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# United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

March 19, 2026

The Honorable Paul Atkins  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, D.C. 20549

Dear Chairman Atkins,

We write regarding the U.S. Securities and Exchange Commission's (SEC) role in addressing the unique risks to national security, market integrity, and investor protection posed by SEC-registered entities with ties to the People's Republic of China (PRC).<sup>1</sup> Over the past two decades, for example, hundreds of Chinese companies have listed on U.S. exchanges by relying on opaque corporate structures called variable interest entities (VIEs). We welcome the SEC's new Cross-Border Task Force to Combat Fraud. As part of that work, the SEC should examine how these structures are being used, as they may advance Chinese government objectives in ways that undermine investor protection and fair, orderly, and efficient markets.

China's access to U.S. markets – without appropriate safeguards – can put American investors and our financial system at greater risk. As you know, the PRC directly and indirectly exerts pressure on Chinese-owned and controlled entities to prioritize Beijing's geopolitical interests – not the well-being of U.S. investors and the integrity of our financial markets.<sup>2</sup> For example, PRC laws and regulations allow the Chinese government to compel companies subject to the jurisdiction or otherwise owned or controlled by the PRC to turn over sensitive information, including personal and financial data, to security officials.<sup>3</sup> This may enable Beijing to leverage the SEC registration of Chinese-owned and controlled entities to access, store, and misuse Social Security numbers, bank account information, and other personally identifiable information of millions of Americans, which harms not only everyday Americans, but also

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<sup>1</sup> U.S. Sec. & Exch. Comm'n, *SEC Announces Formation of Cross-Border Task Force to Combat Fraud*, Press Release No. 2025-113 (Sept. 5, 2025), <https://www.sec.gov/newsroom/press-releases/2025-113-sec-announces-formation-cross-border-task-force-combat-fraud>.

<sup>2</sup> U.S. Department of State, Global Engagement Center, *How the People's Republic of China Seeks to Reshape the Global Information Environment* (September 23, 2023). <https://2021-2025.state.gov/gec-special-report-how-the-peoples-republic-of-china-seeks-to-reshape-the-global-information-environment/>

<sup>3</sup> U.S. National Counterintelligence and Security Center (NCSC) Safeguarding Our Future (SOF) Bulletin (June 2023), [https://www.dni.gov/files/NCSC/documents/SafeguardingOurFuture/FINAL\\_NCSC\\_SOF\\_Bulletin\\_PRC\\_Laws.pdf](https://www.dni.gov/files/NCSC/documents/SafeguardingOurFuture/FINAL_NCSC_SOF_Bulletin_PRC_Laws.pdf).

investors in the companies that suffer operational and reputational harm from having their data misappropriated.

The same PRC-linked SEC registrants often maintain significant operations and employees in mainland China.<sup>4</sup> Yet, the PRC's strict privacy and data-localization laws prohibit Chinese-owned and controlled companies from sharing key data with U.S. regulators, limiting the SEC's ability to oversee and assess potential violations of the U.S. federal securities laws.<sup>5</sup> These restrictions materially limit the Commission's ability to obtain information necessary to protect investors, and there is substantially greater risk that disclosures of PRC-based issuers may be incomplete or misleading.<sup>6</sup>

Unfortunately, Chinese-owned and controlled entities often exploit a corporate structure called a variable interest entity (VIE) to access U.S. markets.<sup>7</sup> A VIE is a legal structure where a company is controlled through contractual agreements or arrangements other than a direct equity stake with voting rights associated with equity ownership. American investors in these structures will – sometimes unknowingly – purchase shares in an offshore shell company contractually tied to a PRC-based operating entity. These contracts are meant to mimic direct ownership of the PRC-based operating entity.

The VIE structure poses heightened risks for U.S. investors. As the SEC's Division of Corporation Finance previously recognized,<sup>8</sup> exerting control through contractual arrangements might be less effective than direct equity ownership. Additionally, the structure serves as means of circumventing PRC foreign ownership restrictions, as well as the contracts between the shell company and operating company, are subject to interpretation by the PRC government.<sup>9</sup> At any time, the government could determine the structure or contracts do not comply with applicable

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<sup>4</sup> For example, Webull Financial's parent company, Webull Corporation, reported in its SEC filings that "our mainland China subsidiary, Hunan Weibu Information Technology Co., Ltd., employs 673 employees, representing 61% of our employees as of September 30, 2024, and is subject to the jurisdiction of the People's Republic of China." Webull Corporation Registration Statement, available at <https://www.sec.gov/Archives/edgar/data/1866364/000121390025020294/ea0201669-22.htm>.

<sup>5</sup> See Letter from Indiana AG Rokita and 13 other state AGs to Webull (Apr. 16, 2024), available here: [https://content.govdelivery.com/attachments/INAG/2024/04/16/file\\_attachments/2848854/Letter%20to%20Webull%20Final.pdf](https://content.govdelivery.com/attachments/INAG/2024/04/16/file_attachments/2848854/Letter%20to%20Webull%20Final.pdf); U.S. National Counterintelligence and Security Center (NCSC) Safeguarding Our Future (SOF) Bulletin (June 2023), available here:

[https://www.dni.gov/files/NCSC/documents/SafeguardingOurFuture/FINAL\\_NCSC\\_SOF\\_Bulletin\\_PRC\\_Laws.pdf](https://www.dni.gov/files/NCSC/documents/SafeguardingOurFuture/FINAL_NCSC_SOF_Bulletin_PRC_Laws.pdf).

<sup>6</sup> SEC, Division of Corporation Finance, "Disclosure Considerations for China-Based Issuers," November 23, 2020, available at <https://www.sec.gov/rules-regulations/staff-guidance/disclosure-guidance/disclosure-considerations-china-based-issuers>.

