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1ST SESSION

H. R. 618

To extend and revise rulemaking authority with respect to government securities under the Federal securities laws, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 26, 1993

Mr. MARKEY (for himself, Mr. FIELDS of Texas, Mr. DINGELL, Mr. WYDEN, Mr. SYNAR, and Mr. COOPER) introduced the following bill; which was referred to the Committee on Energy and Commerce

A BILL

To extend and revise rulemaking authority with respect to government securities under the Federal securities laws, 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 “Government Securities
5 Reform Act of 1993”.

1 **SEC. 2. EXTENSION OF GOVERNMENT SECURITIES RULE-**
2 **MAKING AUTHORITY.**

3 Section 15C(g)(1) of the Securities Exchange Act of
4 1934 (15 U.S.C. 78o-5(g)(1)) is amended by striking
5 “October 1, 1991” and inserting “October 1, 1997”.

6 **SEC. 3. RECORDKEEPING.**

7 Section 17 of the Securities Exchange Act of 1934
8 (15 U.S.C. 78q) is amended by adding at the end thereof
9 the following new subsection:

10 “(i) GOVERNMENT SECURITIES RECORDKEEPING.—

11 “(1) MAINTENANCE OF RECORDS.—The Com-
12 mission may prescribe rules to require any govern-
13 ment securities broker or government securities deal-
14 er to make, keep, and maintain for prescribed peri-
15 ods, in a form and containing such information as
16 may be specified by the Commission, records of gov-
17 ernment securities transactions, including (but not
18 limited to) records of the date and time of execution
19 of trades.

20 “(2) EXAMINATION OF RECORDS.—Every gov-
21 ernment securities broker and government securities
22 dealer shall make such records available for exam-
23 ination to representatives of the appropriate regu-
24 latory agency for such government securities broker
25 or government securities dealer and furnish copies
26 thereof to such representatives on request.

1 “(3) FURNISHING RECORDS TO RECONSTRUCT
2 TRADING.—Every government securities broker and
3 government securities dealer shall furnish to the
4 Commission on request such of the information re-
5 quired to be made, kept, or maintained under this
6 subsection as the Commission may require to recon-
7 struct trading in furtherance of the purposes of this
8 title. In requiring information pursuant to this para-
9 graph, the Commission shall specify the information
10 required, the period for which it is required, the time
11 and date on which the information must be fur-
12 nished, and whether the information is to be fur-
13 nished directly to the Commission, to the Federal
14 Reserve Bank of New York, or to an appropriate
15 regulatory agency or self-regulatory organization
16 with responsibility for examining the government se-
17 curities broker or government securities dealer. The
18 Commission may require that such information be
19 furnished in machine readable form.

20 “(4) LIMITATION; CONSTRUCTION.—The Com-
21 mission shall not utilize its authority under this sub-
22 section to develop regular reporting requirements for
23 information concerning a substantial segment of all
24 daily transactions in government securities; however,
25 the Commission may require information to be fur-

1 nished under this subsection as frequently as nec-
2 essary for particular inquiries or investigations. The
3 Commission shall, where feasible, avoid requiring
4 any information to be furnished under this sub-
5 section that the Commission may obtain from the
6 Federal Reserve Bank of New York.

7 “(5) CONSULTATION REQUIREMENT.—In mak-
8 ing rules under this subsection applicable to govern-
9 ment securities brokers and government securities
10 dealers for which a Federal banking agency is the
11 appropriate regulatory agency, the Commission shall
12 consult with and consider the views of each such ap-
13 propriate regulatory agency. If a Federal banking
14 agency comments in writing on a proposed rule
15 under this subsection that has been published for
16 comment, the Commission shall respond in writing
17 to such written comment before adopting the pro-
18 posed rule. The Commission shall, at the request of
19 the Federal banking agency, publish such comment
20 and response in the Federal Register at the time of
21 publishing the adopted rule. For purposes of this
22 paragraph, the term ‘Federal banking agency’ has
23 the meaning provided in subsection (h)(3)(G).

24 “(6) AUTHORITY OF THE COMMISSION TO LIMIT
25 DISCLOSURE OF INFORMATION.—Notwithstanding

1 any other provision of law, the Commission and the
2 appropriate regulatory agencies shall not be com-
3 pelled to disclose any information required under
4 this subsection. Nothing in this subsection shall au-
5 thorize the Commission or any appropriate regu-
6 latory agency to withhold information from Con-
7 gress, or prevent the Commission or any appropriate
8 regulatory agency from complying with a request for
9 information from any other Federal department or
10 agency requesting information for purposes within
11 the scope of its jurisdiction, or complying with an
12 order of a court of the United States in an action
13 brought by the United States, the Commission, or
14 the appropriate regulatory agency. For purposes of
15 section 552 of title 5, United States Code, this sub-
16 section shall be considered a statute described in
17 subsection (b)(3)(B) of such section 552.”.

