is welcome and necessary, but fixing the IPO market will require more than he has prescribed so far. It requires rebuilding the plumbing that has been decimated over the last 25 years. To that end, we respond to the Chairman's request for "bold and creative" ideas, proposing a broader agenda for the Chairman, his fellow Commissioners, the SEC Staff, and the SEC Small Business Capital Formation Advisory Committee to consider.

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Ask any CEO of a growth-stage company today about raising capital, and the answer is consistent. First, go to the private markets. If that fails, explore the private debt markets. If those are unavailable, then look at private equity or strategic partnerships. Consider selling the company. And if none of those options work, only after a CEO has exhausted every other avenue, then and only then will a CEO consider an IPO or a de-SPAC transaction. That inversion is not a market outcome. It is a regulatory one. An IPO, which should be the aspirational milestone of a successful growth company, has become the financing option of last resort. Fortunately, at last we have a Chairman of the Securities and Exchange Commission who recognizes that the architecture is broken and has committed to fixing it. Whether his reform agenda proves equal to the structural depth of the problem is what this paper addresses.

Atkins delivered his "Boom Belt" remarks on April 7, 2026, at a Texas Stock Exchange event in Miami, alongside Governors Abbott of Texas and DeSantis of Florida, TXSE founder Jim Lee, and Citadel Securities President Jim Esposito.[2] The setting was symbolic: the current SEC Chairman validating a challenger exchange and framing inter-state and inter-exchange competition as a healthy, American-values proposition. On substance, the Chairman identified what he called the "three pillars" of his plan to make IPOs great again. This paper takes those pillars seriously, examines the specific regulatory and legislative context in which they operate, and argues that while the agenda is necessary, full remediation of the public market's structural failures will require considerably more work.

The Broken Architecture of U.S. Public Capital Markets

In his remarks, Chairman Atkins cited this statistic: we had over 7,800 listed companies in the mid-1990s, declining roughly 40 percent by the time he returned to the agency as Chairman last year. Capital markets practitioners lament that the average number of IPOs in the past ten years has declined to only 135 while new company formation and venture capital funding has increased exponentially. Less appreciated is the sequential, structural nature of the damage that produced those numbers. This was not a single policy failure. It was a series of regulatory and market-structure changes, each individually defensible, that compounded over two decades into a system that is functionally hostile to public market participation at any scale below the mega-cap tier.

The first structural fracture was decimalization. The SEC's mandate to move equity trading from fractional to decimal pricing, completed in 2001 under SEC Release No. 34-44568, was intended to benefit retail investors through narrower spreads. It succeeded. Unfortunately, it also destroyed the economic model that had previously sustained broker-dealer market-making in small- and mid-cap stocks. When trading margins collapsed from eighths and sixteenths to pennies, the business of maintaining a liquid market in a $200 million company became structurally uneconomical for most broker-dealers. The institutional infrastructure that had supported smaller companies' trading, dedicated market-makers, to regional broker-dealers, and specialists with a financial stake in price discovery for smaller issuers, was eliminated. It has never been rebuilt.

The second structural fracture was the 2003 Global Research Analyst Settlement, which arose from systemic misconduct. In the dot-com era, integrated investment banks had allowed their research analysts to function, in effect, as marketing arms of their banking divisions, producing compromised research that generated deal flow rather than serving investors. The enforcement response (with settlements totaling $1.4 billion with just twelve firms) imposed structural separation requirements between research and investment banking that were unprecedented in their prescriptiveness. The firms were required to physically separate their research and banking departments, sever compensation linkages between analysts and banking revenues, and contract with independent research providers.

The direct consequence was a dramatic contraction in equity research, particularly for smaller companies. Without the ability to cross-subsidize research through banking relationships, the economics of covering a company with a $300 million market capitalization became marginal. The settlement was imposed as a consent judgment. It was a product of enforcement action rather than notice-and-comment rulemaking, so its terms were never subjected to formal cost-benefit analysis or public comment. As Commissioner Mark Uyeda observed in his December 5, 2025 statement: "It's not a coincidence that since 2004, there has been a lot less research out of Wall Street, particularly for small and medium-sized companies."[3]

The December 2025 modification of the settlement, in which the SEC consented to terminating certain remaining undertakings following the adoption of FINRA Rule 2241 in 2015, is a step in the right direction. But FINRA Rule 2241, a principles-based successor to the settlement's more prescriptive ethical wall requirements, does not by itself restore the economics of small-cap research coverage. The compensation and business model barriers that drove investment banks out of the small-cap research market are structural. Regulatory relaxation will not bring them back without active commercial incentives to do so.

The third structural fracture was the JOBS Act of 2012.[4] Laudable provisions like the emerging growth company ("EGC") category, the confidential S-1 filing process, and the testing-the-waters accommodation genuinely improved the IPO on-ramp for growing companies. Much-lobbied-for Section 501 of the JOBS Act amended Section 12(g) of the Securities Exchange Act of 1934 to raise the threshold that triggers mandatory public registration from 500 to 2,000 holders of record (or 500 non-accredited investors). The effect was to allow companies to raise hundreds of billions of dollars from institutional

investors without incurring any public disclosure obligation. Large-cap private companies operate in the dark, avoiding disclosures that would be required if they were listed. Their stocks do not trade in lit markets. A principled reform would restore a lower threshold or impose a capital-raise trigger: any company that has raised $500 million or more in aggregate private capital from institutional investors should be required to file audited financial statements with the SEC, regardless of holder count.

The Boom Belt Speech: Three Pillars, Assessed

In that context, the Chairman's three pillars can be evaluated on their merits.

