

113TH CONGRESS  
1ST SESSION

# H. R. 1952

To amend the Securities Exchange Act of 1934 to require the Securities and Exchange Commission to allow publicly traded companies with a certain sized public float to change their stocks' tick sizes to increase liquidity by incentivizing capital commitment, research coverage, and brokerage support, thereby increasing the stocks' liquidity and investor interest, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

MAY 13, 2013

Mr. SCHWEIKERT 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 require the Securities and Exchange Commission to allow publicly traded companies with a certain sized public float to change their stocks' tick sizes to increase liquidity by incentivizing capital commitment, research coverage, and brokerage support, thereby increasing the stocks' liquidity and investor interest, 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 “Spread Pricing Liquid-  
3 ity Act of 2013”.

4 **SEC. 2. TICK SIZE FOR CERTAIN ISSUERS.**

5 (a) IN GENERAL.—Section 11A(c)(6) of the Securi-  
6 ties Exchange Act of 1934 (15 U.S.C. 78k-1(c)(6)) is  
7 amended to read as follows:

8 “(6) TICK SIZE FOR CERTAIN ISSUERS.—

9 “(A) SELECTION.—

10 “(i) IN GENERAL.—The board of di-  
11 rectors of an issuer with a public float of  
12 \$500,000,000 or less (based on a rolling  
13 average over the course of the preceding 3-  
14 month period) and an average daily trad-  
15 ing volume of less than 500,000 shares  
16 may select to have the securities of the  
17 issuer quoted and traded using an incre-  
18 ment of either \$0.05 or \$0.10.

19 “(ii) MANNER OF SELECTION.—A se-  
20 lection under this subparagraph shall be  
21 made by informing the Commission and  
22 each exchange on which the securities of  
23 the issuer are quoted or traded.

24 “(iii) LIMITATION ON CERTAIN  
25 ISSUERS.—With respect to the average

1 trading price in the most recent 1-month  
2 period for the securities of an issuer—

3 “(I) if such average price is less  
4 than \$1, the issuer may not make the  
5 selection under this subparagraph;  
6 and

7 “(II) if such average price is \$1  
8 or more, but less than \$2, the issuer  
9 may only select to have the securities  
10 of the issuer quoted and traded using  
11 an increment of \$0.05.

12 “(iv) CONSULTATION.—In making a  
13 selection under this subparagraph, the  
14 board of directors shall first consult with  
15 the issuer’s primary listing market.

16 “(B) TRADING REQUIREMENTS.—If an  
17 issuer has made the selection under subpara-  
18 graph (A)—

19 “(i) all quotes of the securities of such  
20 issuer shall be done using only the incre-  
21 ment selected;

22 “(ii) an exchange on which the securi-  
23 ties of such issuer are traded may not  
24 charge a fee for a person engaging in such  
25 a trade, unless such fee is uniform for all

1 trades and based solely on the number of  
2 shares traded; and

3 “(iii) such selection shall not prevent  
4 the securities of the issuer being traded at  
5 increments other than the increment se-  
6 lected.

7 “(C) RIGHT TO OPT OUT OF SELECTION.—

8 “(i) IN GENERAL.—An issuer that has  
9 made the selection under subparagraph (A)  
10 may choose to opt out of such selection at  
11 any time after the 6-month period begin-  
12 ning on the date such selection was made.

13 “(ii) MANNER OF OPT OUT.—An  
14 issuer that chooses to opt out of the selec-  
15 tion under subparagraph (A) shall do so by  
16 informing the Commission and each ex-  
17 change on which the securities of the  
18 issuer are quoted or traded.

19 “(iii) FUTURE SELECTION.—Subject  
20 to subparagraph (D), an issuer that opts  
21 out of the selection under subparagraph  
22 (A) may make the selection under subpara-  
23 graph (A) again at any time after the 1-  
24 year period beginning on the date of the  
25 opt out.

