Stop Wall Street Looting Act of 2021

Senators Warren, Baldwin, and Brown and Representatives Pocan and Japayal

Over the last two decades, private equity activity in the economy has exploded. In the last five years alone, private equity fund assets have more than doubled, reaching nearly $5 trillion in 2021, while the number of private equity funds increased by nearly 60%. Private equity funds have purchased companies in nearly every sector of economy — from nursing homes, to newspapers, to grocery stores, — laying off hundreds of thousands of workers and ruining thousands of companies in the process. Today, the private equity industry and companies owned by private equity employ 11.7 million workers, nearly 3 million more than just two years ago.

The private equity industry claims that it earns high returns for investors by using their capital to buy companies, using funds' management expertise to make the companies' operations more efficient, and then selling the companies at a profit. In reality, private equity funds often load up debt on the companies they buy, strip them of their assets, and extract exorbitant fees, guaranteeing payouts for themselves regardless of how the investment performs, and walking away from workers, communities, and investors if the bets go bad.

It's time to level the playing field, protect workers, consumers, and investors, and force private equity firms to take responsibility for the companies they control by closing the loopholes that allow them to capture all the rewards of their investments while insulating themselves from risk. The **Stop Wall Street Looting Act** will:

- **Require Private Investment Funds to Have Skin in the Game:** Firms, the firm's general partners, and their insiders will share responsibility for the liabilities of companies under their control – including debt, legal judgments and pension-related obligations – to better align the incentives of private equity firms and the companies they own. Liability would not extend to the fund's limited partners, ensuring that only those that control portfolio firms are on the hook. In order to encourage more responsible use of debt, the bill ends the tax subsidy for excessive leverage, and closes the carried interest loophole.
- **End Looting of Portfolio Companies.** To give portfolio companies a shot at success, the proposal bans dividends to investors and the outsourcing of jobs for two years after a firm is acquired – ending the extraction of wealth and resources from acquired companies.
- **Protect Workers, Customers and Communities.** This proposal prevents private equity firms from walking away when a company fails and protects stakeholders by:
    - Prioritizing worker pay in the bankruptcy process and improving rules so workers are more likely to receive severance, pensions, and other payments they earned.
    - Creating incentives for job retention so that workers can benefit from a company's second chance.
    - Ending the immunity of private equity firms from legal liability when their portfolio companies break the law, including the WARN Act. When workers at a plant are shortchanged or residents at a nursing home are hurt because private equity firms force portfolio companies to cut corners, the firm should be liable.
    - Clarifying that gift cards are consumer deposits, ensuring their priority in bankruptcy.
- **Empower Investors by Increasing Transparency:** Private equity managers will be required to disclose fees, returns, and other information about their funds so that investors can monitor their investments and shop around.
- **Require Risk Retention.** Reinstates the Dodd-Frank provision that requires arrangers of corporate debt securitization to retain some of the risk.