18 **SEC. 4. LARGE POSITION REPORTING.**

19 (a) AMENDMENT.—Section 15C of the Securities Ex-
20 change Act of 1934 (15 U.S.C. 78o-5) is amended—

21 (1) by redesignating subsections (f) and (g) as
22 subsections (g) and (h); and

23 (2) by inserting after subsection (e) the follow-
24 ing new subsection:

25 “(f) LARGE POSITION REPORTING.—

1 “(1) REPORTING REQUIREMENTS.—The Sec-
2 retary may adopt rules to require specified persons
3 holding, maintaining, or controlling large positions
4 in to-be-issued or recently issued Treasury securities
5 to file such reports regarding such positions as the
6 Secretary determines to be necessary or appropriate
7 for the purpose of monitoring the impact in the
8 Treasury securities market of concentrations of posi-
9 tions in Treasury securities and for the purpose of
10 otherwise assisting the Commission in the enforce-
11 ment of this title. Reports required under this sub-
12 section shall be filed with the Federal Reserve Bank
13 of New York, acting as agent for the Secretary, and
14 shall be provided by that Federal Reserve Bank to
15 the Commission on a timely basis.

16 “(2) LIMITATION ON REQUIRING CERTAIN RE-
17 PORTS.—The Secretary may not require under this
18 subsection—

19 “(A) reports from persons that are not
20 government securities brokers or government
21 securities dealers, or

22 “(B) reports from government securities
23 brokers and government securities dealers that
24 identify particular customers and customer po-
25 sitions,

1 except when the Secretary determines, after con-
2 sultation with the Commission and the Board of
3 Governors of the Federal Reserve System, that mar-
4 ket conditions exist that require such information be
5 obtained to carry out the purposes of this sub-
6 section.

7 “(3) ADDITIONAL CONSIDERATIONS.—In mak-
8 ing determinations under paragraphs (1) and (2),
9 the Secretary shall take into account any impact on
10 the efficiency and liquidity of the Treasury securities
11 market and on the cost to the taxpayers of funding
12 the Federal debt.

13 “(4) RECORDKEEPING REQUIREMENTS.—Rules
14 under this subsection may require persons holding,
15 maintaining, or controlling large positions in Treas-
16 ury securities to make and keep for prescribed peri-
17 ods such records as the Secretary determines are
18 necessary or appropriate to ensure that such persons
19 can comply with reporting requirements under this
20 subsection.

21 “(5) AGGREGATION RULES.—Rules under this
22 subsection—

23 “(A) may prescribe the manner in which
24 positions and accounts shall be aggregated for
25 the purpose of this subsection, including aggre-

1 gation on the basis of common ownership or
2 control; and

3 “(B) may define which persons (individ-
4 ually or as a group) hold, maintain, or control
5 large positions.

6 “(6) DEFINITIONAL AUTHORITY; DETERMINA-
7 TION OF REPORTING THRESHOLD.—

8 “(A) In prescribing rules under this sub-
9 section, the Secretary may, consistent with the
10 purpose of this subsection, define terms used in
11 this subsection that are not otherwise defined in
12 section 3 of this title.

13 “(B) Rules under this subsection shall
14 specify—

15 “(i) the minimum size of positions
16 subject to reporting under this subsection,
17 taking into account the purposes of this
18 subsection and the potential for price dis-
19 tortions or other anomalies resulting from
20 large positions;

21 “(ii) the types of positions (which may
22 include financing arrangements) to be re-
23 ported;

24 “(iii) the securities to be covered; and

1 “(iv) the form and manner in which
2 reports shall be transmitted, which may in-
3 clude transmission in machine readable
4 form.

5 “(7) LIMITATION ON DISCLOSURE OF INFORMA-
6 TION.—Notwithstanding any other provision of law,
7 the Secretary and the Commission shall not be com-
8 pelled to disclose any information required to be
9 kept or reported under this subsection. Nothing in
10 this subsection shall authorize the Secretary or the
11 Commission to withhold information from Congress,
12 or prevent the Secretary or the Commission comply-
13 ing with a request for information from any other
14 Federal department or agency requesting informa-
15 tion for purposes within the scope of its jurisdiction,
16 or complying with an order of a court of the United
17 States in an action brought by the United States,
18 the Secretary, or the Commission. For purposes of
19 section 552 of title 5, United States Code, this sub-
20 section shall be considered a statute described in
21 subsection (b)(3)(B) of such section 552.”.

