MAIN STREET GROWTH ACT

Mr. HUIZENGA. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 5877) to amend the Securities Exchange Act of 1934 to allow for the registration of venture exchanges, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 5877

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Main Street Growth Act''.

SEC. 2. VENTURE EXCHANGES.

(a) SECURITIES EXCHANGE ACT OF 1934.—Section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f) is amended by adding at the end the following:

''(m) VENTURE EXCHANGE.—

''(1) REGISTRATION.—

''(A) IN GENERAL.—A person may register themself (and a national securities exchange may register a listing tier of such exchange) as a national securities exchange solely for the purposes of trading venture securities by filing an application with the Commission pursuant to subsection (a) and the rules and regulations thereunder.

''(B) PUBLICATION OF NOTICE.—The Commission shall, upon the filing of an application under subparagraph (A), publish notice of such filing and afford interested persons an opportunity to submit written data, views, and arguments concerning such application.

''(C) APPROVAL OR DENIAL.—

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

''(I) by order grant such registration; or

''(II) institute a denial proceeding under clause (ii) to determine whether registration should be denied.

''(ii) DENIAL PROCEEDING.—A proceeding under clause (i)(II) shall include notice of the grounds for denial under consideration and opportunity for hearing and shall be concluded within 180 days of the date of the publication of a notice under subparagraph (B). At the conclusion of such proceeding the Commission, by order, shall grant or deny such registration. The Commission may extend the time for conclusion of such proceeding for up to 90 days if the Commission finds good cause for such extension and publishes the Commission's reasons for so finding or for such longer period as to which the applicant consents.

''(iii) CRITERIA FOR APPROVAL OR DENIAL.—The Commission shall grant a registration under this paragraph if the Commission finds that the requirements of this title and the rules and regulations thereunder with respect to the applicant are satisfied. The Commission shall deny such registration if it does not make such finding.

''(2) POWERS AND RESTRICTIONS.—In addition to the powers and restrictions otherwise applicable to a national securities exchange, a venture exchange—

''(A) may only constitute, maintain, or provide a market place or facilities for bringing together purchasers and sellers of venture securities;

''(B) may not extend unlisted trading privileges to any venture security;

''(C) may only, if the venture exchange is a listing tier of another national securities exchange, allow trading in securities that are registered under section 12(b) on a national securities exchange other than a venture exchange; and

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

''(i) determine the increment to be used for quoting and trading venture securities on the exchange; and

''(ii) choose to carry out periodic auctions for the sale of a venture security instead of providing continuous trading of the venture security.

''(3) TREATMENT OF CERTAIN EXEMPTED SECURITIES.—A security that is exempt from registration pursuant to section 3(b) of the Securities Act of 1933 shall be exempt from section 12(a) of this title to the extent such securities are traded on a venture exchange, if the issuer of such security is in compliance with—

''(A) all disclosure obligations of such section 3(b) and the regulations issued under such section; and

''(B) ongoing disclosure obligations of the applicable venture exchange that are similar to those provided by an issuer under tier 2 of Regulation A (17 C.F.R. 230.251 et seq).

''(4) VENTURE SECURITIES TRADED ON VENTURE EXCHANGES MAY NOT TRADE ON NON-VENTURE EXCHANGES.—A venture security may not be traded on a national securities exchange that is not a venture exchange during any period in which the venture security is being traded on a venture exchange.

''(5) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed as requiring transactions in venture securities to be effected on a national securities exchange.

''(6) COMMISSION AUTHORITY TO LIMIT CERTAIN TRADING.—The Commission may limit transactions in venture securities that are not effected on a national securities exchange as appropriate to promote efficiency, competition, capital formation, and to protect investors.

''(7) DISCLOSURES TO INVESTORS.—The Commission shall issue regulations to ensure that persons selling or purchasing venture securities on a venture exchange are provided disclosures sufficient to understand—

''(A) the characteristics unique to venture securities; and

''(B) in the case of a venture exchange that is a listing tier of another national securities exchange, that the venture exchange is distinct from the other national securities exchange.

