

Union Calendar No.

115TH CONGRESS
2^D SESSION

H. R. 5877

[Report No. 115-]

To amend the Securities Exchange Act of 1934 to allow for the registration of venture exchanges, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 18, 2018

Mr. EMMER introduced the following bill; which was referred to the Committee on Financial Services

JUNE --, 2018

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on May 18, 2018]

A BILL

To amend the Securities Exchange Act of 1934 to allow for the registration of venture exchanges, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 *This Act may be cited as the “Main Street Growth*
5 *Act”.*

6 **SEC. 2. VENTURE EXCHANGES.**

7 *(a) SECURITIES EXCHANGE ACT OF 1934.—Section 6*
8 *of the Securities Exchange Act of 1934 (15 U.S.C. 78f) is*
9 *amended by adding at the end the following:*

10 *“(m) VENTURE EXCHANGE.—*

11 *“(1) REGISTRATION.—*

12 *“(A) IN GENERAL.—A person may register*
13 *themselves (and a national securities exchange may*
14 *register a listing tier of such exchange) as a na-*
15 *tional securities exchange solely for the purposes*
16 *of trading venture securities by filing an appli-*
17 *cation with the Commission pursuant to sub-*
18 *section (a) and the rules and regulations there-*
19 *under.*

20 *“(B) PUBLICATION OF NOTICE.—The Com-*
21 *mission shall, upon the filing of an application*
22 *under subparagraph (A), publish notice of such*
23 *filing and afford interested persons an oppor-*
24 *tunity to submit written data, views, and argu-*
25 *ments concerning such application.*

1 “(C) *APPROVAL OR DENIAL.*—

2 “(i) *IN GENERAL.*—*Within 90 days of*
3 *the date of publication of a notice under*
4 *subparagraph (B) (or within such longer*
5 *period as to which the applicant consents),*
6 *the Commission shall—*

7 “(I) *by order grant such registra-*
8 *tion; or*

9 “(II) *institute a denial proceeding*
10 *under clause (i) to determine whether*
11 *registration should be denied.*

12 “(ii) *DENIAL PROCEEDING.*—*A pro-*
13 *ceeding under clause (i)(II) shall include*
14 *notice of the grounds for denial under con-*
15 *sideration and opportunity for hearing and*
16 *shall be concluded within 180 days of the*
17 *date of the publication of a notice under*
18 *subparagraph (B). At the conclusion of such*
19 *proceeding the Commission, by order, shall*
20 *grant or deny such registration. The Com-*
21 *mission may extend the time for conclusion*
22 *of such proceeding for up to 90 days if the*
23 *Commission finds good cause for such exten-*
24 *sion and publishes the Commission’s rea-*

1 sons for so finding or for such longer period
2 as to which the applicant consents.

3 “(iii) *CRITERIA FOR APPROVAL OR DE-*
4 *NIAL.—The Commission shall grant a reg-*
5 *istration under this paragraph if the Com-*
6 *mission finds that the requirements of this*
7 *title and the rules and regulations there-*
8 *under with respect to the applicant are sat-*
9 *isfied. The Commission shall deny such reg-*
10 *istration if it does not make such finding.*

11 “(2) *POWERS AND RESTRICTIONS.—In addition*
12 *to the powers and restrictions otherwise applicable to*
13 *a national securities exchange, a venture exchange—*

14 “(A) *may only constitute, maintain, or pro-*
15 *vide a market place or facilities for bringing to-*
16 *gether purchasers and sellers of venture securi-*
17 *ties;*

18 “(B) *may not extend unlisted trading privi-*
19 *leges to any venture security;*

20 “(C) *may only, if the venture exchange is a*
21 *listing tier of another national securities ex-*
22 *change, allow trading in securities that are reg-*
23 *istered under section 12(b) on a national securi-*
24 *ties exchange other than a venture exchange; and*

1 “(D) may, subject to the rule filing process
2 under section 19(b)—

3 “(i) determine the increment to be used
4 for quoting and trading venture securities
5 on the exchange; and

6 “(ii) choose to carry out periodic auc-
7 tions for the sale of a venture security in-
8 stead of providing continuous trading of the
9 venture security.

