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

SECTION 1. SHORT TITLE.

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

SEC. 2. VENTURE EXCHANGES.

(a) Securities Exchange Act of 1934.—Section 6
amended by adding at the end the following:

“(m) Venture Exchange.—

“(1) Registration.—

“(A) In general.—A person may register
themself (and a national securities exchange may
register a listing tier of such exchange) as a na-
tional securities exchange solely for the purposes
of trading venture securities by filing an appli-
cation with the Commission pursuant to sub-
section (a) and the rules and regulations there-
under.

“(B) Publication of notice.—The Com-
mission shall, upon the filing of an application
under subparagraph (A), publish notice of such
filing and afford interested persons an opportu-
ity to submit written data, views, and argu-
ments concerning such application.
“(C) APPROVAL OR DENIAL.—

“(i) In general.—Within 90 days of the date of publication of a notice under subparagraph (B) (or within such longer period as to which the applicant consents), the Commission shall—

“(I) by order grant such registration; or

“(II) institute a denial proceeding under clause (ii) to determine whether registration should be denied.

“(ii) Denial proceeding.—A proceeding under clause (i)(II) shall include notice of the grounds for denial under consideration and opportunity for hearing and shall be concluded within 180 days of the date of the publication of a notice under subparagraph (B). At the conclusion of such proceeding the Commission, by order, shall grant or deny such registration. The Commission may extend the time for conclusion of such proceeding for up to 90 days if the Commission finds good cause for such extension and publishes the Commission’s rea-
sons for so finding or for such longer period
as to which the applicant consents.

“(iii) Criteria for Approval or Denial.—The Commission shall grant a reg-
istration under this paragraph if the Com-
mission finds that the requirements of this
title and the rules and regulations there-
under with respect to the applicant are sat-
sified. The Commission shall deny such reg-
istration if it does not make such finding.

“(2) Powers and Restrictions.—In addition
to the powers and restrictions otherwise applicable to
a national securities exchange, a venture exchange—

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

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

“(C) may only, if the venture exchange is a
listing tier of another national securities ex-
change, allow trading in securities that are reg-
istered under section 12(b) on a national securi-
ties exchange other than a venture exchange; and
“(D) may, subject to the rule filing process under section 19(b)—

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

“(ii) choose to carry out periodic auctions for the sale of a venture security instead of providing continuous trading of the venture security.

“(3) Treatment of certain exempted securities.—A security that is exempt from registration pursuant to section 3(b) of the Securities Act of 1933 shall be exempt from section 12(a) of this title to the extent such securities are traded on a venture exchange, if the issuer of such security is in compliance with—

“(A) all disclosure obligations of such section 3(b) and the regulations issued under such section; and

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

“(4) Venture securities traded on venture exchanges may not trade on non-venture ex-
CHANGES.—A venture security may not be traded on a national securities exchange that is not a venture exchange during any period in which the venture security is being traded on a venture exchange.

“(5) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed as requiring transactions in venture securities to be effected on a national securities exchange.

“(6) COMMISSION AUTHORITY TO LIMIT CERTAIN TRADING.—The Commission may limit transactions in venture securities that are not effected on a national securities exchange as appropriate to promote efficiency, competition, capital formation, and to protect investors.

“(7) DISCLOSURES TO INVESTORS.—The Commission shall issue regulations to ensure that persons selling or purchasing venture securities on a venture exchange are provided disclosures sufficient to understand—

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

“(B) in the case of a venture exchange that is a listing tier of another national securities exchange, that the venture exchange is distinct from the other national securities exchange.
“(8) **DEFINITIONS.**—For purposes of this subsection:

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

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

“(I) that has not made any registered initial public offering of any securities of the issuer; and

“(II) with a public float of less than or equal to the value of public float required to qualify as a large accelerated filer under section 240.12b–2 of title 17, Code of Federal Regulations.

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

“(I) The end of the period of 24 consecutive months during which the public float of the issuer exceeds $2,000,000,000 (as such amount is indexed for inflation every 5 years by the...
Commission to reflect the change in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics, setting the threshold to the nearest $1,000,000).

“(II) The end of the 1-year period following the end of the 24-month period described under subclause (I), if the issuer requests such 1-year extension from a venture exchange and the venture exchange elects to provide such extension.

“(B) PUBLIC FLOAT.—With respect to an issuer, the term ‘public float’ means the aggregate worldwide market value of the voting and non-voting common equity of the issuer held by non-affiliates.

“(C) VENTURE SECURITY.—

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

“(I) securities of an early-stage, growth company that are exempt from registration pursuant to section 3(b) of the Securities Act of 1933;
“(II) securities of an emerging growth company; or

“(III) securities registered under section 12(b) and listed on a venture exchange (or, prior to listing on a venture exchange, listed on a national securities exchange) where—

“(aa) the issuer of such securities has a public float less than or equal to the value of public float required to qualify as a large accelerated filer under section 240.12b–2 of title 17, Code of Federal Regulations; or

“(bb) the average daily trade volume is 75,000 shares or less during a continuous 60-day period.

“(ii) Treatment when public float exceeds threshold.—Securities shall not cease to be venture securities by reason of the public float of the issuer of such securities exceeding the threshold specified in clause (i)(III)(aa) until the later of the following:
“(I) The end of the period of 24 consecutive months beginning on the date—

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

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

“(II) The end of the 1-year period following the end of the 24-month period described under subclause (I), if the issuer of such securities requests such 1-year extension from a venture exchange and the venture exchange elects to provide such extension.”.

(b) Securities Act of 1933.—Section 18 of the Securities Act of 1933 (15 U.S.C. 77r) is amended—

(1) by redesignating subsection (d) as subsection (e); and

(2) by inserting after subsection (c) the following:

“(d) Treatment of Securities Listed on a Venture Exchange.—Notwithstanding subsection (b), a security is not a covered security pursuant to subsection
(b)(1)(A) if the security is only listed, or authorized for listing, on a venture exchange (as defined under section 6(m) of the Securities Exchange Act of 1934).”.

(c) Sense of Congress.—It is the sense of the Congress that the Securities and Exchange Commission should—

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

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

(d) Rule of Construction.—Nothing in this section or the amendments made by this section shall be construed to impair or limit the construction of the antifraud provisions of the securities laws (as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a))) or the authority of the Securities and Exchange Commission under those provisions.

(e) Effective Date for Tiers of Existing National Securities Exchanges.—In the case of a securities exchange that is registered as a national securities ex-
change under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f) on the date of the enactment of this Act, any election for a listing tier of such exchange to be treated as a venture exchange under subsection (m) of such section shall not take effect before the date that is 180 days after such date of enactment.