

United States Senate

WASHINGTON, DC 20510-0908

May 3, 2024

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

Dear Chair Friedman:

We write with deep concern about NASDAQ's decision to continue to allow companies that create a national security risk to the United States to openly trade on its platform. Specifically, it has come to our attention that NASDAQ is currently allowing a Chinese military company, Hesai Technology Co., Ltd. ("Hesai"), to be listed on its public exchange, thereby raising capital from U.S. and international investors that can directly support the People's Liberation Army (PLA). We call on NASDAQ to immediately revoke Hesai's status as a publicly traded company in the United States and prevent further investment in a company that is supporting the Chinese military.

On January 31, 2024, the Department of Defense (DoD) added Hesai to its list of "Chinese Military Companies" operating directly or indirectly in the United States in accordance with the statutory requirement of Section 1260H of the National Defense Authorization Act for Fiscal Year 2021.¹ Hesai is the first and only entity identified as a Chinese Military Company still trading on a U.S. exchange. In fact, Hesai's own filings with the Securities and Exchange Commission (SEC) confirm the influence the Chinese Communist Party has over the company when it disclosed in its F-1 risk statement that "the [People's Republic of China] government has significant authority in regulating our operations and may influence or intervene in our operations at any time."²

Hesai manufactures a technology called light detection and ranging (LIDAR), which provides vision to computer systems by creating precise 3D models of everything in proximity to the sensor. Hesai is specifically installing its LIDAR sensors on U.S. critical infrastructure, vehicles and within the defense apparatus. Relying on Chinese LIDAR for critical automation and surveillance applications introduces significant economic and national security risks to the United States. The nonpartisan Congressional Research Service (CRS) found that LIDAR has extensive military applications, Hesai has ties to the Chinese military apparatus and "[Hesai] will use earnings from its 2023 U.S. initial public offering for acquisitions, research and

¹ <https://media.defense.gov/2024/Jan/31/2003384819/-1/-1/0/1260H-LIST.PDF>

² <https://investor.hesaitech.com/node/6416/html>

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manufacturing.”³ In 2023, the Wall Street Journal reported that Hesai’s new mega factory in mainland China “is so big some locals call it the aircraft carrier. The factory was paid for, in part, by the money from its IPO.”⁴

Further, on February 13, 2024, the U.S.-China Economic and Security Review Commission (USCC) released an update to its list of Chinese companies listed on U.S. stock exchanges. The Commission was created by Congress and charged with monitoring, investigating and submitting to Congress an annual report on the national security implications of the bilateral trade and economic relationship between the United States and the PRC. The report identifies the risks posed by Chinese companies listed on U.S. exchanges, stating that “Investors in Chinese companies may support activities that are contrary to U.S. national interests, including the development of technology used for censorship and surveillance and in support of the military.” The report specifically mentions Hesai as a Chinese company listed on the NASDAQ that may “support activities that are contrary to U.S. national interests, including the development of technology used for censorship and surveillance in support of the military.”⁵

Finally, the U.S. Department of Homeland Security’s (DHS) Cybersecurity and Infrastructure Security Agency (CISA) published an alert on February 7, 2024, that Chinese state-sponsored hackers have infiltrated U.S. critical infrastructure. According to the alert and media reports, this has been ongoing for at least five years, and specifically identified Chinese state-sponsored hackers as targeting U.S. transportation critical infrastructure such as “positioning itself to launch destructive cyberattacks that would jeopardize the physical safety of Americans and impede military readiness in the event of a major crisis or conflict with the United States.”⁶ Now that we know Hesai is a Chinese military company operating directly in the United States and subject to the influence and control of the PRC, we must get ahead of any national and economic security threats and we urge you to remove Hesai from its listing on the NASDAQ.

In light of this information by the DoD, DHS, CRS and USCC, which are the U.S. federal government’s top authorities on national defense, homeland security and research, it is imperative that the NASDAQ remove Hesai as a publicly traded company from U.S. capital markets, and we urge you to do so imminently.

³ <https://www.crs.gov/Reports/IF12473>


⁴ <https://www.wsj.com/tech/the-latest-tech-caught-in-the-u-s-china-trade-war-lasers-64d582c0>

⁵ <https://www.uscc.gov/research/chinese-companies-listed-major-us-stock-exchanges>

⁶ <https://www.cisa.gov/news-events/news/us-and-international-partners-publish-cybersecurity-advisory-peoples-republic-china-state-sponsored>

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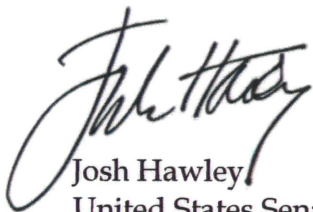
Sincerely,



Rick Scott
United States Senator



Robert P. Casey, Jr.
United States Senator



Josh Hawley
United States Senator



Marco Rubio
United States Senator

Cc:
The Honorable Gary Gensler, Chair, U.S. Securities and Exchange Commission