10 “(3) *TREATMENT OF CERTAIN EXEMPTED SECURITIES.*—A security that is exempt from registration
11 pursuant to section 3(b) of the Securities Act of 1933
12 shall be exempt from section 12(a) of this title to the
13 extent such securities are traded on a venture ex-
14 change, if the issuer of such security is in compliance
15 with—
16 with—

17 “(A) all disclosure obligations of such sec-
18 tion 3(b) and the regulations issued under such
19 section; and

20 “(B) ongoing disclosure obligations of the
21 applicable venture exchange that are similar to
22 those provided by an issuer under tier 2 of Regu-
23 lation A (17 C.F.R. 230.251 et seq).

24 “(4) *VENTURE SECURITIES TRADED ON VENTURE*
25 *EXCHANGES MAY NOT TRADE ON NON-VENTURE EX-*

1 *CHANGES.—A venture security may not be traded on*
2 *a national securities exchange that is not a venture*
3 *exchange during any period in which the venture se-*
4 *curity is being traded on a venture exchange.*

5 *“(5) RULE OF CONSTRUCTION.—Nothing in this*
6 *subsection may be construed as requiring transactions*
7 *in venture securities to be effected on a national secu-*
8 *rities exchange.*

9 *“(6) COMMISSION AUTHORITY TO LIMIT CERTAIN*
10 *TRADING.—The Commission may limit transactions*
11 *in venture securities that are not effected on a na-*
12 *tional securities exchange as appropriate to promote*
13 *efficiency, competition, capital formation, and to pro-*
14 *tect investors.*

15 *“(7) DISCLOSURES TO INVESTORS.—The Com-*
16 *mission shall issue regulations to ensure that persons*
17 *selling or purchasing venture securities on a venture*
18 *exchange are provided disclosures sufficient to under-*
19 *stand—*

20 *“(A) the characteristics unique to venture*
21 *securities; and*

22 *“(B) in the case of a venture exchange that*
23 *is a listing tier of another national securities ex-*
24 *change, that the venture exchange is distinct*
25 *from the other national securities exchange.*

1 “(8) *DEFINITIONS.—For purposes of this sub-*
2 *section:*

3 “(A) *EARLY-STAGE, GROWTH COMPANY.—*

4 “(i) *IN GENERAL.—The term ‘early-*
5 *stage, growth company’ means an issuer—*

6 “(I) *that has not made any reg-*
7 *istered initial public offering of any se-*
8 *curities of the issuer; and*

9 “(II) *with a public float of less*
10 *than or equal to the value of public*
11 *float required to qualify as a large ac-*
12 *celerated filer under section 240.12b–2*
13 *of title 17, Code of Federal Regula-*
14 *tions.*

15 “(ii) *TREATMENT WHEN PUBLIC FLOAT*
16 *EXCEEDS THRESHOLD.—An issuer shall not*
17 *cease to be an early-stage, growth company*
18 *by reason of the public float of such issuer*
19 *exceeding the threshold specified in clause*
20 *(i)(II) until the later of the following:*

21 “(I) *The end of the period of 24*
22 *consecutive months during which the*
23 *public float of the issuer exceeds*
24 *\$2,000,000,000 (as such amount is in-*
25 *dexed for inflation every 5 years by the*

1 *Commission to reflect the change in the*
2 *Consumer Price Index for All Urban*
3 *Consumers published by the Bureau of*
4 *Labor Statistics, setting the threshold*
5 *to the nearest \$1,000,000).*

6 *“(II) The end of the 1-year period*
7 *following the end of the 24-month pe-*
8 *riod described under subclause (I), if*
9 *the issuer requests such 1-year exten-*
10 *sion from a venture exchange and the*
11 *venture exchange elects to provide such*
12 *extension.*

13 *“(B) PUBLIC FLOAT.—With respect to an*
14 *issuer, the term ‘public float’ means the aggre-*
15 *gate worldwide market value of the voting and*
16 *non-voting common equity of the issuer held by*
17 *non-affiliates.*

