

104TH CONGRESS
1ST SESSION

H. R. 2131

To amend the Federal securities laws in order to promote efficiency and capital formation in the financial markets.

IN THE HOUSE OF REPRESENTATIVES

JULY 27, 1995

Mr. FIELDS of Texas (for himself, Mr. FRISA, Mr. OXLEY, Mr. GILLMOR, Mr. PAXON, Mr. HASTERT, Mr. BARTON of Texas, and Mr. WHITE) introduced the following bill; which was referred to the Committee on Commerce

A BILL

To amend the Federal securities laws in order to promote efficiency and capital formation in the financial markets.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Capital Markets Deregulation and Liberalization Act of
6 1995”.

7 (b) TABLE OF CONTENTS.—The table of contents of
8 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Investment recommendations to institutional clients.
- Sec. 3. Creation of national securities markets.

- Sec. 4. Securities margin requirements.
- Sec. 5. Minimizing transaction costs of corporate organization.
- Sec. 6. Prospectus delivery.
- Sec. 7. Exemptive authority.
- Sec. 8. Promotion of efficiency, competition, and capital formation.
- Sec. 9. Reduction in number of members of Commission.
- Sec. 10. Privatization of EDGAR.
- Sec. 11. Rules of self-regulatory organizations.
- Sec. 12. Designation of primary SRO and examining authority.
- Sec. 13. Treatment of press conferences.
- Sec. 14. Repeal of Trust Indenture Act of 1939.

1 **SEC. 2. INVESTMENT RECOMMENDATIONS TO INSTITU-**
2 **TIONAL CLIENTS.**

3 (a) RULES OF NATIONAL SECURITIES EXCHANGES
4 PERTAINING TO INVESTMENT RECOMMENDATIONS TO IN-
5 STITUTIONAL CLIENTS.—Section 6(b) of the Securities
6 Exchange Act of 1934 (15 U.S.C. 78f(b)) is amended by
7 inserting after paragraph (9) the following new paragraph:

8 “(10) INVESTMENT RECOMMENDATIONS TO IN-
9 STITUTIONAL CLIENTS.—

10 “(A) IN GENERAL.—The rules of the ex-
11 change do not provide that a member is respon-
12 sible for the investment decisions of an institu-
13 tional client, except that the rules of the asso-
14 ciation may contain a provision in accordance
15 with subparagraph (B).

16 “(B) PROVISION FOR WRITTEN AGREE-
17 MENTS.—The rules of the exchange may pro-
18 vide that a broker or dealer is responsible for
19 an investment decision of an institutional client
20 if the following conditions are met—

1 “(i) the broker or dealer and the insti-
2 tutional client expressly agree in writing,
3 prior to or contemporaneously with the
4 recommendation, that the recommendation
5 will be made by the broker or dealer on a
6 reasonable belief that the recommendation
7 is suitable for such institutional client,
8 based upon facts disclosed by such institu-
9 tional client as to its other security hold-
10 ings and as to its financial situation and
11 needs; and

12 “(ii) such other conditions as the ex-
13 change may establish in accordance with
14 the requirements of this section.

15 “(C) DEFINITION OF INSTITUTIONAL CLI-
16 ENT.—For purposes of this paragraph, the
17 term ‘institutional client’ means any person
18 other than a natural person that has at least
19 \$10,000,000 invested in securities in the aggre-
20 gate in its portfolio.”.

21 (b) PRESUMPTION IN ACTIONS PERTAINING TO REC-
22 OMMENDATIONS TO INSTITUTIONAL CLIENTS.—Section
23 15 of the Securities Exchange Act of 1934 (15 U.S.C.
24 78o) is amended by inserting after subsection (g) the fol-
25 lowing new subsection:

1 “(h) INVESTMENT RECOMMENDATIONS TO INSTITU-
2 TIONAL CLIENTS.—

3 “(1) PRESUMPTION.—In any action brought
4 against a broker or dealer or a person associated
5 with a broker or dealer under this title or under any
6 rule or regulation thereunder pertaining to an in-
7 vestment recommendation to an institutional client,
8 the broker or dealer or associated person shall be en-
9 titled to a presumption that it is not liable for the
10 investment decisions of an institutional client.

11 “(2) STANDARD FOR REBUTTING PRESUMP-
12 TION.—The presumption set out in paragraph (1)
13 may only be rebutted by proof that the broker or
14 dealer or associated person and the institutional cli-
15 ent expressly agreed in writing, prior to or contem-
16 poraneously with the recommendation, that the rec-
17 ommendation would be made by the broker or dealer
18 or associated person on a reasonable belief that the
19 recommendation would be suitable for such institu-
20 tional client, based upon facts disclosed by such in-
21 stitutional client as to its other security holdings and
22 as to its financial situation and needs.

23 “(3) DEFINITION OF INSTITUTIONAL CLIENT.—
24 For purposes of this subsection, the term ‘institu-
25 tional client’ means any person other than a natural

1 person that has at least \$10,000,000 invested in se-
2 curities in the aggregate in its portfolio.

