



H.R. 2868 - To eliminate the exemption from State regulation for certain securities designated by national securities exchanges

FLOOR SITUATION

H.R. 2868 was introduced by Representative Gregory Meeks (D-NY) on June 26, 2007. The bill was ordered to be reported as amended from the Committee on Financial Services, by voice vote, on October 15, 2007.

H.R. 2868 is expected to be considered on the floor on October 23, 2007.

BACKGROUND

The U.S. Securities and Exchange Commission (SEC) is the federal agency that enforces U.S. securities law. In addition to the SEC, each state has its own securities laws, commonly referred to as blue sky laws, that regulate the sale of securities and protects the public from fraud.

The National Securities Markets Improvement Act of 1996 (NSMIA) created a new class of securities, called “covered securities” through an amendment to Section 18 of the Securities Act of 1933. Covered securities, which include those listed on the New York Stock Exchange (NYSE), the American Exchange (AMEX), and NASDAQ, are exempt from state blue sky laws in order to avoid duplicative regulations on the state and Federal level and in recognition of the high listing standards of those exchanges.

Foreign exchanges, such as the London Stock Exchange’s Alternative Investment Market, have developed tiered listing standards for small companies or those with alternative business models to compete in the market.

The SEC has interpreted Section 18 to preclude these three exchanges from establishing developmental tiers like other foreign exchanges.

SUMMARY

H.R. 2868 enables NYSE, AMEX, and NASDAQ to develop new tiers that would be subject to both Federal and state blue sky regulations. It also requires that the listing standards for the new tiers be approved by the SEC.

COST

“Based on information from the SEC, CBO estimates that implementing H.R. 2868 would have an insignificant effect on the federal budget. SEC would be required to develop and enforce regulations related to a new listing tier, but CBO expects that such

activities would not significantly increase SEC's workload or its costs. Enacting the bill would not affect direct spending or revenues.” [CBO Cost Estimate](#)

STAFF CONTACT

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