

Minority Views on H.R.5421
The "National Securities Exchange Regulatory Parity Act of 2016"

H.R. 5421 is intended to be a technical fix that would amend a 1996 law to take into account the existence of additional national securities exchanges today. It does so by removing the requirement that the Securities and Exchange Commission (SEC), in determining whether to preempt state regulation, finds that an exchange's proposed listing standards for securities are equal to or greater than the robust standards that existed at the New York Stock Exchange (NYSE), the American Stock Exchange (now NYSE AMEX), or Nasdaq in 1996.

However, the bill does nothing to guide the SEC in how it should otherwise determine whether to preempt our state securities regulators. Rather, H.R. 5421 would remove the baseline standard and with it, how the SEC interprets that standard to require certain core quantitative thresholds relating to, for example, revenue, market capitalization, number of shareholders, and share price.

Removing the current framework and replacing it with nothing will at best create confusion and at worst encourage a race-to-the-bottom as exchanges try to compete for business by lowering their listing standards. Moreover, if the SEC were to approve Venture Exchanges, whose very business model is based on lower listing standards for smaller companies, it would have to preempt the states, notwithstanding the fact that their oversight over these companies may be more appropriate.

For these reasons, we do not believe that H.R. 5421 is a so-called technical fix and oppose it.









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