ATKINS' THREE PILLARS — ANALYSIS IN LIGHT OF THE STRUCTURAL PROBLEMS	
I	**Disclosure Modernization — Necessary, Not Sufficient** Atkins' first pillar calls for tying SEC disclosure requirements to a materiality standard: disclosures should reflect what a reasonable investor would consider important, not what a regulator finds analytically interesting. The doctrinal basis is sound. The reasonable investor standard has been the bedrock of securities disclosure doctrine since TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438 (1976), but decades of incremental rulemaking have stretched mandatory disclosure far beyond that standard's original scope. Inappropriate "regulation by shaming" has become the norm. The INVEST Act of 2025 (H.R. 3383), which passed the House 302–123 in December 2025 and is pending Senate action, would codify many improvements, including confidential draft registration statement submissions and reduced financial history requirements for EGCs. The caveat: disclosure reform does not address the trading liquidity and research coverage deficits that make smaller public companies ill-suited for institutional investment. You can simplify Regulation S-K and FormS-1 without solving the problem that analysts will not cover the company the day after it lists.
II	**Governance Federalism — Doctrinally Correct, Practically Significant** The second pillar calls for the federal government to return regulation of corporate governance to state law. This reflects a principled position grounded in the statutory structure of federal securities regulation. The federal securities laws are generally disclosure statutes, not merit regulation statutes, because "sunlight is said to be the best of disinfectants." [5] Accordingly, the Supreme Court held in Santa Fe Industries, Inc. v. Green, 430 U.S. 462 (1977), that the Securities Exchange Act of 1934 does not federalize corporate fiduciary duty claims. The SEC's pre-Atkins agenda on ESG disclosure mandates, board diversity requirements, and climate risk reporting expanded the agency's scope well beyond that boundary, but, as he has pointed out, it is not the SEC's role to effectuate social change. Atkins is restoring the SEC to its lane. For issuers, the practical significance is that state corporation law, notably Delaware's General Corporation Law, will again be the primary source of governance requirements, not a federal agency's rulemaking preferences. Texas,

	Nevada, Florida, and other states are actively competing with Delaware for incorporations. Competition among the states is good. As Chairman Atkins pointed out in another recent speech, New Jersey was where incorporation began, but Delaware beat New Jersey in that contest.
III	**Litigation Reform — The Most Commercially Impactful Pillar** The third pillar calls for the creation of litigation alternatives and structural curbs on abusive securities class actions. This is the single most commercially significant element of the reform agenda for companies considering a listing. The Private Securities Litigation Reform Act of 1995 imposed real procedural discipline: heightened pleading standards, lead plaintiff procedures favoring institutional investors, and automatic discovery stays pending motions to dismiss. These were meaningful reforms. Perversely, the strike-suit problem remains, with an onslaught of class actions filed reflexively on any significant stock price decline, regardless of whether there is articulable evidence of fraud. Chairman Atkins has committed to exploring forum-selection mechanisms, fee-shifting provisions that deter unmeritorious claims, and derivative litigation channeling to state courts. Mandatory arbitration is now permitted by the SEC. The INVEST Act contains related provisions. Reducing the litigation tax on being a public company is mission-critical for the recovery of U.S. public capital markets.

The Inversion Problem: Why the IPO Is Now the Last Resort

The structural failures described above have produced a capital-formation hierarchy that is precisely backwards. The ideal functioning of American capital markets contemplates a progression. Companies should be able to access angel investment and venture capital at early stages, grow through additional private financing rounds, then access the public markets, at which point capital can be returned to early-stage investors as retail investors, pension funds, and the broader public participate in the company's future value creation. Public listing facilitates price discovery, liquidity, and the accountability that flows from ongoing disclosure obligations. That is what the 73rd Congress designed in 1933 and 1934. It is what the securities laws and the SEC were purpose-built to facilitate.

What has emerged over time is an inverted structure. Private markets have developed into a nearly complete substitute for the public markets, at scale. Institutional investors, which were supposed to be the very-large-scale capital allocators intermediating retail savings and growth companies, have instead redeployed into private capital markets. A pension fund manager who would once have anchored an IPO book now participates in a pre-IPO tender offer or a secondary transaction in private shares. The liquidity function that public markets were designed to provide has migrated to dark pools, private secondary markets, continuation vehicles, and NAV-based structures — all legitimate tools, but none of which give an ordinary investor a seat at the table. The retail investor has been systematically excluded from the value creation happening in the private market ecosystem. The closed circle of private investment and reinvestment is also delaying the recycling of capital back to earlier-stage investors and their limited partners, frustrating the formation of new early-stage and venture funds.

This is not primarily a story about regulatory failure, though regulatory failure contributed. It is a story about rational market behavior in response to degraded infrastructure. When research coverage is unavailable, market-making liquidity is thin, the compliance cost of being public exceeds $1 million per year before any substantive regulatory engagement, and securities litigation risk means that a bad quarter can trigger a class action, companies do what any rational actor does: they go elsewhere. The private markets did not steal the IPO market. The IPO market's own cost structure drove companies out of it.

The fundamental imbalance in U.S. public capital markets is that it has become too expensive and risky to go public, while at the same time remaining too easy and comfortable to stay private. The current system starves retail investors of opportunities while concentrating wealth in the hands of institutions.

What Chairman Atkins Has Not Yet Addressed — The Specific Agenda Remaining

The Boom Belt agenda is consequential, and the three pillars are well-chosen. Disclosure simplification and governance deregulation will not, standing alone, reverse decades of structural deterioration. The full remediation of the public market's structural failures will require coordinated action across numerous fronts. We have attempted to spell out 12 potential structural reforms grouped in five buckets below.

A. The Research and Analyst Ecosystem

The most immediate cause of smaller public companies' declining institutional ownership is the absence of research coverage. The sequence is unforgiving: "no research" means "no institutional following"; "no institutional following" means "thin trading volume"; "thin trading volume" means the stock underperforms the company's intrinsic value; underperformance invites activists or a going-private proposal. The research deficit also happens to be the most tractable problem on this list because its regulatory sources are specific and each has a concrete remedy available.

