

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.

IN THE HOUSE OF REPRESENTATIVES

MAY 13, 2013

Mr. SCHWEIKERT introduced the following bill; which was referred to the
Committee on Financial Services

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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