3 “(4) LIMITATION.—This subsection shall not be
4 deemed to create or affirm any private right of ac-
5 tion against a broker or dealer or associated person
6 for any investment recommendation to an institu-
7 tional client.”.

8 (c) RULES OF SECURITIES ASSOCIATIONS.—Section
9 15A(b) of the Securities Exchange Act of 1934 (15 U.S.C.
10 78o–3(b)) is amended by inserting after paragraph (13)
11 the following new paragraph:

12 “(14) INVESTMENT RECOMMENDATIONS TO IN-
13 STITUTIONAL CLIENTS.—

14 “(A) IN GENERAL.—The rules of the asso-
15 ciation do not provide that a member is respon-
16 sible for the investment decisions of an institu-
17 tional client, except that the rules of the asso-
18 ciation may contain a provision in accordance
19 with subparagraph (B).

20 “(B) PROVISION FOR WRITTEN AGREE-
21 MENTS.—The rules of the association may pro-
22 vide that a broker or dealer is responsible for
23 an investment decision of an institutional client
24 if the following conditions are met—

1 “(i) the broker or dealer and the insti-
2 tutional client expressly agree in writing,
3 prior to or contemporaneously with the
4 recommendation, that the recommendation
5 will be made by the broker or dealer on a
6 reasonable belief that the recommendation
7 is suitable for such institutional client,
8 based upon facts disclosed by such institu-
9 tional client as to its other security hold-
10 ings and as to its financial situation and
11 needs; and

12 “(ii) such other conditions as the as-
13 sociation may establish in accordance with
14 the requirements of this section.

15 “(C) DEFINITION OF INSTITUTIONAL CLI-
16 ENT.—For purposes of this paragraph, the
17 term ‘institutional client’ means any person
18 other than a natural person that has at least
19 \$10,000,000 invested in securities in the aggre-
20 gate in its portfolio.”.

21 **SEC. 3. CREATION OF NATIONAL SECURITIES MARKETS.**

22 (a) SECURITIES ACT OF 1933.—

23 (1) EXEMPTION FROM STATE CONTROL.—Sec-
24 tion 18 of the Securities Act of 1933 (15 U.S.C.
25 77r) is amended to read as follows:

1 **“SEC. 18. EXEMPTION FROM STATE CONTROL OF SECURI-**

2 **TIES OFFERINGS.**

3 “(a) EXEMPTION FROM STATE LAW FOR REG-
4 ISTERED SECURITIES.—No law of any State or Territory
5 of the United States, or the District of Columbia, or any
6 political subdivision thereof, requiring, or with respect to,
7 registration or qualification of securities or securities
8 transactions shall apply to any securities that are offered
9 or sold using any means or instruments of transportation
10 or communication in interstate commerce or of the mails
11 pursuant to—

12 “(1) a registration statement filed pursuant to
13 this title, with the exception of a registration state-
14 ment filed by an issuer which is a blank check com-
15 pany as defined in section 7(b) of this title;

16 “(2) an exemption from registration set forth in
17 section 3(a) of this title, with the exception of sec-
18 tion 3(a)(11) or any rule or regulation promulgated
19 thereunder; or

20 “(3) any other exemption from section 5 of this
21 title, except where the Commission may, by rule or
22 regulation, exclude such securities from the provi-
23 sions of this section 18(a) upon a finding that the
24 public interest and the protection of investors would
25 be served by State regulation.

1 “(b) PRESERVATION OF FILING REQUIREMENTS.—

2 Nothing contained in this title shall prohibit the securities
3 commission (or any agency or office performing like func-
4 tions) of any State or Territory of the United States, or
5 the District of Columbia, from requiring the filing of any
6 documents filed with the Commission pursuant to this title
7 solely for notice purposes, along with a consent to service
8 of process and requisite fee; except that no such filing,
9 consent, or fee may be required with respect to securities,
10 or transactions relating to securities, that are of the same
11 class as securities, or are senior to such a class, listed on
12 the New York Stock Exchange or the American Stock Ex-
13 change or designated for trading in the National Market
14 System of the National Association of Securities Dealers
15 Automated Quotation System, or securities that will be so
16 listed or designated for trading upon completion of the
17 transaction.

18 “(c) EXCEPTIONS.—Nothing in this title shall affect
19 the jurisdiction of the securities commission (or any agen-
20 cy or office performing like functions) of any State or Ter-
21 ritory of the United States, or the District of Columbia,
22 over—

23 “(1) any securities or transactions in securities
24 excluded, by statute, rule, or regulation, from the
25 operation of section 18(a), or

1 “(2) any person who, in the offer or sale of any
2 securities subject to section 18(a), directly or indi-
3 rectly, engages in conduct that violates section 17(a)
4 of this title, regardless of whether the jurisdictional
5 means specified therein are satisfied.”.

