

117TH CONGRESS
1ST SESSION

H. R. 4619

To amend the Securities Exchange Act of 1934 to prohibit trading ahead by market makers, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 22, 2021

Mr. GREEN of Texas introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Securities Exchange Act of 1934 to prohibit trading ahead by market makers, 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. PROHIBITION ON TRADING AHEAD BY MARKET**

4 **MAKERS.**

5 (a) IN GENERAL.—Section 15 of the Securities Ex-
6 change Act of 1934 (15 U.S.C. 78o) is amended by adding
7 at the end the following:

8 “(p) PROHIBITION ON TRADING AHEAD BY MARKET

9 MAKERS.—

1 “(1) IN GENERAL.—With respect to a person
2 acting in the capacity of a market maker, if the per-
3 son accepts an order with respect to a security from
4 a customer, including a broker or dealer—

5 “(A) the market maker has a duty of trust
6 and loyalty to the customer arising from the re-
7 ceipt of such order; and

8 “(B) the information in such order is ma-
9 terial, non-public information that may be used
10 only in furtherance of executing such cus-
11 tomer’s order.

12 “(2) ANNUAL CEO CERTIFICATION.—The Chief
13 Executive Officer of each person that acts in the ca-
14 pacity of a market maker shall issue an annual cer-
15 tification to the Commission, in such form and man-
16 ner as the Commission may prescribe by rule, that
17 certifies that—

18 “(A) the person has performed reasonable
19 due diligence during the reporting period to en-
20 sure that the person has not violated the duty
21 of trust and loyalty described under paragraph
22 (1)(A) or used the information described under
23 paragraph (1)(B) in a prohibited fashion; and

24 “(B) the person has not violated the duty
25 of trust and loyalty described under paragraph

1 (1)(A) or used the information described under
2 paragraph (1)(B) in a prohibited fashion during
3 the reporting period.

4 “(3) PERSONAL LIABILITY.—

5 “(A) FINE FOR INDIVIDUAL VIOLA-
6 TIONS.—Any associated person of a market
7 maker who knowingly and willfully causes the
8 market maker to violate paragraph (1) (or who
9 directs another agent or associated person of
10 the market maker to commit such a violation or
11 engage in such acts that result in the associated
12 person being personally unjustly enriched) shall
13 be fined in an amount equal to the greater of—

14 “(i) two times the amount of profit
15 realized by reason of such violation; or

16 “(ii) \$50,000.

17 “(B) COURSE OF CONDUCT.—Any associ-
18 ated person of a market maker who knowingly
19 and willfully causes the market maker to en-
20 gage in a course of conduct of knowingly and
21 willfully violating paragraph (1) (or who directs
22 another agent or associated person of the mar-
23 ket maker to commit such a violation or engage
24 in such acts that result in the associated person
25 being personally unjustly enriched) shall be—

1 “(i) fined in an amount not to exceed
2 200 percent of the compensation (including
3 stock options awarded as compensation)
4 received by such associated person from
5 the market maker—

6 “(I) during the time period in
7 which the violations occurred; or

8 “(II) in the one- to three-year
9 time period preceding the date on
10 which the violations were discovered;
11 and

12 “(ii) imprisoned for not more than 5
13 years.

14 “(C) ASSOCIATED PERSON DEFINED.—The
15 term ‘associated person’ means an associated
16 person of a broker or dealer.

17 “(4) RULEMAKING.—Not later than the end of
18 the 90-day period beginning on the date of enact-
19 ment of this subsection, the Commission—

20 “(A) shall issue rules to carry out this sub-
21 section; and

22 “(B) may provide exemptions from the re-
23 quirements of this subsection, by rule, if the
24 Commission determines that such exemptions
25 would promote market integrity and are nec-

1 necessary or appropriate in the public interest or
2 for the protection of investors.”.

3 (b) SENSE OF CONGRESS.—It is the sense of the
4 Congress that the prohibitions added by this section
5 should complement, and not replace, existing rules of self-
6 regulatory organizations applicable to their members, in-
7 cluding brokers and dealers.

8 (c) EFFECTIVE DATE.—Section 15(p) of the Securi-
9 ties Exchange Act of 1934, as added by subsection (a),
10 shall take effect after the end of the 180-day period begin-
11 ning on the date of enactment of this Act.

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