1. Restoring research coverage economics

The December 2025 modification of the Global Research Analyst Settlement undertakings is a necessary first step but an incomplete one. FINRA Rule 2241 is a principles-based framework that preserves the core separation of research from banking while eliminating some of the settlement's more prescriptive requirements. What it does not do is restore the commercial incentives for investment banks to produce research on smaller companies. Restoring adequate coverage for small- and mid-cap public companies requires the SEC to revisit whether banks can receive value — in the form of trading commissions, allocation preferences, or explicit research fees — in exchange for research services. The regulatory threads run through Regulation AC, the Investment Advisers Act of 1940, and the MiFID II compliance obligations that now govern research distributed to European asset managers through U.S.-regulated entities. Untangling them requires a dedicated rulemaking proceeding in addition to the consent-judgment modification.

2. Reforming the analyst quiet period for smaller offerings

FINRA Rule 2241 (and its predecessor NASD Rule 2711) imposes research publication quiet periods around IPOs. Managing underwriters are restricted from publishing research for 10 days following an IPO (extended to 25 days for over-allotment option exercises), and lock-up expiration periods trigger additional quiet windows. Following structural analyst coverage in the dot-com era which was perceived to be pure "pay-to-play," the 2003 settlement required the imposition of these quiet periods to prevent underwriters from propping up stock prices in the immediate post-IPO period.

But the effect of these quiet periods on smaller IPOs is counterproductive. Mega-cap IPOs generate such investor interest that the quiet period is a minor inconvenience — research from non-underwriting banks and independent firms fills the gap promptly. Smaller IPOs, in contrast, depend almost entirely on the underwriting syndicate for any coverage at all. A 10-to-25-day blackout at the moment when investor interest is highest and price discovery is most needed deprives precisely the companies that most need research of the research they need most. A targeted fix would be to reduce or eliminate the quiet period for smaller reporting companies and EGCs. In this segment of the market, there is no independent research infrastructure that can substitute for syndicate coverage. FINRA can accomplish this by rule, with SEC approval, without Congressional action.

3. Resolving the MiFID II research unbundling conflict

A cross-border regulatory development that has received almost no attention in the domestic IPO reform debate has materially damaged U.S. small-cap research economics: the European Union's MiFID II research unbundling requirement. Since 2018, European asset managers have been required to pay for equity research separately from trading commissions. Because U.S. investment banks distributing research to European clients are subject to MiFID II through their European-regulated entities, the practical effect has been to push the entire global research economics model toward unbundling. In a bundled model, research on smaller companies can be cross-subsidized by commissions generated on larger company trading. In an unbundled model, research must be priced and sold independently, and the market-clearing price for research on a $200 million market cap company is, in most cases, effectively zero.

The SEC issued no-action relief in 2017 allowing U.S. broker-dealers to receive cash payments for research from MiFID II-compliant European clients without triggering investment adviser registration obligations under the Investment Advisers Act of 1940. That relief has been renewed episodically but never codified, creating the persistent commercial uncertainty that discourages investment in small-cap research production. Codifying permanent safe harbors under the Investment Advisers Act for receipt of research compensation — whether bundled or unbundled, from domestic or cross-border clients — would remove the single greatest source of uncertainty in the economics of small-cap coverage. The SEC can do this by rule; Congress can do it faster in the INVEST Act Senate markup.

B. Trading Infrastructure and Market Liquidity

Research coverage without market liquidity is, at best, an academic exercise. A portfolio manager who wants to establish a $10 million position in a $150 million market cap company faces a structural impossibility: executing a block trade without moving the price materially against herself. The collapse of market-making economics that followed decimalization has never been honestly confronted and is the foundational infrastructure problem that underlies every other liquidity complaint in this paper.

4. Rebuilding market-making infrastructure for small-cap stocks

Penny-spread market-making economics are incompatible with adequate liquidity provision for smaller companies. The Tick Size Pilot Program, conducted by FINRA and the exchanges between 2016 and 2018 under SEC oversight, tested whether widening tick sizes for smaller-cap stocks would improve market quality and incentivize market-making activity. The results were mixed and the program was discontinued. Rebuilding small-cap market infrastructure means revisiting tick size for small-cap stocks, reforming payment-for-order-flow economics that redirect retail order flow away from competitive price discovery, and overhauling the exchange fee structures that systematically favor high-frequency trading participants over the regional broker-dealers that historically made markets in smaller companies.

C. Rebalancing the Public/Private Incentive Structure

Groups A and B, above, address the environment that greets a company after it lists. The two reforms here, in C, address a prior question: why a rational company, given the current incentive structure, would choose to list at all. As the introduction to this paper makes clear, the answer increasingly is that it would not do that unless or until its private and debt financing options are exhausted. The following reforms target the regulatory conditions that have made it too easy and too convenient to stay private.

5. Recalibrating Section 12(g) — rolling back the JOBS Act threshold

A company that has raised half a billion dollars from pension funds and endowments is, in every economically meaningful sense, a public company. The fact that its stockholder list has not crossed a threshold set by a 2012 Congressional amendment does not change the substance of the arrangement. The Small Business Relief Act (H.R. 4130), which advanced from the House Financial Services Committee in December 2025, moves in precisely the wrong direction. It would further reduce the effective count of registered holders by excluding Qualified Institutional Buyers and Institutional Accredited Investors from the calculation. A more coherent policy would pair relief from holder-count triggers for early-stage companies with a capital-raise trigger: any company that has raised $500 million or more from institutional investors in private placements should be required to file audited financial statements with the SEC on a periodic basis, irrespective of holder count.

6. Addressing passive investing concentration and proxy advisory firm reform

The migration of institutional capital from active to passive management has bifurcated the public market into two effectively separate ecosystems: a liquid, well-researched, heavily-owned tier of mega-cap index constituents, and a thinly traded, under-covered,

institutionally-neglected tier that contains the overwhelming majority of listed companies by count. Index inclusion mechanics are not a natural market phenomenon. They are shaped by exchange listing standards, index provider methodologies, and SEC rules governing mutual funds and ETFs. That regulatory scaffolding can be reformed. The SEC has authority under the Investment Company Act of 1940 to influence the conditions under which these public funds consider their market impact. Reforming the IPO on-ramp without addressing index-driven capital concentration is the equivalent of resurfacing a road while the underlying structure continues to collapse.

