

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4535

To amend the Securities Exchange Act of 1934 with respect to the extension of unlisted trading privileges for corporate securities, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 26, 1994

Mr. WYDEN (for himself, Mr. DINGELL, Mr. MARKEY, Miss COLLINS of Michigan, Mr. SYNAR, Mr. COOPER, Mr. HASTERT, and Ms. MARGOLIES-MEZVINSKY) introduced the following bill; which was referred to the Committee on Energy and Commerce

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## A BILL

To amend the Securities Exchange Act of 1934 with respect to the extension of unlisted trading privileges for corporate securities, 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 “Unlisted Trading  
5 Privileges Act of 1994”.

6 **SEC. 2. AMENDMENTS TO THE SECURITIES EXCHANGE ACT**

7 **OF 1934.**

8 (a) UNLISTED TRADING PRIVILEGES.—Section 12(f)  
9 of the Securities Exchange Act of 1934 (15 U.S.C. 78l(f))

1 is amended by striking paragraphs (1) and (2) and insert-  
2 ing the following:

3 “(f)(1)(A) Notwithstanding the preceding subsections  
4 of this section, any national securities exchange, in accord-  
5 ance with the requirements of this subsection and the  
6 rules hereunder, may extend unlisted trading privileges  
7 to—

8 “(i) any security that is listed and registered on  
9 a national securities exchange, subject to subpara-  
10 graph (B); and

11 “(ii) any security that is otherwise registered  
12 pursuant to this section, or that would be required  
13 to be so registered except for the exemption from  
14 registration provided in subparagraph (B) or (G) of  
15 subsection (g)(2), subject to subparagraph (E) of  
16 this paragraph.

17 “(B) A national securities exchange may not extend  
18 unlisted trading privileges to a security described in sub-  
19 paragraph (A)(i) during such interval, if any, after the  
20 commencement of an initial public offering of such secu-  
21 rity, as is or may be required pursuant to subparagraph  
22 (C).

23 “(C) Not later than 180 days after the date of enact-  
24 ment of the Unlisted Trading Privileges Act of 1994, the  
25 Commission shall prescribe, by rule or regulation, the du-

1 ration of the interval referred to in subparagraph (B), if  
2 any, as the Commission determines to be necessary or ap-  
3 propriate for the maintenance of fair and orderly markets,  
4 the protection of investors and the public interest, or oth-  
5 erwise in furtherance of the purposes of this title. Until  
6 the earlier of the effective date of such rule or regulation  
7 or 240 days after such date of enactment, such interval  
8 shall begin at the opening of trading on the day on which  
9 such security commences trading on the national securities  
10 exchange with which such security is registered and end  
11 at the conclusion of the next day of trading.

12       “(D) The Commission may prescribe, by rule or regu-  
13 lation such additional procedures or requirements for ex-  
14 tending unlisted trading privileges to any security as the  
15 Commission deems necessary or appropriate for the main-  
16 tenance of fair and orderly markets, the protection of in-  
17 vestors and the public interest, or otherwise in furtherance  
18 of the purposes of this title.

19       “(E) No extension of unlisted trading privileges to  
20 securities described in subparagraph (A)(ii) may occur ex-  
21 cept pursuant to a rule, regulation, or order of the Com-  
22 mission approving such extension or extensions. In pro-  
23 mulgating such rule or regulation or in issuing such order,  
24 the Commission—

1           “(i) shall find that such extension or extensions  
2 of unlisted trading privileges is consistent with the  
3 maintenance of fair and orderly markets, the protec-  
4 tion of investors and the public interest, and other-  
5 wise in furtherance of the purposes of this title;

6           “(ii) shall take account of the public trading ac-  
7 tivity in such securities, the character of such trad-  
8 ing, the impact of such extension on the existing  
9 markets for such securities, and the desirability of  
10 removing impediments to and the progress that has  
11 been made toward the development of a national  
12 market system; and

13           “(iii) shall not permit a national securities ex-  
14 change to extend unlisted trading privileges to such  
15 securities if any rule of such national securities ex-  
16 change would unreasonably impair the ability of a  
17 dealer to solicit or effect transactions in such securi-  
18 ties for its own account, or would unreasonably re-  
19 strict competition among dealers in such securities  
20 or between such dealers acting in the capacity of  
21 market makers who are specialists and such dealers  
22 who are not specialists.