6 (2) FEDERAL-STATE COOPERATION.—Section
7 19(c)(1) of such Act (15 U.S.C. 77s(c)(1)) is
8 amended to read as follows:

9 “(c)(1) In connection with any regulation of securi-
10 ties, securities transactions or other securities matters by
11 any State or Territory of the United States, or the District
12 of Columbia, which has not been preempted by section 18
13 of this title, other Federal laws, or rules or regulations
14 promulgated thereunder, the Commission is authorized to
15 cooperate with any association composed of duly con-
16 stituted representatives of State governments whose pri-
17 mary assignment is the regulation of the securities busi-
18 ness within those States, and which, in the judgment of
19 the Commission, could assist in effectuating greater uni-
20 formity in such Federal-State securities matters. The
21 Commission may, at its discretion, cooperate, coordinate,
22 and share information with such an association for the
23 purposes of carrying out the policies and projects set forth
24 in paragraphs (2) and (3).”.

6 (b) SECURITIES EXCHANGE ACT OF 1934.—

10 "(h) EXEMPTION FROM STATE LAW FOR REG-
11 ISTERED PERSONS.—

12 “(1) EXEMPTION.—No law of any State or po-
13 litical subdivision thereof requiring the registration,
14 licensing, or qualification of a broker, dealer, or per-
15 son acting in a similar capacity in connection with
16 the purchase or sale of any security, shall apply to—

17 “(A) any person who is registered with the
18 Commission as a broker or dealer, municipal se-
19 curities dealer, or government securities broker
20 or dealer under this title, or who the Commis-
21 sion by rule or order has exempted from reg-
22 istration, or any issuer;

23 “(B) any member of a national securities
24 exchange; or

1 “(C) any person associated with a broker
2 or dealer, member of a national securities ex-
3 change, municipal securities dealer, government
4 securities broker or dealer, or any issuer, in-
5 cluded within the coverage of subparagraph (A)
6 or (B).

7 “(2) PERMITTED STATE ACTIVITIES.—Nothing
8 contained in this subsection shall prohibit a State
9 from requiring registration, licensing, or qualifica-
10 tion of any person, other than an issuer, who is
11 within the coverage of paragraph (1) of this sub-
12 section—

13 “(A) in the case of paragraphs (1) (A) and
14 (B), the State performs its registration, licens-
15 ing, or qualification procedures through a
16 central registration depository system operated
17 by a national securities association registered
18 under section 15A of this title, and the State’s
19 requirements are substantially similar to the
20 Commission’s registration requirements and do
21 not include any provisions that are inconsistent
22 with, or in addition to, the Commission’s reg-
23 istration requirements; or

24 “(B) in the case of paragraph (1)(C), the
25 State performs its registration, licensing, or

1 qualification procedures through a central reg-
2 istration depository system operated by a na-
3 tional securities association registered under
4 section 15A of this title and the State's require-
5 ments are substantially similar to, and not in-
6 consistent with, the registration requirements of
7 such association or the Commission.

8 “(3) PROHIBITED REQUIREMENTS.—No law of
9 any State or political subdivision thereof shall estab-
10 lish broker or dealer capital, books, and records, or
11 financial reporting requirements regarding persons
12 registered, licensed, or qualified pursuant to sub-
13 section (h)(1) that differ from requirements estab-
14 lished in these areas by the Commission.

15 “(4) EXEMPTIONS.—The Commission may by
16 rule, regulation, or order exempt State requirements
17 from the provisions of paragraphs (1), (2), and (3)
18 of this subsection, in whole or in part, conditionally
19 or unconditionally, upon a finding that the public in-
20 terest, the protection of investors, and the mainte-
21 nance of fair and orderly markets would be served
22 by such State regulation.

23 “(5) FEES PERMITTED.—Nothing in this sub-
24 section shall prohibit any State or political subdivi-
25 sion thereof from charging requisite fees in connec-

1 tion with the registration, licensing, or qualification
2 of persons within the coverage of this subsection.

3 “(6) PRESERVATION OF AUTHORITY.—Nothing
4 contained in this subsection shall affect the jurisdic-
5 tion of any State or political subdivision thereof to
6 administer or enforce any provision of State law not
7 preempted by this subsection.”.

8 (2) EFFECTIVE DATE.—The amendments made
9 by this subsection shall be effective upon enactment.

10 (c) FEDERAL PREEMPTION OF STATE REGULATION
11 OF MATTERS REGULATED UNDER THE INVESTMENT
12 COMPANY ACT OF 1940.—Section 50 of the Investment
13 Company Act of 1940 is amended by striking “under such
14 Act; nor” and all that follows and inserting the following:
15 “under such Acts. The Commission shall have exclusive
16 jurisdiction with respect to all securities and transactions
17 to which this title applies, and to all persons to whom this
18 title applies.”.

19 (d) FEDERAL PREEMPTION OF STATE REGULATION
20 OF PERSONS REGULATED UNDER THE INVESTMENT AD-
21 VISERS ACT OF 1940.—Section 222 of the Investment Ad-
22 visers Act of 1940 is amended to read as follows:

23 **“SEC. 222. EXCLUSIVE JURISDICTION.**

24 “The Commission shall have exclusive jurisdiction
25 with respect to all securities and transactions to which this

1 title applies, and to all persons to whom this title ap-
2 plies.”.