<sup>7</sup> According to a review by the Congressional Research Service, "two-thirds of all PRC U.S.-listed firms—including Alibaba, Baidu, and Tencent—use a VIE structure to address PRC restrictions and gain flexibility in operating overseas." Michael D. Sutherland & Karen M. Sutter, *U.S. Capital Markets and China: Issues for Congress* (Cong. Research Serv., In Focus No. IF11803, Dec. 19, 2024), <https://www.congress.gov/crs-product/IF11803>.

<sup>8</sup> SEC, Division of Corporation Finance, "Disclosure Considerations for China-Based Issuers," November 23, 2020, available at <https://www.sec.gov/rules-regulations/staff-guidance/disclosure-guidance/disclosure-considerations-china-based-issuers>.

<sup>9</sup> SEC, Division of Corporation Finance, "Disclosure Considerations for China-Based Issuers," November 23, 2020, available at <https://www.sec.gov/rules-regulations/staff-guidance/disclosure-guidance/disclosure-considerations-china-based-issuers>.

law, and subject the entities to penalties or revoke their licenses.<sup>10</sup> Ultimately, the VIE structure leaves investors without insight into the operating entity's true ownership structure, with weak contractual claims, no right as shareholders to meaningfully participate in the operating entity's corporate decision-making, and with little or no meaningful legal protection, including recourse in the event of bankruptcy, and exposure to changes in Chinese law or interpretations of law that harm investors' rights or value of their investments.

In addition to VIE structure-specific considerations, VIEs, like other PRC-based entities, are subject to additional PRC-specific risks, including from difficulties accessing information, the regulatory environment, and risks of scams and market manipulation.<sup>11</sup> In particular, these fraud risks are often amplified by deceptive social-media campaigns that can rapidly inflate trading volume in thinly traded issuers. The risks are not hypothetical. Just recently, the SEC temporarily suspended trading on a major U.S. national securities exchange in several Asia-based companies for suspected schemes to inflate price and volume.<sup>12</sup> These types of manipulative practices, which help China at the expense of American investors and markets, must end.

We urge the Commission to closely examine the following issues to address the significant concerns about how VIE structures can be exploited:

- whether investors in VIE structures have meaningful legal recourse given the contractual limitations that define VIE arrangements;
- whether existing disclosure requirements sufficiently explain the legal and operational limitations and risks inherent in VIE structures;
- whether the typical insider ownership concentration of VIEs creates opportunities for manipulation;
- whether alleged high amounts of outstanding warrants and other instruments result in undisclosed dilution risk;
- whether additional Commission tools or revised disclosure obligations are warranted to ensure that VIE contractual claims cannot be easily frustrated under PRC law; and
- whether investors in VIE structures are exposed to PRC-linked entities that are subject to regulations and restrictions under U.S. sanctions and outbound investment laws.

Relatedly, continued evaluation of risks involving PRC-linked broker-dealers that serve U.S. retail investors remains important. At the same time, millions of Americans rely on these

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<sup>10</sup> SEC, Division of Corporation Finance, "Disclosure Considerations for China-Based Issuers," November 23, 2020, available at <https://www.sec.gov/rules-regulations/staff-guidance/disclosure-guidance/disclosure-considerations-china-based-issuers>.

<sup>11</sup> SEC, Division of Corporation Finance, "Disclosure Considerations for China-Based Issuers," November 23, 2020, available at <https://www.sec.gov/rules-regulations/staff-guidance/disclosure-guidance/disclosure-considerations-china-based-issuers>.

<sup>12</sup> U.S. Sec. & Exch. Comm'n, *Order of Suspension of Trading, Release No. 34-104167* (Oct. 8, 2025), <https://www.sec.gov/files/litigation/suspensions/2025/34-104167.pdf>; U.S. Sec. & Exch. Comm'n, *Order of Suspension of Trading, Release No. 34-104113* (Sept. 26, 2025), <https://www.sec.gov/files/litigation/suspensions/2025/34-104113.pdf>.

platforms, and any policy response should protect investors while preserving their ability to make informed investment choices. In this context, several questions merit attention:

- whether representations in SEC or Financial Industry Regulatory Authority (FINRA) filings align with PRC corporate records, including whether U.S. filings accurately represent where core brokerage functions are actually performed;
- whether cross-border data flows expose Americans' brokerage information to PRC intelligence-access obligations;
- whether the Commission's current examination and enforcement tools are sufficient to identify inconsistencies before risks materialize; and
- whether enhanced disclosures, clarified supervisory expectations, or stress-testing of cross-border data-resilience frameworks could strengthen investor protection.

It is critical for the United States to address the threats posed by China and its use of opaque corporate structures, including the risks to U.S. investors and the U.S. financial system.

Sincerely,



Tim Scott  
Chairman



Elizabeth Warren  
Ranking Member



Mike Crapo  
United States Senator



M. Michael Rounds  
United States Senator



Thom Tillis  
United States Senator



John Kennedy  
United States Senator

Bill Hagerty  
United States Senator

Cynthia M. Lummis  
United States Senator

Katie Boyd Britt  
United States Senator

Pete Ricketts  
United States Senator

Jim Banks  
United States Senator

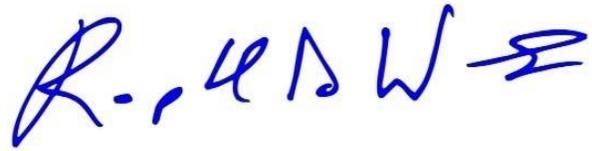
Kevin Cramer  
United States Senator

Bernie Moreno  
United States Senator

David H. McCormick  
United States Senator



Chris Van Hollen  
United States Senator



Raphael Warnock  
United States Senator



Andy Kim  
United States Senator



Lisa Blunt Rochester  
United States Senator