22 (b) CONFORMING AMENDMENT.—Section 15C(d)(2)
23 of such Act is amended to read as follows:

24 “(2) Information received by an appropriate regu-
25 latory agency, the Secretary, or the Commission from or

1 with respect to any government securities broker, govern-
2 ment securities dealer, any person associated with a gov-
3 ernment securities broker or government securities dealer,
4 or any other person subject to this section or rules promul-
5 gated thereunder, may be made available by the Secretary
6 or the recipient agency to the Commission, the Secretary,
7 the Department of Justice, the Commodity Futures Trad-
8 ing Commission, any appropriate regulatory agency, any
9 self-regulatory organization, or any Federal Reserve
10 Bank.”.

11 **SEC. 5. AUTHORITY OF THE COMMISSION TO REGULATE**
12 **TRANSACTIONS IN EXEMPTED SECURITIES.**

13 (a) PREVENTION OF FRAUDULENT AND MANIPULA-
14 TIVE ACTS AND PRACTICES.—Section 15(c)(2) of the Se-
15 curities Exchange Act of 1934 (15 U.S.C. 78o(c)(2)) is
16 amended—

17 (1) by inserting “(A)” after “(2)”;

18 (2) by striking “fictitious quotation, and no
19 municipal securities dealer” and inserting the follow-
20 ing:

21 “fictitious quotation.

22 “(B) No municipal securities dealer”;

23 (3) by striking “fictitious quotation. The Com-
24 mission shall” and inserting the following:

25 “fictitious quotation.

1 “(C) No government securities broker or government
2 securities dealer shall make use of the mails or any means
3 or instrumentality of interstate commerce to effect any
4 transaction in, or induce or attempt to induce the pur-
5 chase or sale of, any government security in connection
6 with which such government securities broker or govern-
7 ment securities dealer engages in any fraudulent, decep-
8 tive, or manipulative act or practice, or makes any ficti-
9 tious quotation.

10 “(D) The Commission shall”; and

11 (4) by inserting at the end thereof the follow-
12 ing:

13 “(E) The Commission shall, prior to adopting rules
14 or regulations under subparagraph (C), consult with and
15 consider the views of the Secretary of the Treasury and
16 the Board of Governors of the Federal Reserve System.
17 If the Secretary of the Treasury or the Board of Gov-
18 ernors of the Federal Reserve System comments in writing
19 on a proposed rule or regulation of the Commission under
20 such subparagraph (C) that has been published for com-
21 ment, the Commission shall respond in writing to such
22 written comment before adopting the proposed rule.”.

23 (b) FRAUDULENT AND MANIPULATIVE DEVICES AND
24 CONTRIVANCES.—Section 15(c)(1) of the Securities Ex-
25 change Act of 1934 (15 U.S.C. 78o(c)(1)) is amended—

1 (1) by inserting “(A)” after “(c)(1)”;

2 (2) by striking “contrivance, and no municipal
3 securities dealer” and inserting the following:

4 “contrivance.

5 “(B) No municipal securities dealer”;

6 (3) by striking “contrivance. The Commission
7 shall” and inserting the following:

8 “contrivance.

9 “(C) No government securities broker or government
10 securities dealer shall make use of the mails or any means
11 or instrumentality of interstate commerce to effect any
12 transaction in, or to induce or attempt to induce the pur-
13 chase or sale of, any government security by means of any
14 manipulative, deceptive, or other fraudulent device or con-
15 trivance.

16 “(D) The Commission shall”; and

17 (4) by inserting at the end thereof the follow-
18 ing:

19 “(E) The Commission shall, prior to adopting rules
20 or regulations under subparagraph (C), consult with and
21 consider the views of the Secretary of the Treasury and
22 the Board of Governors of the Federal Reserve System.
23 If the Secretary of the Treasury or the Board of Gov-
24 ernors of the Federal Reserve System comments in writing
25 on a proposed rule or regulation of the Commission under

1 such subparagraph (C) that has been published for com-
2 ment, the Commission shall respond in writing to such
3 written comment before adopting the proposed rule.”.

4 **SEC. 6. BROKER/DEALER SUPERVISION RESPONSIBILITIES.**

5 Section 15 of the Securities Exchange Act of 1934
6 (15 U.S.C. 78o) is amended by adding at the end thereof
7 the following new subsection:

8 “(h) POLICIES AND PROCEDURES TO PREVENT AND
9 DETECT VIOLATIONS.—Every government securities
10 broker and government securities dealer shall establish,
11 maintain, and enforce written policies and procedures rea-
12 sonably designed, taking into consideration the nature of
13 such person’s business, to prevent and detect in connection
14 with the purchase or sale of government securities, insofar
15 as practicable, fraud and manipulation in violation of this
16 title and the rules and regulations thereunder and viola-
17 tions of such other provisions of this title and the rules
18 and regulations thereunder as the Commission shall des-
19 ignate by rule. The Commission, as it deems necessary or
20 appropriate in the public interest or for the protection of
21 investors, shall prescribe rules or regulations to require
22 specific policies or procedures reasonably designed to pre-
23 vent such violations.”.