3 **SEC. 4. SECURITIES MARGIN REQUIREMENTS.**

4 (a) MARGIN REQUIREMENTS.—Section 7 of the Secu-
5 rities Exchange Act of 1934 (15 U.S.C. 78g) is amended
6 to read as follows:

7 **“SEC. 7. MARGIN REQUIREMENTS.**

8 “(a) UNLAWFUL CREDIT EXTENSION IN VIOLATION
9 OF RULES AND REGULATIONS; EXCEPTION TO APPLICA-
10 TION OF RULES, ETC.—

11 “(1) GENERAL LIMITATIONS.—It shall be un-
12 lawful for any person to extend or maintain credit
13 on any equity security of a class designated by the
14 Board of Governors of the Federal Reserve System
15 for the purpose of purchasing or carrying any equity
16 security of a class so designated, in contravention of
17 such rules and regulations as the Board of Gov-
18 ernors of the Federal Reserve System shall prescribe
19 to prevent the excessive use of credit for the pur-
20 chasing or carrying of equity securities of a class so
21 designated.

22 “(2) APPLICABILITY.—Such rules and regula-
23 tions shall designate the classes of equity securities
24 subject to credit restrictions under this subsection
25 and shall apply equally to banks, brokers, dealers,

1 and other lenders. This subsection and the rules and
2 regulations thereunder shall not apply to any credit
3 extended or maintained—

4 “(A) by a person not in the ordinary
5 course of business;

6 “(B) on an exempted security;

7 “(C) to or for an excluded account; or

8 “(D) as the Board of Governors of the
9 Federal Reserve System shall, by such rules,
10 regulations, or orders as it may deem necessary
11 or appropriate in the public interest or for the
12 protection of investors, exempt, either uncondi-
13 tionally or upon specified terms and conditions,
14 or for stated periods, from the operation of this
15 subsection and the rules and regulations there-
16 under.

17 “(3) EXEMPTION.—Notwithstanding subparagraphs
18 (A), (B), and (C) of paragraph (2), the
19 Board of Governors of the Federal Reserve System
20 may impose such rules and regulations, in whole or
21 in part, on any extension of credit otherwise exempt-
22 ed by such subparagraphs if the Board of Governors
23 determines that such action is necessary to deal with
24 substantial instability or the imminent threat of sub-
25 stantial instability in the financial markets.

1 “(b) UNLAWFUL USE OF FOREIGN CREDIT FACILI-
2 TIES.—

3 “(1) LIMITATIONS.—It shall be unlawful for
4 any United States person, or any foreign person con-
5 trolled by a United States person or acting on behalf
6 of or in conjunction with such person, to obtain, re-
7 ceive, or enjoy the beneficial use of any extension of
8 credit from any lender (without regard to whether
9 the lender’s office or place of business is in a State
10 or the transaction occurred in whole or in part with-
11 in a State) for the purpose of—

12 “(A) purchasing or carrying United States
13 equity securities of a class designated by the
14 Board of Governors of the Federal Reserve Sys-
15 tem pursuant to subsection (a); or

16 “(B) purchasing or carrying within the
17 United States of any other equity securities of
18 a class so designated, if, under this section or
19 rules and regulations prescribed thereunder, the
20 extension of credit is prohibited or would be
21 prohibited if it had been made or the trans-
22 action had otherwise occurred in a lender’s of-
23 fice or other place of business in a State.

24 “(2) DEFINITIONS.—For the purposes of this
25 subsection:

1 “(A) The term ‘United States person’ in-
2 cludes a person which is organized or exists
3 under the laws of any State or, in the case of
4 a natural person, a citizen or resident of the
5 United States; a domestic estate; or a trust in
6 which one or more of the foregoing persons has
7 a cumulative direct or indirect beneficial inter-
8 est in excess of 50 percent of the value of the
9 trust.

10 “(B) The term ‘United States equity secu-
11 rity’ means an equity security (other than an
12 exempted security) issued by a person incor-
13 porated under the laws of any State, or whose
14 principal place of business is within a State.

15 “(C) The term ‘foreign person controlled
16 by a United States person’ includes any
17 noncorporate entity in which United States per-
18 sons directly or indirectly have more than a 50
19 percent beneficial interest, and any corporation
20 in which one or more United States persons, di-
21 rectly or indirectly, own stock possessing more
22 than 50 percent of the total combined voting
23 power of all classes of stock entitled to vote, or
24 more than 50 percent of the total value of
25 shares of all classes of stock.

1 “(3) EXEMPTIONS.—The Board of Governors of
2 the Federal Reserve System may, in its discretion
3 and with due regard for the purposes of this section,
4 by rule, regulation, or order exempt any class of
5 United States persons or foreign persons controlled
6 by a United States person from the application of
7 this subsection.

