

115TH CONGRESS  
2D SESSION

# H. R. 5877

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IN THE SENATE OF THE UNITED STATES

JULY 11, 2018

Received; read twice and referred to the Committee on Banking, Housing, and  
Urban Affairs

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## AN ACT

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,*

1 **SECTION 1. SHORT TITLE.**

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

4 **SEC. 2. VENTURE EXCHANGES.**

5 (a) SECURITIES EXCHANGE ACT OF 1934.—Section  
6 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f)  
7 is amended by adding at the end the following:

8 “(m) VENTURE EXCHANGE.—

9 “(1) REGISTRATION.—

10 “(A) IN GENERAL.—A person may register  
11 themselves (and a national securities exchange  
12 may register a listing tier of such exchange) as  
13 a national securities exchange solely for the  
14 purposes of trading venture securities by filing  
15 an application with the Commission pursuant to  
16 subsection (a) and the rules and regulations  
17 thereunder.

18 “(B) PUBLICATION OF NOTICE.—The  
19 Commission shall, upon the filing of an applica-  
20 tion under subparagraph (A), publish notice of  
21 such filing and afford interested persons an op-  
22 portunity to submit written data, views, and ar-  
23 guments concerning such application.

24 “(C) APPROVAL OR DENIAL.—

25 “(i) IN GENERAL.—Within 90 days of  
26 the date of publication of a notice under

1           subparagraph (B) (or within such longer  
2           period as to which the applicant consents),  
3           the Commission shall—

4                   “(I) by order grant such registra-  
5                   tion; or

6                   “(II) institute a denial pro-  
7                   ceeding under clause (ii) to determine  
8                   whether registration should be denied.

9                   “(ii) DENIAL PROCEEDING.—A pro-  
10                  ceeding under clause (i)(II) shall include  
11                  notice of the grounds for denial under con-  
12                  sideration and opportunity for hearing and  
13                  shall be concluded within 180 days of the  
14                  date of the publication of a notice under  
15                  subparagraph (B). At the conclusion of  
16                  such proceeding the Commission, by order,  
17                  shall grant or deny such registration. The  
18                  Commission may extend the time for con-  
19                  clusion of such proceeding for up to 90  
20                  days if the Commission finds good cause  
21                  for such extension and publishes the Com-  
22                  mission’s reasons for so finding or for such  
23                  longer period as to which the applicant  
24                  consents.

1                   “(iii) CRITERIA FOR APPROVAL OR  
2                   DENIAL.—The Commission shall grant a  
3                   registration under this paragraph if the  
4                   Commission finds that the requirements of  
5                   this title and the rules and regulations  
6                   thereunder with respect to the applicant  
7                   are satisfied. The Commission shall deny  
8                   such registration if it does not make such  
9                   finding.

10                   “(2) POWERS AND RESTRICTIONS.—In addition  
11                   to the powers and restrictions otherwise applicable  
12                   to a national securities exchange, a venture ex-  
13                   change—

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

18                   “(B) may not extend unlisted trading  
19                   privileges to any venture security;

20                   “(C) may only, if the venture exchange is  
21                   a listing tier of another national securities ex-  
22                   change, allow trading in securities that are reg-  
23                   istered under section 12(b) on a national securi-  
24                   ties exchange other than a venture exchange;  
25                   and

1           “(D) may, subject to the rule filing process  
2           under section 19(b)—

3                   “(i) determine the increment to be  
4                   used for quoting and trading venture secu-  
5                   rities on the exchange; and

6                   “(ii) choose to carry out periodic auc-  
7                   tions for the sale of a venture security in-  
8                   stead of providing continuous trading of  
9                   the venture security.

10           “(3) TREATMENT OF CERTAIN EXEMPTED SE-  
11           CURITIES.—A security that is exempt from registra-  
12           tion pursuant to section 3(b) of the Securities Act  
13           of 1933 shall be exempt from section 12(a) of this  
14           title to the extent such securities are traded on a  
15           venture exchange, if the issuer of such security is in  
16           compliance with—

17                   “(A) all disclosure obligations of such sec-  
18                   tion 3(b) and the regulations issued under such  
19                   section; and

20                   “(B) ongoing disclosure obligations of the  
21                   applicable venture exchange that are similar to  
22                   those provided by an issuer under tier 2 of Reg-  
23                   ulation A (17 CFR 230.251 et seq.).

24           “(4) VENTURE SECURITIES TRADED ON VEN-  
25           TURE EXCHANGES MAY NOT TRADE ON NON-VEN-

1       TURE EXCHANGES.—A venture security may not be  
2       traded on a national securities exchange that is not  
3       a venture exchange during any period in which the  
4       venture security is being traded on a venture ex-  
5       change.

6               “(5) RULE OF CONSTRUCTION.—Nothing in  
7       this subsection may be construed as requiring trans-  
8       actions in venture securities to be effected on a na-  
9       tional securities exchange.

10              “(6) COMMISSION AUTHORITY TO LIMIT CER-  
11       TAIN TRADING.—The Commission may limit trans-  
12       actions in venture securities that are not effected on  
13       a national securities exchange as appropriate to pro-  
14       mote efficiency, competition, capital formation, and  
15       to protect investors.