1           “(D) TREATMENT OF ISSUERS SUR-  
2 PASSING CAP.—If the public float of an issuer  
3 that has made the selection under subpara-  
4 graph (A) rises above \$500,000,000 (based on  
5 a rolling average over the course of a 3-month  
6 period) or the average daily trading volume of  
7 the issuer raises above 500,000 then, after the  
8 end of the 3-month period beginning on the  
9 date of such occurrence—

10           “(i) the issuer shall no longer be con-  
11 sidered to have made the selection under  
12 subparagraph (A); and

13           “(ii) the issuer shall be ineligible to  
14 make a selection under subparagraph (A)  
15 during the 2-year period beginning after  
16 the end of such 3-month period, regardless  
17 of the issuer’s public float or average daily  
18 trading volume.

19           “(E) STUDY AND REPORT.—

20           “(i) IN GENERAL.—Not later than the  
21 end of the 9-month period beginning on  
22 the date of the enactment of this para-  
23 graph, and annually thereafter, the Com-  
24 mission shall carry out a study of the  
25 quoting and trading of securities in incre-

1           ments of \$0.05 and \$0.10 permitted by  
2           this paragraph, and the extent to which  
3           such a system is increasing liquidity by  
4           incentivizing capital commitment, research  
5           coverage, and brokerage support.

6           “(ii) REPORT TO CONGRESS.—Upon  
7           the completion of each study described  
8           under clause (i), the Commission shall  
9           issue a report to the Congress containing  
10          all of the findings and determinations  
11          made in carrying out such study, along  
12          with any legislative recommendations the  
13          Commission may have.

14          “(F) DEFINITIONS.—For purposes of this  
15          paragraph:

16                 “(i) AVERAGE DAILY TRADING VOL-  
17                 UME.—With respect to a security, the term  
18                 ‘average daily trading volume’ means the  
19                 average, over the previous 3-month period,  
20                 of—

21                         “(I) the aggregate daily volume  
22                         for bids made on the security within  
23                         the price band; and

1                   “(II) the aggregate daily volume  
2                   for offers made on the security within  
3                   the price band.

4                   “(ii) PRICE BAND.—With respect to a  
5                   security, the term ‘price band’ means the  
6                   range between the price that is 25 cents  
7                   below the trading price of the security and  
8                   the price that is 25 cents above the trading  
9                   price of the security.

10                   “(iii) PUBLIC FLOAT.—The term  
11                   ‘public float’ means the amount of equity  
12                   of an issuer that is held by persons who  
13                   are not affiliated with the issuer, deter-  
14                   mined by multiplying the number of shares  
15                   of such stock by the price of one of such  
16                   shares.”.

17                   (b) EFFECTIVE DATE.—

18                   (1) IN GENERAL.—Section 11A(c)(6) of the Se-  
19                   curities Exchange Act of 1934, as amended by sub-  
20                   section (a), shall take effect—

21                   (A) with respect to an issuer with a public  
22                   float of \$100,000,000 or less (based on a roll-  
23                   ing average over the course of the preceding 3-  
24                   month period) and an average daily trading vol-

1           ume of less than 100,000, on the date of the  
2           enactment of this Act;

3           (B) with respect to an issuer that is not  
4           described under subparagraph (A) and that has  
5           a public float of \$250,000,000 or less (based on  
6           a rolling average over the course of the pre-  
7           ceding 3-month period) and an average daily  
8           trading volume of less than 250,000, after the  
9           end of the 3-month period beginning on the  
10          date of the enactment of this Act; and

11          (C) with respect to an issuer that is not  
12          described under subparagraph (A) or (B) and  
13          that has a public float of \$500,000,000 or less  
14          (based on a rolling average over the course of  
15          the preceding 3-month period) and an average  
16          daily trading volume of less than 500,000, after  
17          the end of the 6-month period beginning on the  
18          date of the enactment of this Act.

19          (2) DEFINITIONS.—For purposes of this sub-  
20          section, the terms “average daily trading volume”  
21          and “public float” have the meaning given those  
22          terms, respectively, under section 11A(c)(6)(F) of  
23          the Securities Exchange Act of 1934.

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