18 *“(C) VENTURE SECURITY.—*

19 *“(i) IN GENERAL.—The term ‘venture*
20 *security’ means—*

21 *“(I) securities of an early-stage,*
22 *growth company that are exempt from*
23 *registration pursuant to section 3(b) of*
24 *the Securities Act of 1933;*

1 “(II) securities of an emerging
2 growth company; or

3 “(III) securities registered under
4 section 12(b) and listed on a venture
5 exchange (or, prior to listing on a ven-
6 ture exchange, listed on a national se-
7 curities exchange) where—

8 “(aa) the issuer of such secu-
9 rities has a public float less than
10 or equal to the value of public
11 float required to qualify as a large
12 accelerated filer under section
13 240.12b-2 of title 17, Code of Fed-
14 eral Regulations; or

15 “(bb) the average daily trade
16 volume is 75,000 shares or less
17 during a continuous 60-day pe-
18 riod.

19 “(ii) *TREATMENT WHEN PUBLIC FLOAT*
20 *EXCEEDS THRESHOLD.*—Securities shall not
21 cease to be venture securities by reason of
22 the public float of the issuer of such securi-
23 ties exceeding the threshold specified in
24 clause (i)(III)(aa) until the later of the fol-
25 lowing:

1 “(I) *The end of the period of 24*
2 *consecutive months beginning on the*
3 *date—*

4 “(aa) *the public float of such*
5 *issuer exceeds \$2,000,000,000; and*

6 “(bb) *the average daily trade*
7 *volume of such securities is*
8 *100,000 shares or more during a*
9 *continuous 60-day period.*

10 “(II) *The end of the 1-year period*
11 *following the end of the 24-month pe-*
12 *riod described under subclause (I), if*
13 *the issuer of such securities requests*
14 *such 1-year extension from a venture*
15 *exchange and the venture exchange*
16 *elects to provide such extension.”.*

17 (b) *SECURITIES ACT OF 1933.—Section 18 of the Secu-*
18 *rities Act of 1933 (15 U.S.C. 77r) is amended—*

19 (1) *by redesignating subsection (d) as subsection*
20 *(e); and*

21 (2) *by inserting after subsection (c) the fol-*
22 *lowing:*

23 “(d) *TREATMENT OF SECURITIES LISTED ON A VEN-*
24 *TURE EXCHANGE.—Notwithstanding subsection (b), a secu-*
25 *rity is not a covered security pursuant to subsection*

1 *(b)(1)(A) if the security is only listed, or authorized for list-*
2 *ing, on a venture exchange (as defined under section 6(m)*
3 *of the Securities Exchange Act of 1934).”.*

4 *(c) SENSE OF CONGRESS.—It is the sense of the Con-*
5 *gress that the Securities and Exchange Commission*
6 *should—*

7 *(1) when necessary or appropriate in the public*
8 *interest and consistent with the protection of inves-*
9 *tors, make use of the Commission’s general exemptive*
10 *authority under section 36 of the Securities Exchange*
11 *Act of 1934 (15 U.S.C. 78mm) with respect to the*
12 *provisions added by this section; and*

13 *(2) if the Commission determines appropriate,*
14 *create an Office of Venture Exchanges within the*
15 *Commission’s Division of Trading and Markets.*

16 *(d) RULE OF CONSTRUCTION.—Nothing in this section*
17 *or the amendments made by this section shall be construed*
18 *to impair or limit the construction of the antifraud provi-*
19 *sions of the securities laws (as defined in section 3(a) of*
20 *the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)))*
21 *or the authority of the Securities and Exchange Commis-*
22 *sion under those provisions.*

23 *(e) EFFECTIVE DATE FOR TIERS OF EXISTING NA-*
24 *TIONAL SECURITIES EXCHANGES.—In the case of a securi-*
25 *ties exchange that is registered as a national securities ex-*

1 *change under section 6 of the Securities Exchange Act of*
2 *1934 (15 U.S.C. 78f) on the date of the enactment of this*
3 *Act, any election for a listing tier of such exchange to be*
4 *treated as a venture exchange under subsection (m) of such*
5 *section shall not take effect before the date that is 180 days*
6 *after such date of enactment.*