''(8) DEFINITIONS.—For purposes of this subsection:

''(A) EARLY-STAGE, GROWTH COMPANY.—

''(i) IN GENERAL.—The term 'early-stage, growth company' means an issuer—

''(I) that has not made any registered initial public offering of any securities of the issuer; and

''(II) with a public float of less than or equal to the value of public float required to qualify as a large accelerated filer under section 240.12b–2 of title 17, Code of Federal Regulations.

''(ii) TREATMENT WHEN PUBLIC FLOAT EXCEEDS THRESHOLD.—An issuer shall not cease to be an early-stage, growth company by reason of the public float of such issuer exceeding the threshold specified in clause (i)(II) until the later of the following:

''(I) The end of the period of 24 consecutive months during which the public float of the issuer exceeds $2,000,000,000 (as such amount is indexed for inflation every 5 years by the Commission to reflect the change in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics, setting the threshold to the nearest $1,000,000).

''(II) The end of the 1-year period following the end of the 24-month period described under subclause (I), if the issuer requests such 1-year extension from a venture exchange and the venture exchange elects to provide such extension.

''(B) PUBLIC FLOAT.—With respect to an issuer, the term 'public float' means the aggregate worldwide market value of the voting and non-voting common equity of the issuer held by non-affiliates.

''(C) VENTURE SECURITY.—

''(i) IN GENERAL.—The term 'venture security' means—

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

''(II) securities of an emerging growth company; or

''(III) securities registered under section 12(b) and listed on a venture exchange (or, prior to listing on a venture exchange, listed on a national securities exchange) where—

''(aa) the issuer of such securities has a public float less than or equal to the value of public float required to qualify as a large accelerated filer under section 240.12b–2 of title 17, Code of Federal Regulations; or

''(bb) the average daily trade volume is 75,000 shares or less during a continuous 60-day period.

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

''(I) The end of the period of 24 consecutive months beginning on the date—

''(aa) the public float of such issuer exceeds $2,000,000,000; and

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

''(II) The end of the 1-year period following the end of the 24-month period described under subclause (I), if the issuer of such securities requests such 1-year extension from a venture exchange and the venture exchange elects to provide such extension.''.

(b) SECURITIES ACT OF 1933.—Section 18 of the Securities Act of 1933 (15 U.S.C. 77r) is amended—

(1) by redesignating subsection (d) as subsection (e); and

(2) by inserting after subsection (c) the following:

''(d) TREATMENT OF SECURITIES LISTED ON A VENTURE EXCHANGE.—Notwithstanding subsection (b), a security is not a covered security pursuant to subsection (b)(1)(A) if the security is only listed, or authorized for listing, on a venture exchange (as defined under section 6(m) of the Securities Exchange Act of 1934).''.

(c) SENSE OF CONGRESS.—It is the sense of the Congress that the Securities and Exchange Commission should—

(1) when necessary or appropriate in the public interest and consistent with the protection of investors, make use of the Commission's general exemptive authority under section 36 of the Securities Exchange Act of 1934 (15 U.S.C. 78mm) with respect to the provisions added by this section; and

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

(d) RULE OF CONSTRUCTION.—Nothing in this section or the amendments made by this section shall be construed to impair or limit the construction of the antifraud provisions of the securities laws (as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a))) or the authority of the Securities and Exchange Commission under those provisions.

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

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Michigan (Mr. HUIZENGA) and the gentlewoman from California (Ms. MAXINE WATERS) each will control 20 minutes.

The Chair recognizes the gentleman from Michigan.

GENERAL LEAVE

Mr. HUIZENGA. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and to include extraneous material on this bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. HUIZENGA. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 5877, the Main Street Growth Act, introduced by my friend and colleague from the Financial Services Committee, the gentleman from Minnesota (Mr. EMMER), which would help further facilitate capital formation for smaller issuers.

