

116TH CONGRESS  
1ST SESSION

# H. R. 2899

To amend the Securities Exchange Act of 1934 to allow for the registration of venture exchanges, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 22, 2019

Mr. EMMER (for himself and Mr. GONZALEZ of Texas) introduced the following bill; which was referred to the Committee on Financial Services

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## 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 person may register  
3 themselves (and a national securities exchange  
4 may register a listing tier of such exchange) as  
5 a national securities exchange solely for the  
6 purposes of trading venture securities by filing  
7 an application with the Commission pursuant to  
8 subsection (a) and the rules and regulations  
9 thereunder.

10 “(B) PUBLICATION OF NOTICE.—The  
11 Commission shall, upon the filing of an applica-  
12 tion under subparagraph (A), publish notice of  
13 such filing and afford interested persons an op-  
14 portunity to submit written data, views, and ar-  
15 guments concerning such application.

16 “(C) APPROVAL OR DENIAL.—

17 “(i) IN GENERAL.—Within 90 days of  
18 the date of publication of a notice under  
19 subparagraph (B) (or within such longer  
20 period as to which the applicant consents),  
21 the Commission shall—

22 “(I) by order grant such registra-  
23 tion; or

1                   “(II) institute a denial pro-  
2                   ceeding under clause (ii) to determine  
3                   whether registration should be denied.

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

20                  “(iii) CRITERIA FOR APPROVAL OR  
21                  DENIAL.—The Commission shall grant a  
22                  registration under this paragraph if the  
23                  Commission finds that the requirements of  
24                  this title and the rules and regulations  
25                  thereunder with respect to the applicant

1           are satisfied. The Commission shall deny  
2           such registration if it does not make such  
3           finding.

4           “(2) POWERS AND RESTRICTIONS.—In addition  
5           to the powers and restrictions otherwise applicable  
6           to a national securities exchange, a venture ex-  
7           change—

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

12                   “(B) may not extend unlisted trading  
13                   privileges to any venture security;

14                   “(C) may only, if the venture exchange is  
15                   a listing tier of another national securities ex-  
16                   change, allow trading in securities that are reg-  
17                   istered under section 12(b) on a national securi-  
18                   ties exchange other than a venture exchange;  
19                   and

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

22                           “(i) determine the increment to be  
23                           used for quoting and trading venture secu-  
24                           rities on the exchange; and

1                   “(ii) choose to carry out periodic auc-  
2                   tions for the sale of a venture security in-  
3                   stead of providing continuous trading of  
4                   the venture security.

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

12                   “(A) all disclosure obligations of such sec-  
13                   tion 3(b) and the regulations issued under such  
14                   section; and

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

19                   “(4) VENTURE SECURITIES TRADED ON VEN-  
20                   TURE EXCHANGES MAY NOT TRADE ON NON-VEN-  
21                   TURE EXCHANGES.—A venture security may not be  
22                   traded on a national securities exchange that is not  
23                   a venture exchange during any period in which the  
24                   venture security is being traded on a venture ex-  
25                   change.

1           “(5) RULE OF CONSTRUCTION.—Nothing in  
2 this subsection may be construed as requiring trans-  
3 actions in venture securities to be effected on a na-  
4 tional securities exchange.

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

11           “(7) DISCLOSURES TO INVESTORS.—The Com-  
12 mission shall issue regulations to ensure that per-  
13 sons selling or purchasing venture securities on a  
14 venture exchange are provided disclosures sufficient  
15 to understand—

16                   “(A) the characteristics unique to venture  
17 securities; and

18                   “(B) in the case of a venture exchange  
19 that is a listing tier of another national securi-  
20 ties exchange, that the venture exchange is dis-  
21 tinct from the other national securities ex-  
22 change.

23           “(8) DEFINITIONS.—For purposes of this sub-  
24 section:

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

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

3                   “(I) that has not made any reg-  
4 istered initial public offering of any  
5 securities of the issuer; and

6                   “(II) with a public float of less  
7 than or equal to the value of public  
8 float required to qualify as a large ac-  
9 celerated filer under section 240.12b-  
10 2 of title 17, Code of Federal Regula-  
11 tions.

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

19                   “(I) The end of the period of 24  
20 consecutive months during which the  
21 public float of the issuer exceeds  
22 \$2,000,000,000 (as such amount is  
23 indexed for inflation every 5 years by  
24 the Commission to reflect the change  
25 in the Consumer Price Index for All

1           Urban Consumers published by the  
2           Bureau of Labor Statistics, setting  
3           the threshold to the nearest  
4           \$1,000,000).

5           “(II) The end of the 1-year pe-  
6           riod following the end of the 24-  
7           month period described under sub-  
8           clause (I), if the issuer requests such  
9           1-year extension from a venture ex-  
10          change and the venture exchange  
11          elects to provide such extension.

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

17          “(C) VENTURE SECURITY.—

18                 “(i) IN GENERAL.—The term ‘venture  
19                 security’ means—

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

24                         “(II) securities of an emerging  
25                         growth company; or



1           “(III) securities registered under  
2 section 12(b) and listed on a venture  
3 exchange (or, prior to listing on a ven-  
4 ture exchange, listed on a national se-  
5 curities exchange) where—

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

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

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

1                   “(I) The end of the period of 24  
2 consecutive months beginning on the  
3 date—

4                   “(aa) the public float of  
5 such issuer exceeds  
6 \$2,000,000,000; and

7                   “(bb) the average daily  
8 trade volume of such securities is  
9 100,000 shares or more during a  
10 continuous 60-day period.

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

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

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

23                   (2) by inserting after subsection (e) the fol-  
24 lowing:

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

7           (c) SENSE OF CONGRESS.—It is the sense of the Con-  
8 gress that the Securities and Exchange Commission  
9 should—

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

16           (2) if the Commission determines appropriate,  
17 create an Office of Venture Exchanges within the  
18 Commission’s Division of Trading and Markets.

19           (d) RULE OF CONSTRUCTION.—Nothing in this sec-  
20 tion or the amendments made by this section shall be con-  
21 strued to impair or limit the construction of the antifraud  
22 provisions of the securities laws (as defined in section 3(a)  
23 of the Securities Exchange Act of 1934 (15 U.S.C.  
24 78c(a))) or the authority of the Securities and Exchange  
25 Commission under those provisions.

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

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