

# Union Calendar No. 474

114<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4638

[Report No. 114-609]

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.

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## 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

JUNE 8, 2016

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 italics]

[For text of introduced bill, see copy of bill as introduced on February 26, 2016]

# **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 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 national securities*  
13 *exchange may elect to be treated (or for a listing*  
14 *tier of such exchange to be treated) as a venture*  
15 *exchange by notifying the Commission of such*  
16 *election, either at the time the exchange applies*  
17 *to be registered as a national securities exchange*  
18 *or after registering as a national securities ex-*  
19 *change.*

20                    *“(B) DETERMINATION TIME PERIOD.—With*  
21 *respect to a securities exchange electing to be*  
22 *treated (or for a listing tier of such exchange to*  
23 *be treated) as a venture exchange—*

24                            *“(i) at the time the exchange applies to*  
25 *be registered as a national securities ex-*

1           *change, such application and election shall*  
2           *be deemed to have been approved by the*  
3           *Commission unless the Commission denies*  
4           *such application before the end of the 6-*  
5           *month period beginning on the date the*  
6           *Commission received such application; and*

7           “(i) after registering as a national se-  
8           curities exchange, such election shall be  
9           deemed to have been approved by the Com-  
10          mission unless the Commission denies such  
11          approval before the end of the 6-month pe-  
12          riod beginning on the date the Commission  
13          received notification of such election.

14          “(2) *POWERS AND RESTRICTIONS.—A venture*  
15          *exchange—*

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

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

23               “(C) *shall disseminate last sale and*  
24               *quotation information on terms that are fair*

1           *and reasonable and not unreasonably discrimi-*  
2           *natory;*

3           “(D) *may choose to carry out periodic auc-*  
4           *tions for the sale of a venture security instead of*  
5           *providing continuous trading of the venture se-*  
6           *curity; and*

7           “(E) *may not extend unlisted trading privi-*  
8           *leges to any venture security.*

9           “(3) *EXEMPTIONS FROM CERTAIN NATIONAL SE-*  
10          *CURITY EXCHANGE REGULATIONS.—A venture ex-*  
11          *change shall not be required to—*

12           “(A) *comply with any of sections 242.600*  
13           *through 242.612 of title 17, Code of Federal Reg-*  
14           *ulations;*

15           “(B) *comply with any of sections 242.300*  
16           *through 242.303 of title 17, Code of Federal Reg-*  
17           *ulations;*

18           “(C) *submit any data to a securities infor-*  
19           *mation processor; or*

20           “(D) *use decimal pricing.*

21           “(4) *TREATMENT OF CERTAIN EXEMPTED SECU-*  
22          *RITIES.—A security that is exempt from registration*  
23          *pursuant to section 3(b) of the Securities Act of 1933*  
24          *shall be exempt from section 12(a) of this title with*  
25          *respect to the trading of such security on a venture*

1 *exchange, if the issuer of such security is in compli-*  
2 *ance with all disclosure obligations of such section*  
3 *3(b) and the regulations issued under such section.*

4 “(5) *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 (as such amount is*  
14 *indexed for inflation every 5 years by*  
15 *the Commission to reflect the change in*  
16 *the Consumer Price Index for All*  
17 *Urban Consumers published by the Bu-*  
18 *reau of Labor Statistics, setting the*  
19 *threshold to the nearest \$1,000,000) or*  
20 *less.*

21 “(ii) *TREATMENT WHEN MARKET CAP-*  
22 *ITALIZATION EXCEEDS THRESHOLD.—*

23 “(I) *IN GENERAL.—In the case of*  
24 *an issuer that is an early-stage, growth*  
25 *company the securities of which are*

1           *traded on a venture exchange, such*  
2           *issuer shall not cease to be an early-*  
3           *stage, growth company by reason of the*  
4           *market capitalization of such issuer ex-*  
5           *ceeding the threshold specified in clause*  
6           *(i)(II) until the end of the period of 24*  
7           *consecutive months during which the*  
8           *market capitalization of such issuer ex-*  
9           *ceeds \$2,000,000,000 (as such amount*  
10           *is indexed for inflation every 5 years*  
11           *by the Commission to reflect the change*  
12           *in the Consumer Price Index for All*  
13           *Urban Consumers published by the Bu-*  
14           *reau of Labor Statistics, setting the*  
15           *threshold to the nearest \$1,000,000).*

16           “(II) *EXEMPTIONS.—If an issuer*  
17           *would cease to be an early-stage,*  
18           *growth company under subclause (I),*  
19           *the venture exchange may, at the re-*  
20           *quest of the issuer, exempt the issuer*  
21           *from the market capitalization require-*  
22           *ments of this subparagraph for the 1-*  
23           *year period that begins on the day*  
24           *after the end of the 24-month period*  
25           *described in such subclause. The ven-*

1                    *ture exchange may, at the request of*  
2                    *the issuer, extend the exemption for 1*  
3                    *additional year.*

4                    “(B) *VENTURE SECURITY*.—*The term ‘ven-*  
5                    *ture security’ means—*

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

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

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

14                    (1) *in subparagraph (B), by striking “or” at the*  
15                    *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)(5) of the Securities Exchange Act of*  
21                    *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 exemptive*  
4           *authority under section 36 of the Securities Exchange*  
5           *Act of 1934 (15 U.S.C. 78mm) with respect to the*  
6           *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 section*  
11          *or the amendments made by this section shall be construed*  
12          *to impair or limit the construction of the antifraud provi-*  
13          *sions of the securities laws (as defined in section 3(a) of*  
14          *the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)))*  
15          *or the authority of the Securities and Exchange Commis-*  
16          *sion under those provisions.*

17          (e) *EFFECTIVE DATE FOR TIERS OF EXISTING NA-*  
18          *TIONAL SECURITIES EXCHANGES.—In the case of a securi-*  
19          *ties exchange that is registered as a national securities ex-*  
20          *change under section 6 of the Securities Exchange Act of*  
21          *1934 (15 U.S.C. 78f) on the date of the enactment of this*  
22          *Act, any election for a listing tier of such exchange to be*  
23          *treated as a venture exchange under subsection (m) of such*  
24          *section shall not take effect before the date that is 180 days*  
25          *after such date of enactment.*

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