The governance dimension demands parallel attention. In 2020, the SEC adopted Release No. 34-89372, requiring proxy advisers to make analyses available to issuers before publication and establishing a mechanism for issuer response. Those rules were subsequently rescinded. Under Chairman Atkins, restoring proxy adviser regulation, including conflict-of-interest disclosure requirements and a practical mechanism for smaller issuers to challenge materially inaccurate recommendations, follows directly from the governance federalism pillar. Neither ISS nor Glass Lewis has been subject to notice-and-comment rulemaking, cost-benefit analysis, or any form of democratic accountability for the governance standards they have effectively imposed on thousands of public companies. A company that lists on a national securities exchange should be governed by state corporation law, not by a duopoly of commercially-motivated advisory firms operating outside any statutory framework or governmental oversight.

D. Reducing the Compliance Cost and Friction of Being Public

For a company that has navigated its IPO and entered public life, a second wave of compliance costs and legal friction quickly accumulates. The three reforms here, in D, target the ongoing burden that, over three to five years of post-IPO life, tips the calculus from “worth staying public” to “worth going private.” They are, individually, unglamorous. Collectively, they determine whether smaller public companies survive long enough to grow into the next tier of the market.

7. Sarbanes-Oxley Section 404(b) — modernizing the cost wall at EGC graduation

There is a specific inflection point in the public company lifecycle that the Boom Belt agenda has not yet named, but that practitioners cite as a major deterrent to smaller company listings: the moment an emerging growth company loses its EGC status and becomes subject to the auditor attestation requirement under Sarbanes-Oxley Section 404(b). EGCs are exempt from the requirement that an independent auditor attest to the effectiveness of internal controls over financial reporting for up to five years following IPO. When that exemption expires, compliance costs can increase by hundreds of thousands to several million dollars annually. For a company with $200 million in revenue that has only recently completed its growth-stage phase, that cost increment is not abstract. It can and does tip the cost-benefit calculus toward going private.

The SEC has authority to adjust the non-accelerated filer and smaller reporting company thresholds through rulemaking, without Congressional action. These thresholds, currently at $75 million and $250 million public float, respectively, have not been adjusted since Sarbanes-Oxley was enacted in 2002. In a market where the median S&P 500 company has a market capitalization in the tens of billions, a $75 million exemption threshold

bears no relationship to the economic reality that it was designed to address. Raising the non-accelerated filer threshold to $500 million public float and the smaller reporting company threshold to a billion dollars would extend 404(b) relief across a materially larger universe of smaller public companies, eliminating the cost cliff that drives EGC graduates to reconsider whether remaining public makes economic sense.

8. Regulation FD safe harbors for investor education

Regulation FD (Fair Disclosure), adopted in 2000 in Release No. 33-7881, prohibits the selective disclosure of material non-public information to market professionals. It was a well-intentioned response to the documented practice of companies pre-briefing favored analysts before public announcements. Its unintended consequence has been to chill the pre- and post-offering investor education that builds institutional support for smaller IPOs and sustains institutional engagement with smaller public companies over time.

Any substantive conversation between a smaller public company's management and a prospective institutional investor now requires legal review to ensure that no material information is being selectively disclosed. For a company with dedicated investor relations counsel, this is manageable. For a smaller public company with a lean executive team, it is a practical barrier to the institutional engagement that the company needs to build a shareholder base. A Regulation FD safe harbor for smaller reporting company communications conducted through broker-dealer-sponsored investor conferences and structured one-on-one meetings, subject to written disclosure protocols, would reduce that friction without reopening the selective disclosure problem the rule was designed to solve. The testing-the-waters accommodation under the JOBS Act is the template. Extending analogous relief to post-offering investor relations communications is the logical next step.

9. SEC review timelines and comment letter process reform

The IPO process is more uncertain and more expensive for smaller companies in part because the SEC's Division of Corporation Finance review is not subject to binding time limits. Under Rule 461, issuers can request acceleration of a registration statement's effective date, but the timing of initial staff review, and comment letter rounds is not governed by enforceable deadlines. For a smaller company, where the IPO window is narrow, and for which carrying an IPO-ready infrastructure while awaiting SEC clearance is real money, the absence of binding review standards makes the public markets less competitive against private alternatives that can close on a defined timeline.

The SEC should adopt a binding 30-day initial review standard for all registration statements, with mandatory staff comments issued within that period and a streamlined second-review track for smaller reporting companies and EGCs. The SEC has full authority over its own internal process standards. It does not need Congress to implement this. Process reform is unexciting. The cost to a smaller company of carrying an IPO-ready organization for an extra sixty days while awaiting SEC clearance is real money, and it falls disproportionately on companies that can least afford to carry it.

E. Rationalizing Pathways and Building Market Architecture

The first four groups of suggestions, in A through D, are remedial: they repair a system that has deteriorated. This final group, E, is constructive. It asks what a well-designed public markets framework would look like if built with the knowledge that we now have and whether the current administration has both the statutory authority and the institutional will to build it.

10. Rolling back the SEC's 2024 SPAC rules

The SEC's 2024 SPAC rulemaking (Release No. 33-11265, effective July 2024) imposed enhanced disclosure requirements, re-characterized de-SPAC transactions as registered offerings subject to Securities Act Section 11 strict liability for all transaction participants, eliminated the safe harbor for forward-looking statements that had previously been available in de-SPAC contexts, and mandated additional financial statement requirements for target companies. The result was maximum liability exposure with none of a traditional IPO's commercial and timing flexibility. The 2024 rules did not make SPACs safer. They made them more expensive without addressing the fundamental alignment problem — sponsor "promote" economics — that generated poor outcomes in earlier SPAC generations. A targeted rollback of the most burdensome provisions, particularly the re-characterization of de-SPAC transactions as registered offerings, would restore SPACs as a viable alternative pathway for growth companies that need flexibility in IPO timing and deal certainty.