23           “(F) An exchange may continue to extend unlisted  
24 trading privileges in accordance with this paragraph only  
25 if the exchange and the subject security continue to satisfy

1 the requirements for eligibility under this paragraph, in-  
2 cluding any rules and regulations issued by the Commis-  
3 sion pursuant to this paragraph, except that unlisted trad-  
4 ing privileges may continue with regard to securities which  
5 had been admitted on such exchange prior to July 1, 1964,  
6 notwithstanding the failure to satisfy such requirements.  
7 If unlisted trading privileges in a security are discontinued  
8 pursuant to this subparagraph, the exchange shall cease  
9 trading in that security, unless the exchange and the sub-  
10 ject security thereafter satisfy the requirements of this  
11 paragraph and the rules issued hereunder.

12 “(G) For purposes of this paragraph—

13 “(i) a security is the subject of an initial public  
14 offering if—

15 “(I) the offering of the subject security is  
16 registered under the Securities Act of 1933;  
17 and

18 “(II) the issuer of the security, imme-  
19 diately prior to filing the registration statement  
20 with respect to the offering, was not subject to  
21 the reporting requirements of section 13 or  
22 15(d) of this title; and

23 “(ii) an initial public offering of such security  
24 commences at the opening of trading on the day on  
25 which such security commences trading on the na-

1 tional securities exchange with which such security  
2 is registered.

3 “(2)(A) At any time within 60 days of commence-  
4 ment of trading on an exchange of a security pursuant  
5 to unlisted trading privileges, the Commission may sum-  
6 marily suspend such unlisted trading privileges on the ex-  
7 change. Such suspension shall not be reviewable under sec-  
8 tion 25 of this title and shall not be deemed to be a final  
9 agency action for purposes of section 704 of title 5, United  
10 States Code. Upon such suspension—

11 “(i) the exchange shall cease trading in the se-  
12 curity by the close of business on the date of such  
13 suspension, or at such time as the Commission may  
14 prescribe by rule or order for the maintenance of  
15 fair and orderly markets, the protection of investors  
16 and the public interest, or otherwise in furtherance  
17 of the purposes of this title; and

18 “(ii) if the exchange seeks to extend unlisted  
19 trading privileges to the security, the exchange shall  
20 file an application to reinstate its ability to do so  
21 with the Commission pursuant to such procedures as  
22 the Commission may prescribe by rule or order for  
23 the maintenance of fair and orderly markets, the  
24 protection of investors and the public interest, or  
25 otherwise in furtherance of the purposes of this title.

1       “(B) A suspension under subparagraph (A) shall re-  
2 main in effect until the Commission, by order, grants ap-  
3 proval of an application to reinstate, as described in sub-  
4 paragraph (A)(ii).

5       “(C) A suspension under subparagraph (A) shall not  
6 affect the validity or force of an extension of unlisted trad-  
7 ing privileges in effect prior to such suspension.

8       “(D) The Commission shall not approve an applica-  
9 tion by a national securities exchange to reinstate its abil-  
10 ity to extend unlisted trading privileges to a security un-  
11 less the Commission finds, after notice and opportunity  
12 for hearing, that the extension of unlisted trading privi-  
13 leges pursuant to such application is consistent with the  
14 maintenance of fair and orderly markets, the protection  
15 of investors and the public interest, and otherwise in fur-  
16 therance of the purposes of this title. If the application  
17 is made to reinstate unlisted trading privileges to a secu-  
18 rity described in paragraph (1)(A)(ii), the Commission—

19               “(i) shall take account of the public trading ac-  
20 tivity in such security, the character of such trading,  
21 the impact of such extension on the existing markets  
22 for such a security, and the desirability of removing  
23 impediments to and the progress that has been made  
24 toward the development of a national market sys-  
25 tem; and

1           “(ii) shall not grant any such application if any  
2           rule of the national securities exchange making ap-  
3           plication under this subsection would unreasonably  
4           impair the ability of a dealer to solicit or effect  
5           transactions in such security for its own account, or  
6           would unreasonably restrict competition among deal-  
7           ers in such security or between such dealers acting  
8           in the capacity of marketmakers who are specialists  
9           and such dealers who are not specialists.”.

10          (b) CONFORMING AMENDMENT.—Section 12(f)(3) of  
11          the Securities Exchange Act of 1934 (15 U.S.C. 78/(f)(3))  
12          is amended by striking “The Commission” and inserting  
13          “Notwithstanding paragraph (2), the Commission”.

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