8 “(c) INCONSISTENT RULES.—No margin, financial
9 responsibility, or other rule of any national securities ex-
10 change or of any national securities association shall im-
11 pose any limitation on the extension or maintenance of
12 credit more restrictive than, or otherwise inconsistent
13 with, those provided for in this section and the rules and
14 regulations of the Board of Governors of the Federal Re-
15 serve System adopted hereunder.”.

16 (b) REMOVAL OF RESTRICTIONS ON BORROWING BY
17 BROKER-DEALERS.—Section 8 of the Securities Exchange
18 Act of 1934 (15 U.S.C. 78h) is amended—

19 (1) by striking out “member of a national secu-
20 rities exchange, or broker or dealer who transacts
21 business in securities through the medium of any
22 member of a national securities exchange,”; and

23 (2) by striking out subsection (a) and by redes-
24 ignating subsections (b) and (c) as subsections (a)
25 and (b), respectively.

1 (c) TRADING BY MEMBERS OF EXCHANGES, BRO-
2 KERS AND DEALERS.—Section 11(d) of the Securities Ex-
3 change Act of 1934 (15 U.S.C. 78k(d)) is amended—

4 (1) by striking out “a member of a national se-
5 curities exchange” and inserting in lieu thereof “any
6 person”;

7 (2) by striking out “, or for any person who
8 both as a broker and a dealer transacts a business
9 in securities through the medium of a member or
10 otherwise,”;

11 (3) by striking out “in the case of a member”;

12 (4) by inserting “(other than an excluded ac-
13 count)” after “customer” the first place it appears;

14 (5) by inserting “equity” before “security” the
15 first place it appears;

16 (6) by striking out “(i)” and by striking out “or
17 (ii) any mortgage related security or any small busi-
18 ness related security against full payment of the en-
19 tire purchase price thereof upon such delivery within
20 180 days after such purchase or within such shorter
21 period as the Commission may prescribe by rule or
22 regulation”; and

23 (7) by adding at the end thereof the following
24 new sentence: “The Commission may, by such rules,
25 regulations, or orders as it may deem necessary or

1 appropriate in the public interest or for the protec-
2 tion of investors, exempt either unconditionally or
3 upon specified terms and conditions, or for stated
4 periods, any security or transaction, or class of secu-
5 rities or transactions from the operation of this sub-
6 section and the rules and regulations thereunder.”.

7 (d) DEFINITION.—Section 3(a) of the Securities Ex-
8 change Act of 1934 (15 U.S.C. 78c(a)) is amended by
9 adding at the end thereof the following new paragraph:

10 “(44) The term ‘excluded account’ means any
11 person who comes within any of the following cat-
12 egories:

13 ““(A) A financial institution, trust com-
14 pany, savings association, or savings and loan
15 association (acting in an individual, fiduciary,
16 or agency capacity).

17 ““(B) A broker or dealer or an investment
18 adviser (acting on its own behalf or on behalf
19 of another).

20 ““(C) A futures commission merchant, floor
21 broker, or floor trader (acting on its own behalf
22 or on behalf of another).

23 ““(D) An insurance company.

24 ““(E) An investment company, small busi-
25 ness investment company, business development

1 company, or private business development com-
2 pany.

3 “(F) Any governmental entity (including
4 the United States, any State or any foreign
5 government), any political subdivision thereof,
6 any multinational or supranational entity, or
7 any department, agency, or instrumentality of
8 any of the foregoing.

9 “(G) A corporation, partnership, propri-
10 etorship, organization, trust, or other entity,
11 not formed for the specific purpose of evading
12 the requirements of any rule or regulation
13 adopted under section 7, with total assets ex-
14 ceeding \$5,000,000 or the obligations of which
15 with respect to any extension of credit are guar-
16 anteed or otherwise supported by a letter of
17 credit or keepwell, support, or other agreement
18 by any such entity or by an entity referred to
19 in subparagraph (A), (B), (C), (D), (E), or (F)
20 of this paragraph.

21 “(H) An employee benefit plan with assets
22 exceeding \$5,000,000 or whose investment deci-
23 sions are made by a bank, trust company,
24 broker, dealer, or registered investment adviser.

1 “(I) Any entity in which all the equity
2 owners are ‘excluded accounts’.

3 “(J) Any person, other than a natural per-
4 son, who is an affiliate of the person extending
5 or maintaining credit.

6 “(K) Such other persons as the Board of
7 Governors of the Federal Reserve System shall,
8 by rule, regulation, or order, designate as an
9 ‘excluded account’, either unconditionally or
10 upon specified terms and conditions, or for
11 specified periods.”.

12 (e) EFFECTIVE DATE.—The amendments made by
13 this section shall be effective 270 days after the date of
14 enactment of this Act.

15 **SEC. 5. MINIMIZING TRANSACTION COSTS OF CORPORATE
16 ORGANIZATION.**

17 (a) AMENDMENTS TO SECTION 13 OF THE 1934
18 ACT.—Section 13 of the Securities Exchange Act of 1934
19 (15 U.S.C. 78m) is amended—

20 (1) by striking subsections (d) and (e); and
21 (2) by redesignating subsections (f), (g), and
22 (h) as subsections (d), (e), and (f), respectively.