11. Rationalizing the full menu of public-offering pathways

The American public-market offering ecosystem currently consists of several parallel pathways: the traditional book-built IPO, the direct listing (available on NYSE and Nasdaq under revised rules adopted in 2020 and 2021), the de-SPAC transaction, and the Regulation A+ offering (with proposals circulating to raise the cap to $150 million under the Regulation A+ Improvement Act, H.R. 6541). Regulation A+ has not delivered on its potential. Nasdaq staff has informed us that only five companies conducted IPOs using Regulation A+ and listed on Nasdaq last year. A company considering its path to the public markets should be able to compare — on an apples-to-apples basis — the disclosure requirements, liability standards, timing considerations, and post-offering obligations of each available structure. Today, that comparison requires piecing together guidance from multiple statutory provisions, SEC rules, FINRA regulations, and exchange listing standards. The SEC should publish it as a single integrated framework.

12. Building a U.S. venture exchange — thirty years of study, time for action

Every serious study of the decline in smaller public companies over the past thirty years, from the study by the SEC's Advisory Committee on Smaller Public Companies (2006), to the IPO Task Force report (2011), to the SEC's Decimalization Roundtable (2013), to successive reports by the SEC's Office of the Advocate for Small Business Capital Formation, has identified the absence of a dedicated venture exchange with scaled listing standards as a structural gap in U.S. capital markets. Canada's TSX Venture Exchange and the United Kingdom's AIM market have demonstrated that such a structure works in practice: scaled disclosure requirements calibrated to company size, a nominated adviser (NOMAD) system that places compliance responsibility on a market-facing intermediary

rather than on the issuer alone, and liquidity support mechanisms scaled to smaller company trading economics.

The United States has never implemented a comparable structure. The Texas Stock Exchange and other challenger exchanges are competing on listing fees and governance philosophy, not on regulatory architecture. What is needed is an SEC-sanctioned Venture Exchange with explicit scaled listing standards authorized under Section 6 of the Exchange Act, a NOMAD-equivalent obligation placed on sponsoring broker-dealers, a research coverage commitment as a listing condition, and disclosure requirements scaled to company size. This is the most-studied, most-recommended, least-implemented proposal in the history of U.S. capital markets reform. One of the authors of this paper helped draft Rule 144A in 1989, a reform that was then considered structurally impossible but has now been in continuous operation for forty years. A U.S. venture exchange is not impossible. It has not happened because no administration has been willing to build it against the resistance of incumbent exchanges. Chairman Atkins has demonstrated that he is prepared to challenge that resistance in the public interest.

The Legislative Landscape: What Is Pending

Beyond the SEC's rulemaking agenda, the legislative pipeline contains several measures that, if enacted, would meaningfully advance or complicate the reform project .

The INVEST Act (H.R. 3383), which passed the House 302–123 in December 2025, is the most comprehensive piece of pending capital markets legislation. Its provisions relevant to IPOs include codification of the confidential draft registration statement process for all issuers (not only EGCs); reduction of the financial history requirement for EGCs to two years of audited P&L rather than three; expansion of the testing-the-waters accommodation to all issuers; and a reduction of the WKSI public float threshold from $700 million to $400 million. The INVEST Act remains pending Senate action, and its prospects depend on whether the Senate Banking Committee can assemble the bipartisan coalition that produced the 302–123 House vote.

The Regulation A+ Improvement Act (H.R. 6541), also pending Senate action following House Financial Services Committee approval, would raise the Regulation A+ annual offering cap to $150 million. The practical effect would be to expand this pathway for mid-sized companies seeking capital beyond what is available through Rule 506 private placements. Regulation A+ has never been an efficient pathway to a public listing. Raising the cap alone will not change that dynamic. Only five companies used Regulation A+ to list on Nasdaq last year. More structural help is needed.

The DEAL Act (H.R. 4429) and the ICAN Act (H.R. 4431) address venture capital fundraising: they would expand qualifying fund parameters and increase investor limits, directionally consistent with increasing the supply of private capital available to growth companies. They do not address the public market architecture questions at the core of the IPO reform project.

Two additional measures deserve active promotion. The Main Street Listing Act, proposed in prior Congresses and due to resurface in the current environment, would direct the SEC to study and implement scaled exchange listing and reporting standards

for smaller public companies, with explicit direction to explore the venture exchange concept. Its prior iterations stalled; the current political and regulatory environment under Chairman Atkins is the most receptive in a generation.

The Fair Access to Investment Research Act (the FAIR Act), which has passed the House with bipartisan support in prior Congresses, would extend research coverage safe harbors and require SEC coordination with FINRA and the exchanges on research coverage economics for smaller reporting companies. It has been incorporated in prior versions of capital markets reform packages and belongs in the INVEST Act Senate markup. Together, the Main Street Listing Act and the FAIR Act address two of the most direct and persistent structural failures documented in this paper.

The Senate Banking Committee's treatment of the INVEST Act is the most consequential near-term legislative indicator. If Senate Democrats can be brought along on the same bipartisan basis as in the House — where 87 Democratic members voted "yes" — then the INVEST Act's EGC-friendly provisions could be law within the year. The Senate markup is also the natural vehicle for incorporating the FAIR Act's research coverage safe harbor and any amendments addressing the 2024 SPAC rule rollback. If the bill stalls, then the SEC's rulemaking agenda carries the load, with the attendant risk of legal challenges under the Administrative Procedure Act.

The Competition Thesis — And Its Limits

The broader framing of the Boom Belt speech is that inter-state and inter-exchange competition can be an engine of regulatory improvement. The Texas Stock Exchange, NYSE Texas, Nasdaq Texas, and the general southward migration of business formation and capital are major phenomena, reflecting accumulated frustration with the regulatory and cost attributes of the stock exchange duopoly and the jurisdictions that host them. Chairman Atkins is correct that competition does not pause for tradition. The emergence of competitive exchange infrastructure is a market signal that deserves a regulatory response rather than resistance.

