

103^D CONGRESS
1ST SESSION

S. 422

To amend the Securities Exchange Act of 1934 to ensure the efficient and fair operation of the government securities market, in order to protect investors and facilitate government borrowing at the lowest possible cost to taxpayers, and to prevent false and misleading statements in connection with offerings of government securities.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24 (legislative day, JANUARY 5), 1993

Mr. DODD (for himself, Mr. RIEGLE, Mr. D'AMATO, Mr. SHELBY, Mr. KERRY, Mr. PRYOR, and Mrs. MURRAY) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend the Securities Exchange Act of 1934 to ensure the efficient and fair operation of the government securities market, in order to protect investors and facilitate government borrowing at the lowest possible cost to taxpayers, and to prevent false and misleading statements in connection with offerings of government securities.

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 Act Amendments of 1993”.

1 **SEC. 2. FINDINGS.**

2 The Congress finds that—

3 (1) the liquid and efficient operation of the gov-
4 ernment securities market is essential to facilitate
5 government borrowing at the lowest possible cost to
6 taxpayers;

7 (2) the fair and honest treatment of investors
8 will strengthen the integrity and liquidity of the gov-
9 ernment securities market;

10 (3) rules promulgated by the Secretary of the
11 Treasury pursuant to the Government Securities Act
12 of 1986 have worked well to protect investors from
13 unregulated dealers and maintain the efficiency of
14 the government securities market; and

15 (4) extending the authority of the Secretary
16 and providing new authority will ensure the contin-
17 ued strength of the government securities market.

18 **SEC. 3. EXTENSION OF TREASURY RULEMAKING AUTHOR-**
19 **ITY.**

20 Section 15C of the Securities Exchange Act of 1934
21 (15 U.S.C. 78o-5) is amended by striking subsection (g).

22 **SEC. 4. SALES PRACTICE RULEMAKING AUTHORITY.**

23 (a) **RULES FOR FINANCIAL INSTITUTIONS.**—Section
24 15C(b) of the Securities Exchange Act of 1934 (15 U.S.C.
25 78o-5(b)) is amended—

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

4 (2) by inserting after paragraph (2) the follow-
5 ing new paragraph:

6 “(3)(A) With respect to any financial institution that
7 has filed notice as a government securities broker or gov-
8 ernment securities dealer or that is required to file notice
9 under subsection (a)(1)(B), the appropriate regulatory
10 agency for such government securities broker or govern-
11 ment securities dealer may issue such rules and regula-
12 tions with respect to transactions in government securities
13 as may be necessary to prevent fraudulent and manipula-
14 tive acts and practices and to promote just and equitable
15 principles of trade, if the Secretary has not determined
16 that the rule or regulation, if implemented would, or as
17 applied does—

18 “(i) adversely affect the liquidity or efficiency of
19 the market for government securities; or

20 “(ii) impose any burden on competition not nec-
21 essary or appropriate in furtherance of the purposes
22 of this section.

23 “(B) The appropriate regulatory agency shall consult
24 with and consider the views of the Secretary prior to ap-
25 proving or amending a rule or regulation under this para-

1 graph, except where the appropriate regulatory agency de-
2 termines that an emergency exists requiring expeditious
3 and summary action and publishes its reasons therefor.
4 If the Secretary comments in writing to the appropriate
5 regulatory agency on a proposed rule or regulation that
6 has been published for comment, the appropriate regu-
7 latory agency shall respond in writing to such written com-
8 ment before approving the proposed rule or regulation.

9 “(C) In promulgating rules under this section, the ap-
10 propriate regulatory agency shall consider the sufficiency
11 and appropriateness of then existing laws and rules appli-
12 cable to government securities brokers, government securi-
13 ties dealers, and persons associated with government secu-
14 rities brokers and government securities dealers.”.

15 (b) RULES BY REGISTERED SECURITIES ASSOCIA-
16 TIONS.—Section 15A(f)(2) of the Securities Exchange Act
17 of 1934 (15 U.S.C. 78o-3(f)(2)) is amended—

18 (1) by striking “and” at the end of subpara-
19 graph (E); and

20 (2) by striking the period at the end of sub-
21 paragraph (F) and inserting “, and (G) with respect
22 to transactions in government securities, to prevent
23 fraudulent and manipulative acts and practices and
24 to promote just and equitable principles of trade.”.

1 (c) OVERSIGHT OF REGISTERED SECURITIES ASSO-
2 CIATIONS.—Section 19 of the Securities Exchange Act of
3 1934 (15 U.S.C. 78s) is amended—

4 (1) in subsection (b), by adding at the end the
5 following new paragraphs:

6 “(5) The Commission shall consult with and consider
7 the views of the Secretary of the Treasury prior to approv-
8 ing a proposed rule filed by a registered securities associa-
9 tion pursuant to section 15A(f)(2)(G), except where the
10 Commission determines that an emergency exists requir-
11 ing expeditious or summary action and publishes its rea-
12 sons therefor. If the Secretary of the Treasury comments
13 in writing to the Commission on a proposed rule that has
14 been published for comment, the Commission shall re-
15 spond in writing to such written comment before approv-
16 ing the proposed rule. The Commission may approve such
17 a rule if the Secretary of the Treasury has not determined
18 that the rule, if implemented, would, or as applied does—

19 “(A) adversely affect the liquidity or efficiency
20 of the market for government securities; or

21 “(B) impose any burden on competition not
22 necessary or appropriate in furtherance of the pur-
23 poses of this section.

