

## Union Calendar No.

115<sup>TH</sup> CONGRESS  
2<sup>D</sup> 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.

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### 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 SECUR-*  
11           *RITIES.—A security that is exempt from registration*  
12           *pursuant to section 3(b) of the Securities Act of 1933*  
13           *shall be exempt from section 12(a) of this title to the*  
14           *extent such securities are traded on a venture ex-*  
15           *change, if the issuer of such security is in compliance*  
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.*