The caution worth noting, however, is that exchange competition alone does not repair the research coverage, market-making, or liquidity deficits that make smaller public companies structurally underserved. A company that lists on TXSE rather than Nasdaq is still subject to the same securities law reporting requirements, the same securities litigation exposure, and the same absence of research coverage if its market capitalization falls below the threshold at which analyst economics work. The exchange is the venue. The regulatory architecture is the environment. Changing the venue without repairing the environment leaves the core problem intact.

The Competitive Stakes Are Global: Lessons from China and Dubai

The competition argument advanced throughout this paper has, thus far, been framed as a domestic one (*e.g.*, New York versus Texas, incumbent exchanges versus challengers). That framing is too narrow. The more consequential competitive pressure on American public capital markets is not coming from Dallas or Miami. It is coming from Shanghai and Dubai.

I. China's STAR Market

Announced by President Xi Jinping in November 2018 at the China International Import Expo and formally launched on July 22, 2019, the Shanghai Stock Exchange Science and Technology Innovation Board, known as the "STAR Market," was explicitly designed to do what U.S. markets are currently failing to do: bring innovative, pre-profit, high-technology companies to the public capital markets at scale, quickly, and on terms that reflect their economic reality rather than the regulatory requirements of a different era. By the end of 2024, 581 companies were listed on the STAR Market with a total market capitalization exceeding $882 billion. The exchange grew from zero to the twentieth largest in the world by market capitalization in roughly four years. In 2025, according to Deloitte China, the A-share IPO market raised RMB 163.7 billion, a 23 percent increase over 2024, with the STAR Market accounting for approximately 62 percent of total capital raised through new A-share IPOs. November 2025 saw the year's largest STAR Market listing: Moore Threads, a GPU developer sometimes called China's Nvidia, raised RMB 8 billion from an IPO it completed in 122 days from initial filing to listing, on a pre-profit company. The Shanghai Stock Exchange remained the fifth largest exchange globally by funds raised in 2025.

These numbers are not an argument for complacency in the face of Chinese competition, nor an endorsement of the regulatory environment in which the STAR Market operates. They are a data point that capital markets practitioners and policymakers should not ignore. A rival jurisdiction, operating under a fundamentally different legal and political system, designed a public market structure that successfully directs capital to innovative growth companies at a pace and scale that U.S. markets are not currently matching. The structural design choices that produced that result deserve careful attention.

What the STAR Market got right

The STAR Market's most significant innovation was the adoption of a registration-based IPO system in place of China's prior approval-based regime. Under the legacy system, the China Securities Regulatory Commission (CSRC) exercised substantive merit review over IPO applications, evaluating not merely disclosure adequacy but the underlying quality and profitability of the issuer's business. The process routinely took eighteen months to two years. Companies with strong technology but unproven profitability (precisely the category that has generated the most value in the global innovation economy) could not access the public markets at all. The STAR Market replaced that system with a disclosure-based registration process. The Shanghai Stock Exchange conducts a review of whether the applicant meets statutory issuance and listing conditions and information disclosure requirements, and upon approval, forwards the application to the CSRC for registration. Substantive merit judgment on sustained profitability was explicitly eliminated. The result was a process that, for the first batch of STAR Market listings, ran from initial application to listing in under 100 days (and that delivered Moore Threads' 2025 listing in 122 days, notwithstanding the company's multi-year accumulated losses).

This is, in structural terms, a direct analogue to what Chairman Atkins has committed to in Pillar I of his reform agenda: a materiality-based, disclosure-centered, IPO process in which the regulator's role is to ensure adequate disclosure, not to exercise substantive

business judgment. The STAR Market piloted it in 2019 and extended it to the full Chinese market in February 2023.

The STAR Market's listing standards are equally instructive. Rather than a single threshold, the board offers five distinct pathways, each calibrated to a different stage and type of company. Only one of the five requires profitability. The others accommodate companies on the basis of market capitalization, revenue growth, R&D intensity, or technology leadership, as evaluated by the exchange. In July 2025, the CSRC reinstated the fifth listing standard — which had been informally frozen following scrutiny of pre-profit listings — allowing Wuhan Heyuan Biotechnology to become the first company approved under revived rules for loss-making issuers. Companies with dual-class share structures and weighted voting rights are explicitly permitted. The structure is, in practice, a multi-standard tiered exchange of the kind this paper recommends as Reform 11.

The STAR Market also introduced a mandatory sponsor co-investment requirement that is the most instructive element of the entire architecture for U.S. reform purposes. Under the STAR Market's implementing rules, the sponsoring investment bank is required to invest its own capital alongside the IPO (typically 2 to 5 percent of the offering proceeds) and hold that investment subject to a lock-up period. This mechanism directly addresses the principal-agent problem at the heart of the U.S. research coverage and market-making crisis. It aligns the sponsoring bank's economic interests with the long-term performance of the issuer. An investment bank that holds a locked-up stake in a company it has sponsored has a direct financial incentive to maintain research coverage and secondary market support for that company after it lists. The U.S. regulatory framework contains no comparable mechanism. The co-investment requirement is not without problems. It creates potential conflicts of interest that require careful management, and the academic literature documents instances of growth metric manipulation associated with it. But the directional logic is compelling: if you want bankers to behave like sponsors rather than distributors, give them a financial stake in the outcome.

The STAR Market's regulatory review timeline is also legally binding. Upon accepting a listing application, the exchange must issue its first round of comments within 20 working days and complete its review within three months. The CSRC is then bound to make a final registration decision within 20 working days of receiving the exchange's forwarded materials. These are enforceable deadlines, not aspirational guidelines. The SEC has no comparable binding commitment to any review timeline. Reform 9 in this paper proposes precisely this change.