23 (b) AMENDMENTS TO SECTION 14 OF THE 1934
24 ACT.—Section 14 of such Act (15 U.S.C. 78n) is amend-
25 ed—

1 (1) by striking subsections (d), (f), and (g); and
2 (2) by redesignating subsections (e) and (h) as
3 subsections (d) and (e), respectively.

4 (c) CONFORMING AMENDMENTS.—

5 (1) Section 6(b)(9) of such Act (15 U.S.C.
6 78f(b)(9)) is amended by striking “section 14(h)”
7 and inserting “section 14(e)”.

8 (2) Section 12(i) of such Act (15 U.S.C. 78l(i))
9 is amended by striking “14(f),”.

10 (3) Section 13(d)(1) of such Act (as redesignated by subsection (a)(1) of this section) is amended—

13 (A) by striking “equity securities of a class
14 described in section 13(d)(1) of this title” and
15 inserting “equity security of a class which is
16 registered pursuant to section 12 of this title,
17 or any equity security of an insurance company
18 which would have been required to be so registered except for the exemption contained in
19 section 12(g)(2)(G) of this title, or any equity security issued by a closed-end investment company
20 registered under the Investment Company Act of 1940 or any equity security issued by a
21 Native Corporation pursuant to section

1 37(d)(6) of the Alaska Native Claims Settlement Act,'';
2

3 (B) in subparagraph (C), by striking "each
4 equity security of a class described in section
5 13(d)(1) of this title" and inserting "each such
6 equity security";

7 (C) in subparagraph (E), by striking "any
8 equity security of a class described in section
9 13(d)(1) of this title" and inserting "any such
10 equity security".

11 (4) Section 13(d)(3) of such Act (as so redesignated)
12 is amended by striking "all equity securities
13 of a class described in section 13(d)(1) of this title,"
14 and inserting "all equity securities of a class de-
15 scribed in paragraph (1) of this subsection".

16 (5) Section 14(e) of such Act (as so redesignated)
17 is amended—

18 (A) in paragraph (1), by striking "sub-
19 sections (a) and (d)" and inserting "subsection
20 (a)"; and

21 (B) in paragraph (3), by striking "sub-
22 section (a) or (d)" each place it appears and in-
23 serting "subsection (a)".

24 (6) Paragraphs (12) and (13) of section 15A(b)
25 of such Act (15 U.S.C. 780-3(b)(12), (13)) are each

1 amended by striking “section 14(h)” and inserting
2 “section 14(e)”.
3

6 SEC. 6. PROSPECTUS DELIVERY.

7 (a) DEFINITION OF PROSPECTUS.—Section 2(10) of
8 the Securities Act of 1933 (15 U.S.C. 77b(10)) is amend-
9 ed by striking “or confirms the sale of any security”.

10 (b) DELIVERY ON REQUEST.—Section 5(b)(2) of the
11 Securities Act of 1933 (15 U.S.C. 77e(b)(2)) is amended
12 by inserting before the period at the end the following:
13 “, if the purchaser or prospective purchaser of such secu-
14 rity has requested a prospectus”.

15 (c) AUTHORITY TO EXEMPT.—Section 5 of the Secu-
16 rities Act of 1933 (15 U.S.C. 77(e)) is amended by adding
17 a new subsection (d) after subsection (c) as follows:

18 "(d) AUTHORITY TO EXEMPT.—The Commission
19 may from time to time by its rules and regulations and
20 subject to such terms and conditions as may be prescribed
21 therein, upon its own motion or by order on application
22 by an interested person, exempt from subsection (b) of
23 section 5 any person or prospectus, or any class or classes
24 of persons or prospectuses, if and to the extent that such
25 exemption is necessary or appropriate in the public inter-

1 est and consistent with the protection of investors. The
2 Commission shall by rules and regulations determine the
3 procedures under which an exemption under this sub-
4 section shall be granted, and may, in its sole discretion,
5 decline to entertain any application for an order of exemp-
6 tion under this subsection.”.

7 **SEC. 7. EXEMPTIVE AUTHORITY.**

8 (a) **SMALL OFFERING EXEMPTION.**—Section 3(b) of
9 the Securities Act of 1933 (15 U.S.C. 77c(b)) is amended
10 by striking “\$5,000,000” and inserting “\$15,000,000”.

11 (b) **GENERAL EXEMPTIVE AUTHORITY.**—Section 3 of
12 the Securities Act of 1933 (15 U.S.C. 77c) is amended
13 by adding at the end the following new subsection:

14 “(d) **EXEMPTIVE AUTHORITY.**—The Commission
15 may by rule, regulation, or order, exempt, in whole or in
16 part, conditionally or unconditionally, any security or class
17 of securities from the registration requirements of this
18 title if it finds that such exemption is consistent with the
19 public interest and the protection of investors.”.

