H. R. 5877

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

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 Representatives 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 of the Securities Exchange Act of 1934 (15 U.S.C. 78f) is amended by adding at the end the following:

“(m) Venture Exchange.—
“(1) Registration.—

“(A) In general.—A national securities exchange may elect to be treated (or for a listing tier of such exchange to be treated) as a venture exchange—

“(i) by notifying the Commission of such election at the time the exchange applies to be registered as a national securities exchange; or

“(ii) after registering as a national securities exchange, by submitting such election as a proposed rule change, as described under section 19(b).

“(B) Determination time period.—

With respect to a securities exchange electing to be treated (or for a listing tier of such exchange to be treated) as a venture exchange—

“(i) at the time the exchange applies to be registered as a national securities exchange, such application and election shall be deemed to have been approved by the Commission unless the Commission denies such application before the end of the 6-month period beginning on the date the Commission received such application; and
“(ii) after registering as a national securities exchange, such election shall be deemed to have been approved by the Commission unless the Commission denies such approval before the end of the 6-month period beginning on the date the Commission received notification of such election.

“(2) Powers and restrictions.—A venture exchange—

“(A) may only constitute, maintain, or provide a market place or facilities for bringing together purchasers and sellers of venture securities;

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

“(C) may choose to carry out periodic auctions for the sale of a venture security instead of providing continuous trading of the venture security; and

“(D) may not extend unlisted trading privileges to any 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 all disclosure obligations of such section 3(b) and the regulations issued under such section.

“(4) VENTURE SECURITIES TRADED ON VENTURE EXCHANGES MAY NOT TRADE ON NON-VENTURE EXCHANGES.—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) 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 ven-
ture exchange, listed on a national se-

curities exchange) where—

“(aa) the issuer of such se-

curities has a public float less

than or equal to the value of pub-

clic float required to qualify as a

large accelerated filer under sec-


tion 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(b)(1) of the Securities Act of 1933 (15 U.S.C. 77r(b)(1)) is amended—

(1) in subparagraph (B), by striking “or” at the end;

(2) in subparagraph (C), by striking the period and inserting “; or”; and

(3) by adding at the end the following:

“(D) a venture security listed on a venture exchange, other than those of an early-stage
growth company (as such terms are defined, respectively, 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
exchange 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.