3-8-2012

Legislative Alert: "Jumpstart Our Business Startups (JOBS) Act" (HR 3606)

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Abstract
[Excerpt] On behalf of the AFL-CIO, I am writing to express our strong opposition to the "Jumpstart Our Business Startups (JOBS) Act" (HR 3606) which will reduce regulatory protections for investors in many companies. These investor protections are critical to safeguarding the retirement savings of America’s workers from fraud and other risks. While the proponents of this bill claim it will promote jobs and economic growth, it would actually have the perverse effect of raising the cost of capital for all companies, by increasing the risk of fraud, and reducing the flow of information to investors.

Keywords
AFL-CIO, Legislative Alert, "Jumpstart Our Business Startups (JOBS) Act", HR 3606

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Suggested Citation

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March 8, 2012

Dear Representative:

On behalf of the AFL-CIO, I am writing to express our strong opposition to the “Jumpstart Our Business Startups (JOBS) Act” (HR 3606) which will reduce regulatory protections for investors in many companies. These investor protections are critical to safeguarding the retirement savings of America’s workers from fraud and other risks. While the proponents of this bill claim it will promote jobs and economic growth, it would actually have the perverse effect of raising the cost of capital for all companies, by increasing the risk of fraud, and reducing the flow of information to investors.

Experience shows that weakened securities regulations increase the danger of fraud and speculation. The U.S. should take heed of the experiments of other developed countries with lax regulatory standards that have created treacherous capital markets for investors, such as Canada’s now-defunct Vancouver Stock Exchange and the London Stock Exchange’s Alternative Investment Market.

In sum, the JOBS Act will weaken investor confidence in our capital markets by creating new and expanded loopholes in our securities laws. The U.S. capital markets are among the safest and most liquid in the world because they afford vigorous investor protections. This bill will create additional risks for investors and drive up capital costs, thereby offsetting any reduction in compliance costs for smaller companies. For these reasons, we urge you to side with investors and oppose HR 3606.

Sincerely,

William Samuel, Director
GOVERNMENT AFFAIRS DEPARTMENT