

114TH CONGRESS
2D SESSION

H. R. 4638

To amend the Securities Exchange Act of 1934 to allow for the creation of venture exchanges to promote liquidity of venture securities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 26, 2016

Mr. GARRETT (for himself and Mr. CHABOT) 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 creation of venture exchanges to promote liquidity of venture securities, 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
8 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f)
9 is amended by adding at the end the following:

1 “(m) VENTURE EXCHANGE.—

2 “(1) REGISTRATION.—

3 “(A) IN GENERAL.—A national securities
4 exchange may elect to be treated (or for a list-
5 ing tier of such exchange to be treated) as a
6 venture exchange by notifying the Commission
7 of such election, either at the time the exchange
8 applies to be registered as a national securities
9 exchange or after registering as a national secu-
10 rities exchange.

11 “(B) DETERMINATION TIME PERIOD.—
12 With respect to a securities exchange electing to
13 be treated (or for a listing tier of such exchange
14 to be treated) as a venture exchange at the time
15 the exchange applies to be registered as a na-
16 tional securities exchange, such application
17 shall be deemed to have been approved by the
18 Commission unless the Commission denies such
19 application before the end of the 6-month pe-
20 riod beginning on the date the Commission re-
21 ceived such application.

22 “(2) POWERS AND RESTRICTIONS.—A venture
23 exchange—

24 “(A) may only constitute, maintain, or pro-
25 vide a market place or facilities for bringing to-

1 gether purchasers and sellers of venture securi-
2 ties;

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

6 “(C) shall disseminate last sale and
7 quotation information on terms that are fair
8 and reasonable and not unreasonably discrimi-
9 natory;

10 “(D) may choose to carry out periodic auc-
11 tions for the sale of a venture security instead
12 of providing continuous trading of the venture
13 security; and

14 “(E) may not extend unlisted trading
15 privileges to any venture security.

16 “(3) EXEMPTIONS FROM CERTAIN NATIONAL
17 SECURITY EXCHANGE REGULATIONS.—A venture ex-
18 change shall not be required to—

19 “(A) comply with Rule NMS (sections
20 242.600 through 242.612 of title 17, Code of
21 Federal Regulations);

22 “(B) comply with Rule ATS (sections
23 242.300 through 242.303 of title 17, Code of
24 Federal Regulations);

1 “(C) submit any data to a securities infor-
2 mation processor; or

3 “(D) use decimal pricing.

4 “(4) DEFINITIONS.—For purposes of this sub-
5 section:

6 “(A) EARLY-STAGE, GROWTH COMPANY.—

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

9 “(I) that has not made an initial
10 public offering of any securities of the
11 issuer; and

12 “(II) with a market capitalization
13 of \$1,000,000,000 or less.

14 “(ii) TREATMENT WHEN MARKET
15 CAPITALIZATION EXCEEDS THRESHOLD.—

16 In the case of an issuer that is an early-
17 stage, growth company the securities of
18 which are traded on a venture exchange,
19 such issuer shall not cease to be an early-
20 stage, growth company by reason of the
21 market capitalization of such issuer ex-
22 ceeding the threshold specified in clause
23 (i)(II) until the end of the period of 12
24 consecutive months during which the mar-

1 ket capitalization of such issuer exceeds
2 \$1,500,000,000.

3 “(B) VENTURE SECURITY.—The term
4 ‘venture security’ means—

5 “(i) securities of an early-stage,
6 growth company that are exempt from reg-
7 istration pursuant to section 3(b) of the
8 Securities Act of 1933; and

9 “(ii) securities of an emerging growth
10 company.”.

11 (b) SECURITIES ACT OF 1933.—Section 18(b)(1) of
12 the Securities Act of 1933 (15 U.S.C. 77r(b)(1)) is
13 amended—

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

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

18 (3) by adding at the end the following:

19 “(D) a venture security, as defined under
20 section 6(m)(4) of the Securities Exchange Act
21 of 1934.”.

22 (c) SENSE OF CONGRESS.—It is the sense of the Con-
23 gress that the Securities and Exchange Commission
24 should—

1 (1) when necessary or appropriate in the public
2 interest and consistent with the protection of inves-
3 tors, make use of the Commission’s general exemp-
4 tive authority under section 36 of the Securities Ex-
5 change Act of 1934 (15 U.S.C. 78mm) with respect
6 to the provisions added by this section; and

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

10 (d) RULE OF CONSTRUCTION.—Nothing in this sec-
11 tion or the amendments made by this section shall be con-
12 strued to impair or limit the construction of the antifraud
13 provisions of the securities laws (as defined in section 3(a)
14 of the Securities Exchange Act of 1934 (15 U.S.C.
15 78c(a))) or the authority of the Securities and Exchange
16 Commission under those provisions.

17 (e) EFFECTIVE DATE FOR TIERS OF EXISTING NA-
18 TIONAL SECURITIES EXCHANGES.—In the case of a secu-
19 rities exchange that is registered as a national securities
20 exchange under section 6 of the Securities Exchange Act
21 of 1934 (15 U.S.C. 78f) on the date of the enactment of
22 this Act, any election for a listing tier of such exchange
23 to be treated as a venture exchange under subsection (m)

1 of such section shall not take effect before the date that
2 is 180 days after such date of enactment.