20 **SEC. 8. PROMOTION OF EFFICIENCY, COMPETITION, AND**

21 **CAPITAL FORMATION.**

22 (a) **SECURITIES ACT OF 1933.**—Section 2 of the Se-
23 curities Act of 1933 (15 U.S.C. 77b) is amended—

24 (1) by inserting “(a) **DEFINITIONS.**—” after
25 “SEC. 2.”; and

1 (2) by adding at the end the following new sub-
2 section:

3 “(b) CONSIDERATION OF PROMOTION OF EFFI-
4 CIENCY, COMPETITION, AND CAPITAL FORMATION.—
5 Whenever in this title the Commission is required to con-
6 sider or determine whether an action is consistent with
7 the public interest or the protection of investors (or both),
8 the Commission shall also consider or determine whether
9 the action will promote efficiency, competition, and capital
10 formation.”.

11 (b) SECURITIES EXCHANGE ACT of 1934.—Section
12 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c)
13 is amended by adding at the end the following new sub-
14 section:

15 “(e) CONSIDERATION OF PROMOTION OF EFFI-
16 CIENCY, COMPETITION, AND CAPITAL FORMATION.—
17 Whenever in this title the Commission is required to con-
18 sider or determine whether an action is consistent with
19 the public interest or the protection of investors (or both),
20 the Commission shall also consider or determine whether
21 the action will promote efficiency, competition, and capital
22 formation.”.

23 (c) INVESTMENT COMPANY ACT of 1940.—Section 2
24 of the Investment Company Act of 1940 (15 U.S.C. 80a-

1 2) is amended by adding at the end the following new sub-
2 section:

3 “(c) CONSIDERATION OF PROMOTION OF EFFI-
4 CIENCY, COMPETITION, AND CAPITAL FORMATION.—
5 Whenever in this title the Commission is required to con-
6 sider or determine whether an action is consistent with
7 the public interest or the protection of investors (or both),
8 the Commission shall also consider or determine whether
9 the action will promote efficiency, competition, and capital
10 formation.”.

11 (d) INVESTMENT ADVISERS ACT of 1940.—Section
12 202 of the Investment Advisers Act of 1940 (15 U.S.C.
13 80b-2) is amended by adding at the end the following new
14 subsection:

15 “(c) CONSIDERATION OF PROMOTION OF EFFI-
16 CIENCY, COMPETITION, AND CAPITAL FORMATION.—
17 Whenever in this title the Commission is required to con-
18 sider or determine whether an action is consistent with
19 the public interest or the protection of investors (or both),
20 the Commission shall also consider or determine whether
21 the action will promote efficiency, competition, and capital
22 formation.”.

1 **SEC. 9. REDUCTION IN NUMBER OF MEMBERS OF COMMIS-**
2 **SION.**

3 (a) AMENDMENTS.—Section 4(a) of the Securities
4 Exchange Act of 1934 (15 U.S.C. 78d(a)) is amended—
5 (1) by striking “five commissioners” and insert-
6 ing “3 commissioners”; and

7 (2) by striking “three of such commissioners”
8 and inserting “2 of such commissioners”.

9 (b) EFFECTIVE DATE; IMPLEMENTATION.—The
10 amendments made by subsection (a) shall take effect on
11 the date of enactment of this Act, except that—

12 (1) the offices the terms of which expired on
13 June 5, 1994, and June 5, 1995, shall be abolished;
14 and

15 (2) notwithstanding section 4(a) of the Securi-
16 ties Exchange Act of 1934—

17 (A) upon the expiration of the term of of-
18 fice prescribed by law to occur on June 5,
19 1996, any person appointed to serve as a com-
20 missioner of the Securities and Exchange Com-
21 mission to fill such office for the following term
22 shall be eligible to serve until June 5, 1999;

23 (B) upon the expiration of the term of of-
24 fice prescribed by law to occur on June 5,
25 1997, any person appointed to serve as a com-
26 missioner of the Securities and Exchange Com-

1 mission to fill such office for the following term
2 shall be eligible to serve until June 5, 2001;
3 and

4 (C) upon the expiration of the term of of-
5 fice prescribed by law to occur on June 5,
6 1998, any person appointed to serve as a com-
7 missioner of the Securities and Exchange Com-
8 mission to fill such office for the following term
9 shall be eligible to serve until June 5, 2003.

10 **SEC. 10. PRIVATIZATION OF EDGAR.**

11 (a) REQUEST FOR PROPOSALS.—The Securities and
12 Exchange Commission shall, by public notice, request pro-
13 posals for the privatization of the EDGAR system. Such
14 notice shall specify the methods by which the Commission
15 will evaluate such proposal, which shall include the follow-
16 ing objectives:

17 (1) return to the Government on its investment
18 in the establishment of such system; and
19 (2) promote the automation and rapid dissemi-
20 nation of information required to be disclosed.