Specifically, the Main Street Growth Act would provide for the creation and registration of venture exchanges. Venture exchanges would be prohibited from extending unlisted trading privileges, or UTP, as they are known, to any venture security, which would prevent venture securities from trading on exchanges other than the one that it is listed on, in order to concentrate liquidity onto the venture exchange. In addition, venture exchanges would also be exempt from decimalization.

The U.S. capital markets have, and continue to be, a vibrant ecosystem, fueling America's economic growth and generating millions of private sector jobs. These markets provide financing and needed resources to the smallest startups, as well as the largest international companies.

However, a company's size has often impacted how easily it is to access capital, as larger companies generally found the capital markets easier to access than smaller companies.

While the number of IPOs in the U.S. has rebounded from its post-crisis collapse—thanks, in part, to the success of the JOBS Act—smaller companies still face significant regulatory and market impediments that disincentivize them from accessing capital via the public markets.

There are differing perspectives as to why fewer companies, particularly smaller companies, have gone public over the past few decades. In fact, Chairman Clayton recently said, at the end of the day, no matter what those reasons are, it is ''not good'' that would be happening.

The data suggests that, in order to fulfill its capital formation mandate, the SEC needs to tailor its approach to account for the varying nature and size of companies, including the one-size-fits-all regulatory structure of the current equity markets.

As a natural extension of the JOBS Act and the new securities offerings available to startup enterprises, venture exchanges offer one possible solution to the liquidity and capital access challenges faced by smaller issuers.

A venture exchange construct would expand access to capital for entrepreneurs; enable earlier public participation in the company's lifecycle; and attract post-issuance support, including research, sales, and capital commitments by market-makers.

In fact, the SEC's Commissioners, market participants, and other interested parties have all expressed interest in the concept of venture exchanges as a means to provide secondary market liquidity to smaller companies.

NASDAQ recently testified at a hearing held on May 23 of this year: ''NASDAQ recommends permitting issuers to choose to trade in an environment with consolidated liquidity as would be allowed under the Venture Exchange Legislation. By creating a market for smaller issuers that is voluntary for issuers to join and largely exempt from the UTP obligations, subject to key exemptions, we can concentrate liquidity to reduce volatility and improve the trading experience.''

Additionally, at that same hearing, the U.S. Chamber stated: ''While the JOBS Act did a great deal to help EGCs raise capital in primary offerings, it did comparatively little to address the secondary market trading in these same companies.''

Legislation like the Main Street Growth Act is an important bipartisan step to better tailoring market structure rules for small issuers and helping to facilitate capital formation.

I commend my colleague, Mr. EMMER, on his bipartisan work on the Main Street Growth Act, which passed the Financial Services Committee by a vote of 56–0, and I urge my colleagues to vote in favor of H.R. 5877.

Mr. Speaker, I reserve the balance of my time.

□ 1530

Ms. MAXINE WATERS of California. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 5877, the Main Street Growth Act, a new and innovative idea that will help our Nation's small businesses raise funds to grow by issuing stock that investors are able to easily buy and sell in the secondary markets.

Specifically, H.R. 5877 would create a venture exchange for investors to trade in the stock of emerging growth companies and early stage growth companies.

Unlike a similar partisan bill last Congress, H.R. 5877, as amended, would allow companies to create a venture exchange in a way that balances the needs of small companies and the protection of their investors in the secondary markets.

Most importantly, the bill would retain State regulatory oversight over these small unregistered companies, which are more prone to fraud and failure. For example, small companies that are not regularly traded are frequent targets of scammers that use pump-and-dump schemes to dupe investors into thinking the stock is worth more than it is by spreading fake news and hot tips and then selling the stock at artificially high prices.

So it makes sense for our State regulators, who are very familiar with these scams, to regulate and oversee these companies.

I am also pleased that the bill ensures that companies trading on a venture exchange have a minimum level of disclosure and ongoing disclosure, including annual and semi-annual reports, that detail the health of the company's finances, business, and management, as well as the company's related party transactions and share ownership.