1 **SEC. 7. SALES PRACTICE RULEMAKING AUTHORITY.**

2 (a) RULES FOR FINANCIAL INSTITUTIONS.—Section
3 15C(b) of the Securities Exchange Act of 1934 (15 U.S.C.
4 78o–5(b)) is amended—

5 (1) by redesignating paragraphs (3), (4), (5),
6 and (6) as paragraphs (4), (5), (6), and (7), respec-
7 tively; and

8 (2) by inserting after paragraph (2) the follow-
9 ing new paragraph:

10 “(3) SALES PRACTICE RULES.—(A) With respect to
11 any financial institution that has filed notice as a govern-
12 ment securities broker or government securities dealer or
13 that is required to file notice under subsection (a)(1)(B)
14 of this section, the appropriate regulatory agency for such
15 government securities broker or government securities
16 dealer may issue such rules with respect to transactions
17 in government securities as may be necessary to prevent
18 fraudulent and manipulative acts and practices and to pro-
19 mote just and equitable principles of trade.

20 “(B) Each appropriate regulatory agency shall con-
21 sult with the other appropriate regulatory agencies for the
22 purpose of ensuring the consistency of the rules prescribed
23 by such agencies under this paragraph. The appropriate
24 regulatory agencies shall consult with and consider the
25 views of the Secretary and the Commission with respect
26 to the impact of such rules on the operations of the market

1 for government securities, consistency with analogous
2 rules of self-regulatory organizations, and the enforcement
3 and administration of such rules. The consultation re-
4 quired by this paragraph shall be conducted prior to the
5 appropriate regulatory agency adopting a rule under this
6 paragraph, unless the appropriate regulatory agency de-
7 termines that an emergency exists requiring expeditious
8 and summary action and publishes its reasons therefor.
9 If the Secretary or the Commission comments in writing
10 to the appropriate regulatory agency on a proposed rule
11 that has been published for comment, the appropriate reg-
12 ulatory agency shall respond in writing to such written
13 comment before adopting the rule.”.

14 (b) RULES BY REGISTERED SECURITIES ASSOCIA-
15 TIONS.—

16 (1) REMOVAL OF LIMITATIONS ON AUTHOR-
17 ITY.—(A) Section 15A of the Securities Exchange
18 Act of 1934 (15 U.S.C. 78o-3) is amended—

19 (i) by striking subsections (f)(1) and
20 (f)(2); and

21 (ii) by redesignating subsection (f)(3) as
22 subsection (f).

23 (B) Section 15A(g) of such Act is amended—

1 (i) by striking “exempted securities” in
2 paragraph (3)(D) and inserting “municipal se-
3 curities”;

4 (ii) by striking paragraph (4); and

5 (iii) by redesignating paragraph (5) as
6 paragraph (4).

7 (2) OVERSIGHT OF REGISTERED SECURITIES
8 ASSOCIATIONS.—Section 19 of the Securities Ex-
9 change Act of 1934 (15 U.S.C. 78s) is amended—

10 (A) in subsection (b), by adding at the end
11 thereof the following new paragraph:

12 “(5) The Commission shall consult with and consider
13 the views of the Secretary of the Treasury prior to approv-
14 ing a proposed rule change filed by a registered securities
15 association that primarily concerns conduct related to
16 transactions in government securities, except where the
17 Commission determines that an emergency exists requir-
18 ing expeditious or summary action and publishes its rea-
19 sons therefor. If the Secretary comments in writing to the
20 Commission on such proposed rule change that has been
21 published for comment, the Commission shall respond in
22 writing to such written comment before approving the pro-
23 posed rule change.”;

24 (B) in subsection (c), by adding at the end
25 thereof the following new paragraph:

1 “(5) Before adopting a rule to amend a rule of a reg-
2 istered securities association that primarily concerns con-
3 duct related to transactions in government securities, the
4 Commission shall consult with and consider the views of
5 the Secretary, except where the Commission determines
6 that an emergency exists requiring expeditious or sum-
7 mary action and publishes its reasons therefor. If the Sec-
8 retary comments in writing to the Commission on such
9 proposed rule change that has been published for com-
10 ment, the Commission shall respond in writing to such
11 written comment before approving the proposed rule
12 change.”.

13 (3) CONFORMING AMENDMENT.—

14 (A) Section 3(a)(12)(B)(ii) of such Act (15
15 U.S.C. 78b(a)(12)(B)(ii)) is amended by strik-
16 ing “15, 15A (other than subsection (g)(3)),
17 and 17A” and inserting “15 and 17A”.

18 (B) Section 15(b)(7) of such Act (15
19 U.S.C. 78o(b)(7)) is amended by inserting “or
20 government securities broker or government se-
21 curities dealer registered (or required to reg-
22 ister) under section 15C(a)(1)(A)” after “No
23 registered broker or dealer”.

