

# United States Senate

WASHINGTON, DC 20510-0908

January 3, 2024

Ms. Adena T. Friedman  
Chair and Chief Executive Officer  
NASDAQ, Inc.  
151 W. 42nd Street  
New York, NY 10036

Ms. Sharon Y. Bowen  
Chair  
NYSE Holdings LLC  
11 Wall Street  
New York, NY 10005

Dear Chair Friedman and Chair Bowen:

On November 27, 2023, SHEIN filed for a U.S. Initial Public Offering (IPO). This IPO would make it one of the most valuable Chinese-founded companies listed on American financial exchanges.

SHEIN was established in Nanjing, China, in 2008. In 2019, SHEIN moved its headquarters to Singapore and has an estimated value of \$64 billion. While SHEIN touts itself as a fast fashion retailer, a closer look shows that it is a China-founded e-commerce giant that has tremendous influence not only in fashion and textiles, but also in data collection and supply chain logistics. This makes it a monumental player in the supply chain industry – which is a concern, especially because of the serious allegations levied against its business practices.

One of the most concerning aspects of SHEIN is the allegations that it utilizes forced labor in its supply chains. According to an article from Bloomberg,<sup>1</sup> the company faces allegations that its products contain cotton from the Xinjiang Uyghur Autonomous Region (Xinjiang, XUAR), which is notoriously known for using forced labor to produce cotton and accounts for 90% of all cotton production in China. Widely-held concerns about China's forced labor practices proliferate throughout the Western world.<sup>2</sup> Further, only 20% of cotton used by Chinese textile manufacturers is imported, meaning that most textiles made in China contain forced labor cotton.<sup>3</sup>

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<sup>1</sup> <https://www.bloomberg.com/news/articles/2023-11-28/shein-s-ipo-plan-to-fuel-scrutiny-over-cotton-roots-in-china>

<sup>2</sup> <https://xjdp.aspi.org.au/>

<sup>3</sup> <https://www.ers.usda.gov/amber-waves/2022/december/shift-in-geography-of-china-s-cotton-production-reshapes-global-market/#:~:text=About%2090%20percent%20of%20China's,thus%20subject%20to%20the%20ban.>

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Another report<sup>4</sup> produced by the House Select Committee on the Chinese Communist Party (CCP) shows how suspect SHEIN's dealings are. According to this report, virtually all of SHEIN's goods sold to American consumers are delivered via direct-to-consumer shipments from China. Most of these imported shipments from SHEIN are under the \$800 de minimis threshold, and just these shipments alone make up more than 30% of all packages shipped to the United States under the de minimis provision. This means almost all of the products created and delivered by SHEIN are allowed to provide less robust data to U.S. Customers and Border Protection (CBP), and minimizes the likelihood that the packages will be screened for Uyghur Forced Labor Prevention Act compliance.<sup>5</sup>

This is not new information. Earlier this year, attorneys general from 16 states wrote a letter<sup>6</sup> to the Securities and Exchange Commission (SEC) asking them to audit SHEIN to see if its supply chains are utilizing forced labor.

Given SHEIN's lack of transparency, lack of compliance with U.S. standard practices for securities regulation, seemingly wanton illegal business practices and allegations of unethical conduct, it is essential that the following questions are addressed prior to granting greater U.S. capital market exposure.

- Is the NASDAQ/NYSE certain that SHEIN products have not been manufactured with forced labor?
- If SHEIN is to be listed on your exchange, will you seek to ensure that their supply chains are free from any forced labor or do not run through the Xinjiang region before allowing them to be listed?
- Does the NASDAQ/NYSE have confidence in SHEIN's corporate personnel and management acting in a manner that is not beholden to the CCP and compliant with free market standards for good governance and management principles?
- How can your exchange ensure that all listed companies are beholden to equitable standards regardless of the location of the company?

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<sup>4</sup> <https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/fast-fashion-and-the-uyghur-genocide-interim-findings.pdf>

<sup>5</sup> <https://www.cbp.gov/trade/forced-labor/UFLPA>.

<sup>6</sup> [https://content.govdelivery.com/attachments/MTAG/2023/08/28/file\\_attachments/2596627/SHEIN%20Letter%20Final.pdf](https://content.govdelivery.com/attachments/MTAG/2023/08/28/file_attachments/2596627/SHEIN%20Letter%20Final.pdf).

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- How do you intend to ensure compliance by SHEIN with your respective exchange's policies, to include but not limited to, policies related to governance, transparency and corporate management?
- How do you intend to protect investors and the integrity of your exchange from heightened risk and fraud concerns posed by the lack of common acceptance of basic audit practices in China and address the lack of investor rights and transparency up until now?
- Due to the current suspect nature of China's adherence to the PCAOB-negotiated December 2022 agreement with the Chinese Securities Regulatory Commission (CSRC),<sup>7</sup> how will you enforce compliance by SHEIN to these standards?
- In light of the above, is the NASDAQ/NYSE able to state that they are confident SHEIN will follow all applicable U.S. laws if it is allowed to be publicly traded on U.S. markets? If so, on what basis?

These questions must be answered before moving forward with any listing on American financial exchanges. Americans have already lost tens of billions of dollars on failed Chinese company IPOs in recent years, including Didi Global and Luckin Coffee.<sup>8</sup> These frauds allow Communist China and their non-market economy to distort our free and open market, rob U.S. citizens of their savings and give companies the benefits of access to U.S. markets without the responsibility of following the same laws as their competitors. It is in your interest to prevent this from occurring once again.

We look forward to beginning a productive dialogue so that we can maintain the highest standards and accountability that make our financial markets the best in the world.

Sincerely,



Rick Scott  
United States Senator



Robert P. Casey, Jr.  
United States Senator

<sup>7</sup> <https://pcaobus.org/news-events/news-releases/news-release-detail/fact-sheet-pcaob-secures-complete-access-to-inspect-investigate-chinese-firms-for-first-time-in-history>.

<sup>8</sup> <https://finance.yahoo.com/news/lawsuit-filed-didi-global-sued-140500785.html>;

<https://www.businessinsider.com/luckin-coffee-fabricated-310-million-in-sales-investigation-2020-4>.

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Cc:

Gary Gensler, Chair, U.S. Securities and Exchange Commission

Hester M. Peirce, Commissioner, U.S. Securities and Exchange Commission

Caroline A. Crenshaw, Commissioner, U.S. Securities and Exchange Commission

Mark T. Uyeda, Commissioner, U.S. Securities and Exchange Commission

Jaime Lizarraga, Commissioner, U.S. Securities and Exchange Commission