

115TH CONGRESS
2D SESSION

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.

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:

10 “(m) VENTURE EXCHANGE.—

1 “(1) REGISTRATION.—

2 “(A) IN GENERAL.—A national securities
3 exchange may elect to be treated (or for a list-
4 ing tier of such exchange to be treated) as a
5 venture exchange—

6 “(i) by notifying the Commission of
7 such election at the time the exchange ap-
8 plies to be registered as a national securi-
9 ties exchange; or

10 “(ii) after registering as a national se-
11 curities exchange, by submitting such elec-
12 tion as a proposed rule change, as de-
13 scribed under section 19(b).

14 “(B) DETERMINATION TIME PERIOD.—
15 With respect to a securities exchange electing to
16 be treated (or for a listing tier of such exchange
17 to be treated) as a venture exchange—

18 “(i) at the time the exchange applies
19 to be registered as a national securities ex-
20 change, such application and election shall
21 be deemed to have been approved by the
22 Commission unless the Commission denies
23 such application before the end of the 6-
24 month period beginning on the date the
25 Commission received such application; and

1 “(ii) after registering as a national se-
2 curities exchange, such election shall be
3 deemed to have been approved by the Com-
4 mission unless the Commission denies such
5 approval before the end of the 6-month pe-
6 riod beginning on the date the Commission
7 received notification of such election.

8 “(2) POWERS AND RESTRICTIONS.—A venture
9 exchange—

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

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

17 “(C) may choose to carry out periodic auc-
18 tions for the sale of a venture security instead
19 of providing continuous trading of the venture
20 security; and

21 “(D) may not extend unlisted trading
22 privileges to any venture security.

23 “(3) TREATMENT OF CERTAIN EXEMPTED SE-
24 CURITIES.—A security that is exempt from registra-
25 tion pursuant to section 3(b) of the Securities Act

1 of 1933 shall be exempt from section 12(a) of this
2 title to the extent such securities are traded on a
3 venture exchange, if the issuer of such security is in
4 compliance with all disclosure obligations of such
5 section 3(b) and the regulations issued under such
6 section.

7 “(4) VENTURE SECURITIES TRADED ON VEN-
8 TURE EXCHANGES MAY NOT TRADE ON NON-VEN-
9 TURE EXCHANGES.—A venture security may not be
10 traded on a national securities exchange that is not
11 a venture exchange during any period in which the
12 venture security is being traded on a venture ex-
13 change.

14 “(5) RULE OF CONSTRUCTION.—Nothing in
15 this subsection may be construed as requiring trans-
16 actions in venture securities to be effected on a na-
17 tional securities exchange.

18 “(6) DEFINITIONS.—For purposes of this sub-
19 section:

20 “(A) EARLY-STAGE, GROWTH COMPANY.—

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

23 “(I) that has not made any reg-
24 istered initial public offering of any
25 securities of the issuer; and

1 “(II) with a public float of less
2 than or equal to the value of public
3 float required to qualify as a large ac-
4 celerated filer under section 240.12b-
5 2 of title 17, Code of Federal Regula-
6 tions.

7 “(ii) TREATMENT WHEN PUBLIC
8 FLOAT EXCEEDS THRESHOLD.—An issuer
9 shall not cease to be an early-stage, growth
10 company by reason of the public float of
11 such issuer exceeding the threshold speci-
12 fied in clause (i)(II) until the later of the
13 following:

14 “(I) The end of the period of 24
15 consecutive months during which the
16 public float of the issuer exceeds
17 \$2,000,000,000 (as such amount is
18 indexed for inflation every 5 years by
19 the Commission to reflect the change
20 in the Consumer Price Index for All
21 Urban Consumers published by the
22 Bureau of Labor Statistics, setting
23 the threshold to the nearest
24 \$1,000,000).

1 “(II) The end of the 1-year pe-
2 riod following the end of the 24-
3 month period described under sub-
4 clause (I), if the issuer requests such
5 1-year extension from a venture ex-
6 change and the venture exchange
7 elects to provide such extension.

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

13 “(C) VENTURE SECURITY.—

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

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

20 “(II) securities of an emerging
21 growth company; or

22 “(III) securities registered under
23 section 12(b) and listed on a venture
24 exchange (or, prior to listing on a ven-

1 ture exchange, listed on a national se-
2 curities exchange) where—

3 “(aa) the issuer of such se-
4 curities has a public float less
5 than or equal to the value of pub-
6 lic float required to qualify as a
7 large accelerated filer under sec-
8 tion 240.12b-2 of title 17, Code
9 of Federal Regulations; or

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

14 “(ii) TREATMENT WHEN PUBLIC
15 FLOAT EXCEEDS THRESHOLD.—Securities
16 shall not cease to be venture securities by
17 reason of the public float of the issuer of
18 such securities exceeding the threshold
19 specified in clause (i)(III)(aa) until the
20 later of the following:

21 “(I) The end of the period of 24
22 consecutive months beginning on the
23 date—

1 “(aa) the public float of
2 such issuer exceeds
3 \$2,000,000,000; and

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

8 “(II) The end of the 1-year pe-
9 riod following the end of the 24-
10 month period described under sub-
11 clause (I), if the issuer of such securi-
12 ties requests such 1-year extension
13 from a venture exchange and the ven-
14 ture exchange elects to provide such
15 extension.”.

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

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

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

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

24 “(D) a venture security listed on a venture
25 exchange, other than those of an early-stage

1 growth company (as such terms are defined, re-
2 spectively, under section 6(m) of the Securities
3 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 exemp-
10 tive authority under section 36 of the Securities Ex-
11 change Act of 1934 (15 U.S.C. 78mm) with respect
12 to the 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 sec-
17 tion or the amendments made by this section shall be con-
18 strued to impair or limit the construction of the antifraud
19 provisions of the securities laws (as defined in section 3(a)
20 of the Securities Exchange Act of 1934 (15 U.S.C.
21 78c(a))) or the authority of the Securities and Exchange
22 Commission under those provisions.

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

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

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