What the U.S. cannot and should not replicate

The STAR Market's structural design choices are worth studying. The system within which they operate is not. The CSRC retains ultimate authority over all listings and has exercised it to halt transactions that conflict with political priorities: the Ant Financial IPO, which would have been one of the largest in history, was stopped on the eve of listing in November 2020. Capital allocation on the STAR Market is explicitly directed toward sectors aligned with Made in China 2025 industrial policy; as of 2021, 82 percent of STAR-listed companies were operating in industries specifically targeted by that initiative. The investor qualification requirements (e.g., a minimum account balance of

500,000 yuan and two years of trading history) restrict retail participation in a way that contradicts the equity goals of public market reform. Capital controls limit international portfolio investment. And the enforceability of contractual rights and the independence of the judiciary from political interference remain foundational concerns that no amount of regulatory design can substitute for.

American capital markets derive their global competitive advantage not merely from their scale and liquidity, but from the rule of law: the reliability and enforceability of contracts, the independence of courts, and the predictability of the regulatory framework. Those attributes cannot be taken for granted. They are built over generations and eroded by regulatory overreach, regulatory paralysis, or the perception that political considerations influence outcomes. The strongest argument for the Atkins reform agenda is not that it will make U.S. markets more like Shanghai's. It is that it will make U.S. markets worthy of the rule-of-law premium that investors, both domestic and international, have historically been willing to pay.

THE STAR MARKET — CURRENT DATA

Launched July 22, 2019. • 581 companies listed as of end-2024. • Total market cap approximately $882 billion as of end-2024. • 20th largest exchange by market cap in roughly four years. • STAR Market: approximately 62% of China A-share IPO capital in 2025 (Deloitte China). • A-share market raised RMB 163.7 billion in 2025, up 23% from 2024. • Largest 2025 STAR listing: Moore Threads (pre-profit GPU developer, "China's Nvidia"), raised RMB 8 billion in a 122-day process. • Five listing standards, pre-profit eligibility reinstated in 2025. • Dual-class shares permitted. • Registration-based: exchange reviews, CSRC registers within 20 working days. • Mandatory sponsor co-investment 2–5% of proceeds, with lock-up.

II. Dubai and the DIFC Model

Dubai represents a different and, for U.S. capital markets purposes, more directly disruptive form of competition. Unlike the STAR Market, which operates within a political system that most international investors approach with caution, Dubai's primary financial jurisdiction — the Dubai International Financial Centre — operates under English common law, enforced by an independent court system that applies principles familiar to every practitioner trained in the U.K. or the United States. Dubai is not a legal analogue to Shanghai. It is a legal analogue to London. And it has spent the last decade aggressively positioning itself as an alternative listing venue for precisely the categories of company and capital that U.S. markets should be attracting.

Established in 2004 pursuant to UAE Federal Decree No. 35, the DIFC is an independent financial free zone within Dubai that is exempt from UAE federal civil and commercial laws and governed instead by its own statutory framework based on English common law. The DIFC has its own independent regulator — the Dubai Financial Services Authority (DFSA) — its own courts, its own companies law modeled on the U.K. Companies Act, and a tax regime that offers a 50-year guarantee of zero corporate income tax, no capital gains tax, no withholding taxes, and full freedom to repatriate

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capital and profits. Foreign investors may hold 100 percent ownership without a local partner. The DIFC courts conduct proceedings in English and apply common law precedent. For an American or British investor, the contractual and legal environment within the DIFC is not exotic. It is familiar.

Companies incorporated in the DIFC may list on the Dubai Financial Market (DFM) or on Nasdaq Dubai, the international exchange based within the DIFC itself. DIFC is a common-law free zone operating as a listing platform feeding into recognized exchanges. This is precisely the architecture this paper describes in Reform 12 as a U.S. venture exchange. The DIFC is, in effect, what a U.S. venture exchange would look like if someone built it in 2004 and allowed it to operate for twenty years.

The results are remarkable. Middle East IPO proceeds reached $13.42 billion in 2024, up more than 20 percent from 2023, with the UAE and Saudi Arabia driving most of the activity. In 2024 alone, food delivery company Talabat raised $2 billion from its IPO on the DFM in the largest global technology offering of 2024. Supermarket chain Lulu Retail raised $1.7 billion on the Abu Dhabi Securities Exchange. MENA IPO activity in 2025, while softer than in 2024 due to poor post-listing performance by several large issuers, is expected to recover in 2026, with the ADX and DFM projecting nine to twelve IPOs in the first half of the year alone. The region has attracted a growing pool of high-net-worth individuals and family offices: current estimates place approximately 110,000 HNWIs in the UAE, including nearly 300 centimillionaires, creating a deep local investor base of a kind that did not exist a decade ago.

Particularly instructive is the UAE's willingness to overhaul its regulatory framework wholesale rather than patch it incrementally. On January 1, 2026, Federal Decree-Law No. 32 and 33 of 2025 entered into force, repealing the UAE's 25-year-old securities framework in its entirety and replacing it with a comprehensive, statute-driven capital markets regime. The reform reconstituted the Securities and Commodities Authority as the Capital Market Authority with enhanced powers, explicitly addressed price stabilization, providing a statutory safe harbor for standard post-IPO stabilization activities that had previously existed in a legal grey zone, and expanded the scope of market integrity provisions to cover foreign issuers accessing UAE markets, including those incorporated in the DIFC and ADGM. The contrast with the U.S. approach where securities regulation consists of the original New Deal statutes overlaid with ninety years of patchwork amendments and accretive rulemaking is direct and unflattering.

Three structural features of the Dubai model deserve specific attention from U.S. reformers.

First, the free zone architecture itself — the creation of a distinct legal and regulatory environment within a larger jurisdiction — is a model for how a U.S. venture exchange could be structured. A venture exchange operating under scaled SEC disclosure requirements, with a NOMAD-equivalent sponsoring broker-dealer obligation, a research coverage commitment as a listing condition, and a distinct listing rulebook authorized under Section 6 of the Exchange Act would function, in practical terms, as a U.S. analogue to the DIFC. The legal authority exists. What has been lacking is the political will to create the separate regulatory environment.