1 **SEC. 8. MARKET INFORMATION.**

2 (a) TRANSPARENCY.—The Securities Exchange Act
3 of 1934 is amended by adding at the end of section 11A
4 (15 U.S.C. 78k–1) the following:

5 “MARKET INFORMATION WITH RESPECT TO GOVERNMENT
6 SECURITIES

7 “SEC. 11B. (a) FINDINGS.—The Congress finds
8 that—

9 “(1) it is necessary and appropriate for the pro-
10 tection of investors to assure public dissemination of
11 information concerning government securities trans-
12 actions and quotations;

13 “(2) government securities brokers, government
14 securities dealers, and government securities infor-
15 mation systems have created substantial trans-
16 parency through the dissemination of information
17 concerning government securities transactions and
18 quotations and are expected to maintain and im-
19 prove such transparency through voluntary actions;
20 and

21 “(3) if such voluntary actions do not attain the
22 objectives stated in subsections (b) and (c), the
23 Commission should have the authority, in accord-
24 ance with the requirements of this section, to assure
25 the attainment of those objectives.

1 “(b) GOVERNMENT SECURITIES INFORMATION SYS-
2 TEMS.—

3 “(1) CONDITIONAL AUTHORITY.—Upon a find-
4 ing by the Commission that information available to
5 investors generally through government securities in-
6 formation systems taken as a whole does not meet
7 the objectives set forth in paragraph (2) with respect
8 to a class or category of regularly traded govern-
9 ment securities, the Commission, having due regard
10 for the public interest, the protection of investors,
11 the maintenance of fair and orderly markets, the in-
12 tegrity, liquidity, and efficiency of the government
13 securities market, and the fostering of competition,
14 may prescribe rules applicable to government securi-
15 ties information systems to the extent necessary to
16 assure that government securities information sys-
17 tems meet the objectives set forth in paragraph (2)
18 with respect to such class or category of securities.
19 The Commission (A) shall not utilize its authority
20 under this paragraph to regulate the amount of fees
21 charged for information, and (B) shall not require
22 dissemination through government securities infor-
23 mation systems of information not transmitted by or
24 through government securities interdealer brokers
25 (or their functional equivalents).

1 “(2) OBJECTIVES.—The Commission may not
2 take action under paragraph (1) of this subsection
3 unless the Commission makes the finding required
4 by paragraph (1) and determines that such action is
5 necessary or appropriate—

6 “(A) to assure that information on trans-
7 actions in and quotations for a class or category
8 of regularly traded government securities being
9 reported through government securities infor-
10 mation systems taken as a whole is available to
11 investors generally and includes—

12 “(i) information concerning price and
13 volume with respect to a reasonably suffi-
14 cient number or proportion of transactions
15 in any security in such class or category to
16 permit the determination of the prevailing
17 market price for such security; and

18 “(ii) reports of the highest bids and
19 lowest offers for any security in such class
20 or category being reported through such
21 systems (including the size at which gov-
22 ernment securities brokers and dealers are
23 willing to trade with respect to such bids
24 and offers);

1 “(B) to assure that such information is
2 timely reported;

3 “(C) to assure that such information is
4 made available to investors generally on a fair,
5 reasonable, and nondiscriminatory basis; and

6 “(D) to assure the ability of investors to
7 obtain and retain such information for analyt-
8 ical purposes.

9 “(c) STANDBY AUTHORITY WITH RESPECT TO MAR-
10 KET INFORMATION.—

11 “(1) AUTHORITY.—Subject to paragraph (2),
12 the Commission by rule—

13 “(A) may require any government securi-
14 ties broker or government securities dealer that
15 regularly trades a security as to which the Sec-
16 retary of the Treasury has made a determina-
17 tion under paragraph (2) to report any pur-
18 chase or sale of such a security to any securities
19 information processor that has the capability
20 and agrees to disseminate such reports or, if
21 there is no such processor, to a self-regulatory
22 organization designated by the Commission to
23 receive such reports, and may require such se-
24 curities information processor or self-regulatory
25 organization to make information with respect

1 to such purchase or sale publicly available on
2 fair, reasonable, and nondiscriminatory terms
3 and conditions; and

4 “(B) may require any self-regulatory orga-
5 nization, and any government securities broker
6 or government securities dealer that regularly
7 trades such securities, to act jointly in plan-
8 ning, developing, or operating facilities for the
9 dissemination of information with respect to
10 purchases or sales of government securities.

11 “(2) INADEQUATE PRICE INFORMATION FIND-
12 ING REQUIRED.—The Commission may not take an
13 action authorized by paragraph (1) of this sub-
14 section with respect to any class or category of regu-
15 larly traded government securities unless the Sec-
16 retary of the Treasury, after consultation with the
17 Commission, determines that information that is
18 available to investors generally with respect to such
19 class or category either—

20 “(A) does not permit investors in general
21 to determine readily the prevailing market price
22 of securities in such class or category of regu-
23 larly traded government securities; or

1 “(B) is no longer representative of the
2 market for such class or category of govern-
3 ment securities.