24 “(6) In approving rules filed by a registered securities
25 association pursuant to section 15A(f)(2)(G), the Commis-

1 sion shall consider the sufficiency and appropriateness of
2 then existing laws and rules applicable to government se-
3 curities brokers, government securities dealers, and per-
4 sons associated with government securities brokers and
5 government securities dealers.”; and

6 (2) in subsection (c), by adding at the end the
7 following new paragraph:

8 “(5) With respect to rules adopted pursuant to sec-
9 tion 15A(f)(2)(G), the Commission shall consult with and
10 consider the views of the Secretary of the Treasury before
11 abrogating, adding to, and deleting from such rules, ex-
12 cept where the Commission determines that an emergency
13 exists requiring expeditious or summary action and pub-
14 lishes its reasons therefor.”.

15 **SEC. 5. DISCLOSURE BY GOVERNMENT SECURITIES BRO-**
16 **KERS AND GOVERNMENT SECURITIES DEAL-**
17 **ERS WHOSE ACCOUNTS ARE NOT INSURED BY**
18 **THE SECURITIES INVESTOR PROTECTION**
19 **CORPORATION.**

20 Section 15C(a) of the Securities Exchange Act of
21 1934 (15 U.S.C. 78o-5(a)) is amended—

22 (1) by redesignating paragraph (4) as para-
23 graph (5); and

24 (2) by inserting after paragraph (3) the follow-
25 ing:

1 “(4) No government securities broker or government
2 securities dealer that is not a member of the Securities
3 Investor Protection Corporation shall effect any trans-
4 action in any security in contravention of such rules as
5 the Commission shall prescribe pursuant to this subsection
6 to assure that its customers receive complete, accurate,
7 and timely disclosure of the inapplicability of Securities
8 Investor Protection Corporation coverage to their ac-
9 counts.”.

10 **SEC. 6. TECHNICAL AMENDMENT.**

11 Section 15C(d)(2) of the Securities Exchange Act of
12 1934 (15 U.S.C. 78o-5(d)(2)) is amended to read as
13 follows:

14 “(2) Information received by any appropriate regu-
15 latory agency or the Secretary from or with respect to any
16 government securities broker or government securities
17 dealer or with respect to any person associated with a gov-
18 ernment securities broker or a government securities deal-
19 er may be made available by the Secretary or the recipient
20 agency to the Commission, the Secretary, any appropriate
21 regulatory agency, any self-regulatory organization, or any
22 Federal Reserve bank.”.

23 **SEC. 7. AMENDMENTS TO DEFINITIONS.**

24 Section 3(a) of the Securities Exchange Act of 1934
25 (15 U.S.C. 78c(a)) is amended—

1 (1) in paragraph (34)(G), by amending clauses
2 (ii), (iii), and (iv) to read as follows:

3 “(ii) the Board of Governors of the
4 Federal Reserve System, in the case of a
5 State member bank of the Federal Reserve
6 System, a foreign bank, an uninsured
7 State branch or State agency of a foreign
8 bank, a commercial lending company
9 owned or controlled by a foreign bank (as
10 such terms are used in the International
11 Banking Act of 1978), or a corporation or-
12 ganized or having an agreement with the
13 Board of Governors of the Federal Reserve
14 System pursuant to section 25 or section
15 25(a) of the Federal Reserve Act;

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

24 “(iv) the Director of the Office of
25 Thrift Supervision, in the case of a savings

1 association (as defined in section 3(b) of
2 the Federal Deposit Insurance Act) the de-
3 posits of which are insured by the Federal
4 Deposit Insurance Corporation;” and

5 (2) by amending paragraph (46) to read as
6 follows:

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

8 “(A) a bank (as defined in paragraph (6));

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

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

15 **SEC. 8. STUDY RELATING TO GOVERNMENT SECURITIES IN-**
16 **FORMATION.**

17 (a) IN GENERAL.—The Secretary of the Treasury,
18 the Securities and Exchange Commission, and the Board
19 of Governors of the Federal Reserve System shall monitor
20 and evaluate the effectiveness of private sector efforts to
21 disseminate government securities price and volume infor-
22 mation, and determine whether such efforts—

23 (1) assure the prompt, accurate, reliable, and
24 fair reporting, collection, processing, distribution,
25 and publication of information with respect to

1 quotations for and transactions in government secu-
2 rities and the fairness and usefulness of the form
3 and content of such information;

4 (2) assure that all government securities infor-
5 mation processors may, for purposes of distribution
6 and publication, obtain on fair and reasonable terms
7 such information with respect to quotations for and
8 transactions in government securities as is reported,
9 collected, processed, or prepared for distribution or
10 publication by any processor of such information (in-
11 cluding self-regulatory organizations) acting in an
12 exclusive capacity; and

13 (3) assure that all government securities bro-
14 kers, government securities dealers, government se-
15 curities information processors, and other appro-
16 priate persons may obtain on terms which are not
17 unreasonably discriminatory such information with
18 respect to quotations for and transactions in govern-
19 ment securities as is published or distributed.

20 (b) REPORT.—A report describing any findings made
21 under this section and any recommendations for legisla-
22 tion shall be submitted to Congress not later than 18
23 months after the date of enactment of this Act.

1 **SEC. 9. OFFERINGS OF GOVERNMENT SECURITIES.**

2 Section 15(c) of the Securities Exchange Act of 1934
3 (15 U.S.C. 78o(c)) is amended by adding at the end the
4 following new paragraph:

5 “(7) In connection with any bid for or purchase of
6 a government security related to an offering of govern-
7 ment securities by or on behalf of an issuer, no govern-
8 ment securities broker, government securities dealer, or
9 bidder for or purchaser of securities in such offering shall
10 knowingly or willfully make any false or misleading writ-
11 ten statement or omit any fact necessary to make any
12 written statement made not misleading.”.

○