This is important to investors buying shares on a venture exchange who may have little to no relationship to the company to otherwise have access to such information.

In addition, the bill would allow the SEC to establish additional restrictions on any over-the-counter trading that is not on a venture exchange.

If our goal is to centralize trading on a single exchange to make it easier for investors to buy and sell small company stock, then I think it makes sense for the SEC to have the authority to limit over-the-counter trading.

Mr. Speaker, I support H.R. 5877, and I thank Representative EMMER for working with Democrats to support our Nation's small businesses and their investors.

Mr. Speaker, I reserve the balance of my time.

Mr. HUIZENGA. Mr. Speaker, I yield such time as he may consume to the gentleman from Minnesota (Mr. EMMER), the author of this legislation.

Mr. EMMER. Mr. Speaker, I too rise in support of H.R. 5877, the Main Street Growth Act.

Ever since the JOBS Act was signed into law, Congress has worked hard to build on its success to ensure American businesses, entrepreneurs, and investors are able to realize the real and potential benefits that make our markets the envy of the world.

The Main Street Growth Act continues that discussion. Approved by the House Financial Services Committee by a vote of 56–0, this legislation will facilitate the creation of venture exchanges, a concept many see as a viable means to encourage more early-stage IPOs and improve capital formation.

When businesses go public, jobs are created and new centers of wealth are formed. In fact, a 2012 study found that for the 2,766 companies that participated in an IPO between 1996 and 2010, total employment across these businesses increased by 2.2 million jobs, while total revenue increased by over $1 trillion.

Unfortunately, sustaining and encouraging more companies to move forward with an IPO has proven difficult over time. Every year for the past two decades, the number of public companies in the United States has dropped,

with the only exception being the year Congress passed the JOBS Act.

Since 2009, the number of U.S.-listed IPOs, on average, has hovered at fewer than 200 a year, well below the previous decade's average.

While there are a multitude of factors that a company takes into consideration when determining whether to go public, one such calculation is whether or not the current market structure fosters an active and liquid secondary trading environment for that company's securities.

Ensuring there is a place for investors to easily trade and sell their securities is often a key determinant in a decision not to list, if the business owner is not confident that such a marketplace exists.

Small business hesitation when making this determination is not unfounded. According to the U.S. Securities and Exchange Commission, small cap stocks, or those with capitalization below $100 million, typically exhibit the least liquidity, while mid cap stocks, with capitalization between $2 billion and $5 billion, tend to exhibit a greater amount of liquidity.

Recognizing the continued challenges we face in courting new IPOs, and understanding that liquidity is key for small companies interested in going public, as well as securities currently trading in the marketplace, it is clear that we must take steps to better tailor our markets in order to account for the varying size and nature of potential public companies if we are to encourage new capital formation.

Here is where the Main Street Growth Act can help.

Under the Main Street Growth Act, an entity can register with the SEC to establish a venture exchange; a market designed specifically to support the trading of small and emerging companies, as well as currently listed but liquidity-challenged securities.

These venture exchanges will trade venture securities, which include early stage and emerging growth companies, as well as securities currently trading in the marketplace but are below a certain public float or average daily trade volume threshold.

In my home State of Minnesota, there are more than 30 companies currently listed on an exchange that may meet the necessary criteria to explore the benefits of a new venture exchange as envisioned by this legislation.

Additionally, there are over 130 Minnesota-based companies that are not listed publicly and have utilized private means of funding for their businesses, but could qualify to list on a venture exchange to improve their ability to create new growth and employment opportunities.

The Main Street Growth Act includes important provisions to concentrate liquidity by ensuring that the trading of securities listed on a venture exchange may only occur on that venture exchange.

Also, utilizing the current exchange model serves as an efficient way to ensure investor protection while improving their standing in our capital markets.

The Main Street Growth Act is a consensus bill with input from my colleagues on both sides of the aisle and with the administration as well. It directly complements SEC Chairman Clayton's ongoing efforts to ''examine whether the current market structure meets the needs of all types of companies that have the potential to be public companies.''