4 “(3) RULE OF CONSTRUCTION.—This sub-
5 section is not intended to authorize the Commission
6 to require the establishment or use of a consolidated
7 trading system for government securities.

8 “(d) RULEMAKING.—

9 “(1) CONSULTATION.—In making rules under
10 this section, the Commission shall consult with and
11 consider the views of the Secretary of the Treasury
12 and the Board of Governors of the Federal Reserve
13 System. If the Secretary of the Treasury or the
14 Board of Governors of the Federal Reserve System
15 comments in writing on a proposed rule that has
16 been published for comment, the Commission shall
17 respond in writing to such written comment before
18 adopting the proposed rule. Prior to prescribing a
19 rule pursuant to subsection (c), the Commission
20 shall consult with representatives of the persons de-
21 scribed in subsection (a)(2).

22 “(2) STANDARDS.—In making rules under this
23 subsection, the Commission may designate classes or
24 categories of government securities, establish stand-
25 ards for determining whether they are regularly

1 traded, and establish standards for determining
2 whether a person regularly trades such government
3 securities or a class or category of such government
4 securities.

5 “(e) EXAMINATION ACCESS.—

6 “(1) AUTHORITY TO EXAMINE.—Systems and
7 operations of government securities information sys-
8 tems (and records relating thereto) are subject to
9 reasonable examination by representatives of the
10 Commission—

11 “(A) to assess whether the objectives set
12 forth in subsection (b)(2) of this section are
13 being met; and

14 “(B) to assess compliance with any rules
15 or regulations under this section.

16 “(2) LIMITATIONS.—The Commission shall
17 have no authority under this section—

18 “(A) to examine the financial, personnel,
19 marketing, sales, product, and service develop-
20 ment, or similar business records of such per-
21 son; or

22 “(B) to examine systems and operations
23 unrelated to dissemination of government secu-
24 rities information.

1 The Commission may not examine contracts except
2 to the extent necessary to assess whether the objec-
3 tives set forth in subsections (b)(2)(C) and (b)(2)(D)
4 of this section are being met, and to determine com-
5 pliance with rules prescribed for purposes of such
6 subsections.

7 “(3) PROTECTION OF INFORMATION.—Notwith-
8 standing any other provision of law, the Commission
9 (and any Federal agency or department to which
10 such information is disclosed) shall not be compelled
11 to disclose any information obtained by the Commis-
12 sion in an examination under this subsection. Fur-
13 thermore, the Commission (and any Federal agency
14 or department to which such information is dis-
15 closed) shall not publicly disclose information ob-
16 tained by the Commission in such an examination,
17 except that this sentence shall not prohibit the dis-
18 closure of such information in a proceeding brought
19 by the Commission. Nothing in this section shall au-
20 thorize the Commission to withhold information
21 from Congress, or prevent the Commission or any
22 appropriate regulatory agency from complying with
23 a request for information from any other Federal de-
24 partment or agency requesting information for pur-
25 poses within the scope of its jurisdiction, or comply-

1 ing with an order of a court of the United States in
2 an action brought by the United States, the Com-
3 mission, or the appropriate regulatory agency. For
4 purposes of section 552 of title 5, United States
5 Code, this subsection shall be considered a statute
6 described in subsection (b)(3)(B) of such section
7 552.

8 “(f) VIOLATIONS OF RULES PROHIBITED.—No gov-
9 ernment securities broker, government securities dealer,
10 securities information processor, or government securities
11 information system shall make use of the mails or any
12 means or instrumentality of interstate commerce to effect
13 any transaction in, to induce the purchase or sale of, or
14 to distribute or disseminate any quotation or transaction
15 report for, any government security in contravention of
16 any rule adopted pursuant to this section.

17 “(g) EFFECTIVE DATE OF RULEMAKING AUTHOR-
18 ITY.—The authority of the Commission to prescribe rules
19 under subsections (b) and (c) is effective on October 1,
20 1993.

21 “(h) DEFINITION.—For purposes of this section, the
22 term ‘government securities’ does not include a security
23 secured by an interest in pools of mortgages representing
24 liens on residential real estate.”.

1 (b) CONFORMING AMENDMENTS.—The Securities
2 Exchange Act of 1934 is amended—

3 (1) by striking “(other than an exempted secu-
4 rity)” in section 3(a)(22)(A);

5 (2) by adding at the end of section 3(a) the fol-
6 lowing:

7 “(53) The term ‘government securities informa-
8 tion system’ means any person engaged in the busi-
9 ness of operating a system for the timely, automated
10 dissemination to more than 10 persons of (A)
11 quotations for government securities of or through
12 government securities interdealer brokers (or their
13 functional equivalents), or (B) reports of purchases
14 or sales of government securities by or through gov-
15 ernment securities interdealer brokers (or their func-
16 tional equivalents).”; and

17 (3) by inserting at the end of section 11A(b)(1)
18 the following: “The Commission shall not require
19 any securities information processor to register
20 under this section in connection with its activities
21 with respect to quotations for or transactions in ex-
22 empted securities.”.