Second, the dollar peg is a genuine competitive advantage. The UAE Dirham has been pegged to the U.S. Dollar since 1997 at a fixed rate, effectively eliminating foreign exchange risk for USD-denominated investors. Companies in the Middle East, South Asia, and Africa that operate in dollar-denominated markets and sell to dollar-denominated customers face no incremental foreign exchange risk by listing in Dubai rather than New York. That removes one of the historically compelling arguments for a U.S. listing. For companies with Middle Eastern sovereign or family office investors, the DFM is increasingly the natural choice.

Third, Dubai has developed a three-phase IPO development strategy, from state privatizations, family business listings, to fintech and technology startup exits. The Dubai strategy is the manifestation of market development thinking that U.S. policy has never applied to the public markets. The U.S. has, in effect, allowed its public market infrastructure to atrophy passively while other jurisdictions have actively invested in building theirs. Dubai's trajectory from a single exchange with modest activity in the early 2000s to one of the fastest-growing IPO markets in the world by the mid-2020s is the product of government strategy, regulatory design, and deliberate capital formation policy. The United States is not competing on those terms because it has not decided to compete on those terms. The Atkins reform agenda is the first serious signal in a generation that it might.

The synthesis: what both markets tell us

Shanghai and Dubai represent two distinct competitive threats. Shanghai is a geopolitical competitor operating under an incompatible legal system, but one that has implemented, at scale and with binding effect, the disclosure-based registration system, tiered listing standards, sponsor co-investment, and binding review timelines that this paper recommends for the United States. The design logic is transferable even where the institutional context is not. Dubai is a rule-of-law competitor operating under English common law, zero taxation, and full capital mobility — a jurisdiction that has removed nearly every structural friction that U.S. markets impose while maintaining the investor protections that institutional capital requires. The rule-of-law argument that distinguishes U.S. markets from Shanghai does not distinguish them from Dubai.

The conclusion for U.S. policymakers is straightforward. The structural reforms proposed in this paper — the venture exchange, the tiered listing standards, the research coverage mandate, the binding review timelines, the sponsor accountability mechanisms — are not theoretical. Analogues to each of them operate today on the Huangpu River and on the Dubai Creek. The question is whether they will be operating on the Hudson before the competitive gap grows irreversible.

DUBAI AND THE DIFC — KEY FACTS

DIFC established 2004. • Independent jurisdiction under English common law, with its own DIFC Courts and the DFSA as regulator. • 100% foreign ownership; zero corporate tax for 50 years; full profit and capital repatriation. • UAE Dirham pegged to U.S. Dollar since 1997: no FX risk for USD investors. • Companies incorporated in DIFC or ADGM may list

on the DFM or Nasdaq Dubai. • Middle East IPO proceeds: $13.42 billion in 2024, up 20%+ from 2023. • Talabat IPO (DFM, November 2024): $2 billion — the largest global tech offering of 2024. • UAE new Capital Markets Law (Federal Decree-Law Nos. 32 and 33 of 2025) entered into force January 1, 2026, replacing the entire prior framework. • DFM and ADX forecast 9–12 new IPOs in H1 2026.

Conclusion

The Boom Belt remarks are the most consequential statement of IPO reform intent from an SEC Chairman in a generation. The three pillars are well-chosen, and the INVEST Act, if enacted, would codify and extend them, effectively "future-proofing" the gains from reversal by a successor administration.

What the Boom Belt agenda does not yet confront are the five structural failures catalogued above. The research ecosystem has been broken by a twenty-year-old settlement agreement between private parties and their regulators, a European unbundling regime nobody has fixed, and FINRA quiet period rules that suppress coverage at the moment it is most needed by small-cap issuers. The market-making infrastructure for smaller stocks was destroyed by decimalization and never rebuilt. The JOBS Act created a private-market haven that now shelters companies from any public disclosure obligation regardless of how much capital they have raised from public pension funds. The SOX 404(b) compliance cliff hits every company at EGC graduation and sends a material number of them private. And the United States still lacks the tiered market architecture that three decades of studies have recommended and no administration has been willing to construct. Until all five are addressed, the IPO will remain what it has become: the option a company turns to when every other source of capital has been exhausted.

The damage is not confined to the companies directly affected. A hollowed-out IPO market freezes the capital recycling that sustains the entire venture ecosystem. Limited partners do not receive distributions; general partners cannot raise successor funds; and the next generation of early-stage companies finds the financing environment thinner than it should be. Fix the IPO market and you fix a great deal more than the IPO market.

SEC Chairman Atkins has picked up the wrench. The question now is whether the full scope of the repair project is in view. In his speech at the Dallas Fed, Chairman Atkins said that he was "eager to hear [our] ideas" and encouraged us "to be bold and creative."[6] Pledging our support for the Chairman's reform program, we ask him, the other Commissioners, and the agency's dedicated Staff, as well as the Small Business Capital Formation Advisory Committee meeting on April 28, 2026, to consider our views and endorse this broader agenda.

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[1] The authors are partners in Foley & Lardner LLP, based in Silicon Valley and Chicago, respectively.

[2] "Remarks at the Texas Stock Exchange Event: Welcome to the Boom Belt: A Return to First Principles in Public Markets," available at https://www.sec.gov/newsroom/speeches-statements/atkins-remarks-boom-belt-040726.

[3] "Statement on Global Research Analyst Settlement," available at https://www.sec.gov/newsroom/speeches-statements/uyeda-statement-global-research-analyst-settlement-120525.

[4] H.R. 3606, available at https://www.govinfo.gov/content/pkg/BILLS-112hr3606enr/pdf/BILLS-112hr3606enr.pdf.

[5] Louis Brandeis, "Other People's Money, and How the Bankers Use It," chapter V (1914), available at https://law.louisville.edu/lawlibrary/special-collections/louis-d-brandeis-collection/writings-louis-d-brandeis/other-peoples-money-3.

[6] "Remarks at the Texas A&M School of Law Corporate Law Symposium," Federal Reserve Bank of Dallas, Feb. 17, 2026, available at https://www.sec.gov/newsroom/speeches-statements/atkins-02-17-2026-remarks-texas-am-school-law-corporate-law-symposium.

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