21 (b) REVIEW AND REPORT.—Within 180 days after
22 the date of enactment of this Act, the Commission shall
23 review the proposal received pursuant to subsection (a)
24 and submit to the Congress a report thereon. Such report
25 shall include such recommendations for such legislative ac-

1 tion as may be necessary to implement the proposal that
2 the Commission determines most effectively achieves the
3 objections described in subsection (a).

4 **SEC. 11. RULES OF SELF-REGULATORY ORGANIZATIONS.**

5 Section 19(b)(1) of the Securities Exchange Act of
6 1934 (15 U.S.C. 78s(b)(1)) is amended by striking “upon
7 the filing” and inserting “within 30 days of the filing (un-
8 less the self-regulatory organization consents to a longer
9 period)”.

10 **SEC. 12. DESIGNATION OF PRIMARY SRO AND EXAMINING
11 AUTHORITY.**

12 (a) AMENDMENTS.—Section 15 of the Securities Ex-
13 change Act of 1934 (15 U.S.C. 78o) is amended by adding
14 at the end the following new subsection:

15 “(g) DESIGNATION OF EXAMINING AUTHORITIES.—
16 “(1) DESIGNATION.—After notice and com-
17 ment, the Commission shall designate for each reg-
18 istered broker or dealer, a self-regulatory organiza-
19 tion (other than a registered clearing agency) as its
20 examining authority. In no event shall the Commis-
21 sion designate more than one examining authority
22 for any broker or dealer.

23 “(2) ENFORCEMENT OF RULES BY EXAMINING
24 AUTHORITY.—A designated examining authority
25 shall enforce its own rules with respect to such

1 broker or dealer, as well as the rules of any other
2 self-regulatory organization (other than a registered
3 clearing agency) of which such broker or dealer is a
4 member.

5 “(3) CHANGES IN DESIGNATION.—A broker or
6 dealer for which the Commission previously has des-
7 ignated an examining authority, may request that
8 the Commission designate a different examining au-
9 thority. The Commission shall grant such request by
10 order if its is consistent with the public interest and
11 the protection of investors. The issuance of such an
12 order shall not alter or extinguish any pending dis-
13 ciplinary proceeding that the originally designated
14 examining authority has brought against the broker
15 or dealer or any person associated with a broker or
16 dealer.

17 “(4) COMMISSION RULES.—The Commission
18 may adopt rules for the designation of an examining
19 authority for a broker or dealer, and for changing
20 such designation. Such rules shall be designed to
21 minimize the costs and burdens on the registered
22 broker or dealer, consistent with the protection of in-
23 vestors and the public.

24 “(5) PRESERVATION OF EXISTING AUTHOR-
25 ITY.—Nothing in this section shall alter the Com-

1 mission's authority to bring any action under this
2 title against any broker or dealer, or against any
3 person associated with a broker or dealer.”.

4 (b) DEFINITION.—Section 3(a) of the Securities Ex-
5 change Act of 1934 (15 U.S.C. 78e) is amended by adding
6 the following paragraph:

7 “(53) The term ‘examining authority’ means a
8 self-regulatory organization (other than a registered
9 clearing agency), as designated by the Commission,
10 with exclusive authority to examine, inspect, and
11 otherwise oversee the activities of a registered broker
12 or dealer.”.

13 (c) INITIAL DESIGNATION.—The Commission shall
14 complete the initial designations of examining authorities
15 for brokers and dealers required by section 15(g) of the
16 Security Exchange Act of 1934 no later than one year
17 after the date of enactment of this Act.

18 **SEC. 13. TREATMENT OF PRESS CONFERENCES.**

19 (a) DEFINITION OF OFFER.—Section 2(3) of the Se-
20 curities Act of 1933 (15 U.S.C. 77b(3)) is amended by
21 inserting after the third sentence the following new sen-
22 tence: “The terms defined in this paragraph and the term
23 ‘offer to buy’ as used in subsection (c) of section 5 also
24 shall not include press conferences, press releases and
25 meetings with issuer press spokespersons to which journal-

1 ists for publications (including on-line services) with a
2 general circulation in the United States are generally pro-
3 vided access, in which an offering of or exchange offer for
4 securities is discussed.”

5 (b) DEFINITION OF PROSPECTUS.—Section 2(10) of
6 the Securities Act of 1933 is amended—

7 (1) by striking “and” at the end of clause (a);
8 and

9 (2) by inserting before the period at the end of
10 clause (b) the following: “, and (c) any press release
11 made generally available to journalists for publica-
12 tions (including on-line services) with a general cir-
13 culation in the United States, in which an offer of
14 or exchange offer for securities is discussed, shall
15 not be deemed a prospectus if such press releases
16 states that it is not an offer of securities for sale,
17 that any public offering will be made by means of
18 a prospectus, and the person from whom a prospec-
19 tus may be obtained”.

20 **SEC. 14. REPEAL OF TRUST INDENTURE ACT OF 1939.**

21 The Trust Indenture Act of 1939 (15 U.S.C. 77aaa
22 et seq.) is repealed.



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