23 (c) STUDIES WITH RESPECT TO MORTGAGE-BACKED
24 GOVERNMENT SECURITIES.—

1 (1) STUDIES REQUIRED.—With respect to gov-
2 ernment securities (as defined in section 3(a)(42) of
3 the Securities Exchange Act of 1934) that are se-
4 cured by an interest in pools of mortgages represent-
5 ing liens on residential real estate (hereafter in this
6 subsection referred to as ‘mortgage-backed govern-
7 ment securities’), the Secretary of the Treasury, the
8 Securities and Exchange Commission, and the
9 Board of Governors of the Federal Reserve System
10 shall monitor and evaluate the effectiveness of pri-
11 vate sector efforts to disseminate mortgage-backed
12 government securities price and volume information,
13 and determine whether such efforts—

14 (A) assure the prompt, accurate, reliable,
15 and fair reporting, collection, processing, dis-
16 tribution, and publication of information with
17 respect to quotations for and transactions in
18 mortgage-backed government securities and the
19 fairness and usefulness of the form and content
20 of such information;

21 (B) assure that all mortgage-backed gov-
22 ernment securities information processors may,
23 for the purpose of distribution and publication,
24 obtain on fair and reasonable terms such infor-
25 mation with respect to quotations for and

1 transactions in mortgage-backed government se-
2 curities, as reported, collected, processed, or
3 prepared for distribution or publication by any
4 processor of such information (including self-
5 regulatory organizations) acting in an exclusive
6 capacity; and

7 (C) assure that all mortgage-backed gov-
8 ernment securities brokers, mortgage-backed
9 government securities dealers, mortgage-backed
10 government securities information processors,
11 and other appropriate persons may obtain on
12 nondiscriminatory terms such information with
13 respect to quotations for and transactions in
14 mortgage-backed government securities as is
15 distributed or published.

16 (2) REPORTS.—The Secretary of the Treasury,
17 the Securities and Exchange Commission, and the
18 Board of Governors of the Federal Reserve System
19 shall each submit a report to the Congress describ-
20 ing its findings under this subsection and any rec-
21 ommendations for legislation not later than 18
22 months after the date of enactment of this Act.

1 **SEC. 9. STUDY OF REGULATORY SYSTEM FOR GOVERN-**
2 **MENT SECURITIES.**

3 (a) JOINT STUDY.—The Secretary of the Treasury,
4 the Securities and Exchange Commission, and the Board
5 of Governors of the Federal Reserve System shall—

6 (1) evaluate the effectiveness of any rules pro-
7 mulgated or amended after October 1, 1991, pursu-
8 ant to section 15C of the Securities Exchange Act
9 of 1934 or any amendment made by this title, and
10 any national securities association rule changes ap-
11 plicable principally to government securities trans-
12 actions approved after October 1, 1991, in carrying
13 out the purposes of such Act;

14 (2) evaluate the effectiveness of surveillance
15 and enforcement with respect to government securi-
16 ties, and the impact on such surveillance and en-
17 forcement of defects in any available audit trails
18 with respect to transactions in such securities; and

19 (3) submit to the Congress, not later than
20 March 31, 1997, any recommendations they may
21 consider appropriate concerning—

22 (A) the regulation of government securities
23 brokers and government securities dealers,

24 (B) the dissemination of information con-
25 cerning quotations for and transactions in gov-
26 ernment securities,

1 (C) the prevention of sales practice abuses
2 in connection with transactions in government
3 securities, and

4 (D) such other matters as they consider
5 appropriate.

6 (b) GAO STUDY.—The Comptroller General shall—

7 (1) conduct a study of the effectiveness of regu-
8 lation of government securities brokers and govern-
9 ment securities dealers pursuant to section 15C of
10 the Securities Exchange Act of 1934 and the effec-
11 tiveness of the amendments made by this title; and

12 (2) submit to the Congress, not later than
13 March 31, 1996, the Comptroller General’s rec-
14 ommendations for change, if any, or such other rec-
15 ommendations as the Comptroller General considers
16 appropriate.

