

Johnson Statement on Capital Formation Hearing

WASHINGTON – Today, Senate Banking Committee Chairman Tim Johnson (D-SD) held a hearing on capital formation proposals to spur job creation and protect investors.

Below is Chairman Johnson's statement as prepared for delivery:

Today we will have our second full Committee hearing on “Spurring Job Growth through Capital Formation While Protecting Investors.”

It is our fourth hearing overall on capital formation, following Senators Reed and Crapo's Securities Subcommittee hearing on “Examining Investor Risks in Capital Raising” and Senators Tester and Vitter's Economic Policy Subcommittee hearing on “Access to Capital: Fostering Job Creation and Innovation Through High Growth Startups.”

Growing small businesses is critical to building a stronger American economy, and today we meet to consider how to help small business and entrepreneurs access the capital they need through stock markets. The intent is to help them grow and create new jobs, while having suitable protections so investors are assured they will not be taken advantage of if they put their money at risk.

Businesses may attempt to raise more capital if the process of selling stock is made easier and less costly. At the same time, investors are more likely to buy stock when they have adequate reliable information and fair trading markets. Last week in the Committee, in response to my question, Fed Chairman Bernanke said, “Startup companies – companies under 5 years old – create a very substantial part of jobs added to the economy,” and he encouraged assisting startups. SEC Chairman Schapiro has said, “Companies seeking access to capital should not be overburdened by unnecessary or superfluous regulations. At the same time . . . we must balance that responsibility with our obligation to protect investors and our markets.”

In previous hearings, witnesses have discussed how public markets allocate capital and help create jobs, SEC requirements for a company to go public, why some firms prefer to remain private, how investors may be solicited to buy stock, how institutional investors decide whether to buy a company's IPO shares, the importance of liquidity in the secondary markets, the importance of investor protections, measures to reduce the cost of selling stock and their potential impact on the cost of capital and other considerations.

Today, we will hear testimony from experts analyzing the history and state of the IPO market, the needs of start-up and small businesses, why investors buy IPOs, the role of accounting and other disclosures, analyst conflicts of interest and other matters.

Members of this Committee on both sides of the aisle including Senators Schumer, Crapo, Tester, Reed, Vitter, Merkley, Toomey, Bennet and Johanns have been working hard on bipartisan proposals and I welcome our witnesses to provide their insights on these measures and others on the topic.

I look forward to working with the entire Committee and with Senate Leadership to quickly move bipartisan legislation forward.