

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

April 1, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, D.C. 20220

The Honorable Jay Clayton
Chairman
Securities and Exchange Commission
100 F Street NE
Washington, D.C., 20549

Dear Secretary Mnuchin and Chairman Clayton:

The coronavirus disease 2019 (COVID-19) pandemic has inflicted unprecedented harm on the American economy and has taken a significant toll on the economic security of millions of workers and families. Markets have lost virtually all of the record gains accumulated over the last three years, entire cities and states have been shut down, and millions of workers have been laid off or furloughed. In fact, a staggering 3.3 million Americans filed for unemployment in a single week, and one million Californians filed for unemployment over a two-week span.

By passing H.R. 748, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress took bold, unprecedented action to provide historic relief to our nation's workers, families, and businesses.

Unsurprisingly, some are exploiting this crisis to call for regulatory rollbacks to safeguards put in place to protect workers, including weakening Rule 701 of the Securities Act of 1933 to allow companies to compensate certain non-traditional employees with equity compensation in lieu of a traditional paycheck and without important investor protections. Non-traditional employees, including contractors and freelancers, represent some of our nation's most vulnerable workers and by extending the provisions of Rule 701 to include non-traditional employees, we would be depriving these workers of cash at a time they need it most.

Furthermore, by allowing companies to compensate vulnerable, non-traditional employees with equity compensation in lieu of a traditional paycheck, workers could be severely disadvantaged by being forced to receive their compensation in the form of their employer's stock, forcing them into risky, concentrated positions at a time when the market is experiencing unprecedented levels of volatility and uncertainty.

That is why I urge you to make no changes to Rule 701, except to consider conditioning federal assistance on companies providing equity compensation *in addition* to the standard and complete cash compensation employees, including non-traditional employees, normally receive. Now more than ever, we must do everything in our power to ensure that families are receiving a

steady paycheck to provide for themselves and their families as well as identify ways to ensure that company workers share in the gains of a recovering economy.

Sincerely,

A handwritten signature in blue ink, reading "Maxine Waters". The signature is fluid and cursive, with the first name "Maxine" and last name "Waters" clearly legible.

MAXINE WATERS

Chairwoman