17 **SEC. 10. TECHNICAL AMENDMENTS.**

18 (a) AMENDMENTS TO DEFINITIONS.—Section 3(a) of
19 the Securities Exchange Act of 1934 (15 U.S.C. 78c(a))
20 is amended—

21 (1) in paragraph (34)(G) (relating to the defini-
22 tion of appropriate regulatory agency), by amending
23 clauses (ii), (iii), and (iv) to read as follows:

24 “(ii) the Board of Governors of the
25 Federal Reserve System, in the case of a

1 State member bank of the Federal Reserve
2 System, a foreign bank, an uninsured
3 State branch or State agency of a foreign
4 bank, a commercial lending company
5 owned or controlled by a foreign bank (as
6 such terms are used in the International
7 Banking Act of 1978), or a corporation or-
8 ganized or having an agreement with the
9 Board of Governors of the Federal Reserve
10 System pursuant to section 25 or section
11 25A of the Federal Reserve Act;

12 “(iii) the Federal Deposit Insurance
13 Corporation, in the case of a bank insured
14 by the Federal Deposit Insurance Corpora-
15 tion (other than a member of the Federal
16 Reserve System or a Federal savings bank)
17 or an insured State branch of a foreign
18 bank (as such terms are used in the Inter-
19 national Banking Act of 1978);

20 “(iv) the Director of the Office of
21 Thrift Supervision, in the case of a savings
22 association (as defined in section 3(b) of
23 the Federal Deposit Insurance Act) the de-
24 posits of which are insured by the Federal
25 Deposit Insurance Corporation;”;

1 (2) by amending paragraph (46) (relating to
2 the definition of financial institution) to read as fol-
3 lows:

4 “(46) The term ‘financial institution’ means—

5 “(A) a bank (as defined in paragraph (6)
6 of this subsection);

7 “(B) a foreign bank (as such term is used
8 in the International Banking Act of 1978); and

9 “(C) a savings association (as defined in
10 section 3(b) of the Federal Deposit Insurance
11 Act) the deposits of which are insured by the
12 Federal Deposit Insurance Corporation.”; and

13 (3) by redesignating paragraph (51) (as added
14 by section 204 of the International Securities En-
15 forcement Cooperation Act) as paragraph (52).

16 (b) EFFECTIVE DATE OF BROKER/DEALER REG-
17 ISTRATION.—

18 (1) GOVERNMENT SECURITIES BROKERS AND
19 DEALERS.—Section 15C(a)(2)(ii) of the Securities
20 Exchange Act of 1934 (15 U.S.C. 78o-5(a)(2)(ii)) is
21 amended by inserting before “At the conclusion” the
22 following: “The order granting registration shall not
23 be effective until such government securities broker
24 or government securities dealer has become a mem-
25 ber of a national securities exchange registered

1 under section 6 of this title, or a securities associa-
2 tion registered under section 15A of this title, unless
3 the Commission has exempted such government se-
4 curities broker or government securities dealer, by
5 rule or order, from such membership.”.

6 (2) OTHER BROKERS AND DEALERS.—Section
7 15(b)(1)(B) of such Act (15 U.S.C. 78o(b)(1)(B)) is
8 amended by inserting before “At the conclusion” the
9 following: “The order granting registration shall not
10 be effective until such broker or dealer has become
11 a member of a registered securities association, or
12 until such broker or dealer has become a member of
13 a national securities exchange if such broker or deal-
14 er effects transactions solely on that exchange, un-
15 less the Commission has exempted such broker or
16 dealer, by rule or order, from such membership.”.

17 **SEC. 11. OFFERINGS OF CERTAIN GOVERNMENT SECURI-**
18 **TIES.**

19 Section 15 of the Securities Exchange Act of 1934
20 (15 U.S.C. 78o) is amended by inserting after paragraph
21 (6) of subsection (c) the following new paragraph:

22 “(7) In connection with any bid for or purchase
23 of a government security related to an offering of
24 government securities by or on behalf of an issuer,
25 no government securities broker, government securi-

1 ties dealer, or bidder for or purchaser of securities
2 in such offering shall knowingly or willfully make
3 any false or misleading written statement or omit
4 any fact necessary to make any written statement
5 made not misleading. For purposes of the preceding
6 sentence, the term ‘government security’ shall not
7 include any obligation subject to the public debt
8 limit established in section 3101 of title 31, United
9 States Code.’’.

10 **SEC. 12. RULE OF CONSTRUCTION.**

11 (a) IN GENERAL.—No provision of, or amendment
12 made by, this title may be construed—

13 (1) to apply to the initial issuance of any public
14 debt obligation, or

15 (2) to grant any authority to (or extend any au-
16 thority of) the Securities and Exchange Commis-
17 sion—

18 (A) to prescribe any procedure, term, or
19 condition governing such initial issuance,

20 (B) to require any recordkeeping, or the
21 furnishing of any information, with respect to
22 such initial issuance, or

23 (C) to otherwise regulate in any manner
24 such initial issuance.

1 (b) PUBLIC DEBT OBLIGATION.—For purposes of
2 this section, the term “public debt obligation” means an
3 obligation subject to the public debt limit established in
4 section 3101 of title 31, United States Code.

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