Mr. Speaker, I would like to extend my gratitude to the chairman and ranking member of the Financial Services Committee and their staff for their tireless work on this legislation and the issues related to improving capital formation in the United States.

Mr. Speaker, I encourage my colleagues to join me in supporting H.R. 5877.

Ms. MAXINE WATERS of California. Mr. Speaker, I have no further speakers, and I yield back the balance of my time.

Mr. HUIZENGA. Mr. Speaker, I also have no further speakers, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Michigan (Mr. HUIZENGA) that the House suspend the rules and pass the bill, H.R. 5877, as amended.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

BUILDING UP INDEPENDENT LIVES AND DREAMS ACT

Mr. HUIZENGA. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 5953) to provide regulatory relief to charitable organizations that provide housing assistance, and for other purposes.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 5953

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the ''Building Up Independent Lives and Dreams Act'' or the ''BUILD Act''.

SEC. 2. MORTGAGE LOAN TRANSACTION DISCLOSURE REQUIREMENTS.

(a) TILA AMENDMENT.—Section 105 of the Truth in Lending Act (15 U.S.C. 1604) is amended by inserting after subsection (d) the following:

''(e) DISCLOSURE FOR CHARITABLE MORTGAGE LOAN TRANSACTIONS.—With respect to a mortgage loan transaction involving a residential mortgage loan offered at zero percent interest primarily for charitable purposes by an organization having tax-exempt status under section 501(c)(3) of the Internal Revenue Code of 1986, forms HUD–1 and GFE (as defined under section 1024.2(b) of title 12, Code of Federal Regulations), together with a disclosure substantially in the form of the Loan Model Form H–2 (as defined under Appendix H to section 1026 of title 12, Code of Federal Regulations) shall, collectively, be an appropriate model form for purposes of subsection (b).''.

(b) RESPA AMENDMENT.—Section 4 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2603) is amended by adding at the end the following:

''(d) With respect to a mortgage loan transaction involving a residential mortgage loan offered at zero percent interest primarily for charitable purposes, an organization having tax-exempt status under section 501(c)(3) of the Internal Revenue Code of 1986 may use forms HUD–1 and GFE (as defined under section 1024.2(b) of title 12, Code of Federal Regulations) together with a disclosure substantially in the form of the Loan Model Form H–2 (as defined under Appendix H to section 1026 of title 12, Code of Federal Regulations), collectively, in lieu of the disclosure published under subsection (a).''.

(c) REGULATIONS.—Not later than 180 days after the date of the enactment of this Act, the Director of the Bureau of Consumer Financial Protection shall issue such regulations as may be necessary to implement the amendments made by subsections (a) and (b).

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall take effect on the date of the enactment of this Act.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Michigan (Mr. HUIZENGA) and the gentlewoman from California (Ms. MAXINE WATERS) each will control 20 minutes.

The Chair recognizes the gentleman from Michigan.

GENERAL LEAVE

Mr. HUIZENGA. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on this bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. HUIZENGA. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise today in support of H.R. 5953, the Building Up Independent Lives and Dreams, or BUILD, Act, which would cut some of the regulatory red tape and alleviate unnecessary burdens that were created by Dodd-Frank.

The Truth in Lending Act, or TILA, as it is referred to, and the Real Estate Settlements Procedures Act, also known as RESPA, required lenders to provide consumers disclosures about the estimated and actual real estate settlement costs and financial terms of the mortgages that they offer.

Among other requirements, RESPA required standardized disclosures, such as good faith estimates, of the costs that the borrower should expect to pay at closing, and a list of closing costs commonly known as the HUD–1 document.

TILA required lenders to disclose the cost of credit and the repayment terms of mortgage loans before borrowers entered into a transaction. These disclosures were intended to help consumers compare the terms and make informed decisions regarding the suitability of various mortgage products and services that they were looking at purchasing.