16              “(7) DISCLOSURES TO INVESTORS.—The Com-  
17       mission shall issue regulations to ensure that per-  
18       sons selling or purchasing venture securities on a  
19       venture exchange are provided disclosures sufficient  
20       to understand—

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

23                      “(B) in the case of a venture exchange  
24       that is a listing tier of another national securi-  
25       ties exchange, that the venture exchange is dis-

1           tinct from the other national securities ex-  
2           change.

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

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

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

8                   “(I) that has not made any reg-  
9                   istered initial public offering of any  
10                  securities of the issuer; and

11                   “(II) with a public float of less  
12                  than or equal to the value of public  
13                  float required to qualify as a large ac-  
14                  celerated filer under section 240.12b-  
15                  2 of title 17, Code of Federal Regula-  
16                  tions.

17           “(ii) TREATMENT WHEN PUBLIC  
18           FLOAT EXCEEDS THRESHOLD.—An issuer  
19           shall not cease to be an early-stage, growth  
20           company by reason of the public float of  
21           such issuer exceeding the threshold speci-  
22           fied in clause (i)(II) until the later of the  
23           following:

24                   “(I) The end of the period of 24  
25                  consecutive months during which the

1 public float of the issuer exceeds  
2 \$2,000,000,000 (as such amount is  
3 indexed for inflation every 5 years by  
4 the Commission to reflect the change  
5 in the Consumer Price Index for All  
6 Urban Consumers published by the  
7 Bureau of Labor Statistics, setting  
8 the threshold to the nearest  
9 \$1,000,000).

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

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

22 “(C) VENTURE SECURITY.—

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

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

5           “(II) securities of an emerging  
6 growth company; or

7           “(III) securities registered under  
8 section 12(b) and listed on a venture  
9 exchange (or, prior to listing on a ven-  
10 ture exchange, listed on a national se-  
11 curities exchange) where—

12           “(aa) the issuer of such se-  
13 curities has a public float less  
14 than or equal to the value of pub-  
15 lic float required to qualify as a  
16 large accelerated filer under sec-  
17 tion 240.12b-2 of title 17, Code  
18 of Federal Regulations; or

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

23           “(ii) TREATMENT WHEN PUBLIC  
24 FLOAT EXCEEDS THRESHOLD.—Securities  
25 shall not cease to be venture securities by

1 reason of the public float of the issuer of  
2 such securities exceeding the threshold  
3 specified in clause (i)(III)(aa) until the  
4 later of the following:

5 “(I) The end of the period of 24  
6 consecutive months beginning on the  
7 date—

8 “(aa) the public float of  
9 such issuer exceeds  
10 \$2,000,000,000; and

11 “(bb) the average daily  
12 trade volume of such securities is  
13 100,000 shares or more during a  
14 continuous 60-day period.

15 “(II) The end of the 1-year pe-  
16 riod following the end of the 24-  
17 month period described under sub-  
18 clause (I), if the issuer of such securi-  
19 ties requests such 1-year extension  
20 from a venture exchange and the ven-  
21 ture exchange elects to provide such  
22 extension.”.

23 (b) SECURITIES ACT OF 1933.—Section 18 of the Se-  
24 curities Act of 1933 (15 U.S.C. 77r) is amended—

1           (1) by redesignating subsection (d) as sub-  
2           section (e); and

3           (2) by inserting after subsection (c) the fol-  
4           lowing:

5           “(d) TREATMENT OF SECURITIES LISTED ON A VEN-  
6           TURE EXCHANGE.—Notwithstanding subsection (b), a se-  
7           curity is not a covered security pursuant to subsection  
8           (b)(1)(A) if the security is only listed, or authorized for  
9           listing, on a venture exchange (as defined under section  
10          6(m) of the Securities Exchange Act of 1934).”.

11          (c) SENSE OF CONGRESS.—It is the sense of the Con-  
12          gress that the Securities and Exchange Commission  
13          should—

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

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

23          (d) RULE OF CONSTRUCTION.—Nothing in this sec-  
24          tion or the amendments made by this section shall be con-  
25          strued to impair or limit the construction of the antifraud

1 provisions of the securities laws (as defined in section 3(a)  
2 of the Securities Exchange Act of 1934 (15 U.S.C.  
3 78e(a))) or the authority of the Securities and Exchange  
4 Commission under those provisions.

5 (e) EFFECTIVE DATE FOR TIERS OF EXISTING NA-  
6 TIONAL SECURITIES EXCHANGES.—In the case of a secu-  
7 rities exchange that is registered as a national securities  
8 exchange under section 6 of the Securities Exchange Act  
9 of 1934 (15 U.S.C. 78f) on the date of the enactment of  
10 this Act, any election for a listing tier of such exchange  
11 to be treated as a venture exchange under subsection (m)  
12 of such section shall not take effect before the date that  
13 is 180 days after such date of enactment.

Passed the House of Representatives July 10, 2018.

Attest:

KAREN L. HAAS,

*Clerk.*