

Michigan House of Representatives Commerce Committee Meeting

House Office Building, Room 519

February 12, 2014

10:30:00 AM

HB 5273 - (Rep. Jenkins) - Trade; securities; local stock exchanges for transactions in Michigan securities; authorize and regulate.

1. Introduction and limited scope of testimony – federal regulation of “exchanges”
2. Securities Exchange Act of 1934, Section 3 *Definitions and Application of Title*

(3)(a)(1) *Exchange* - The term “*exchange*” means any organization, association, or group of persons, whether incorporated or unincorporated, which constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange as that term is generally understood, and includes the market place and the market facilities maintained by such exchange.

(3)(a)(2) *Facility* - The term “*facility*” when used with respect to an *exchange* includes its premises, tangible or intangible property whether on the premises or not, any right to the use of such premises or property or any service thereof for the purpose of effecting or reporting a transaction on an *exchange* (including, among other things, any system of communication to or from the *exchange*, by ticker or otherwise, maintained by or with the consent of the *exchange*), and any right of the exchange to the use of any property or service.

3. Securities Exchange Act of 1934, Section 5, *Transactions on Unregistered Exchanges*

It shall be unlawful for any broker, dealer, or exchange, directly or indirectly, to make use of the mails or any means or instrumentality of interstate commerce for the purpose of using any facility of an exchange within or subject to the jurisdiction of the United States to effect any transaction in a security or to report any such transaction, unless such exchange (1) is registered as a national securities exchange under section 6 of this title, or (2) is exempted from such registration upon application by the exchange because, in the opinion of the Commission, by reason of the limited volume of transactions effected on such exchange, it is not practicable and not necessary or appropriate in the public interest or for the protection of investors to require such registration.

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4. Securities Exchange Act of 1934, Section 15, *Registration and Regulation of Brokers and Dealers*

(a)(1) It shall be unlawful for any broker or dealer which is either a person other than a natural person or a natural person not associated with a broker or dealer which is a person other than a natural person (other than such a broker or dealer whose business is exclusively intrastate and who does not make use of any facility of a national securities exchange) to make use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security (other than an exempted security or commercial paper, bankers' acceptances, or commercial bills) unless such broker or dealer is registered in accordance with subsection (b) of this section.

Attachments:

- Tab 1 Securities Exchange Act Sections 5 and 6 and related SEC rules
- Tab 2 SEC-Recognized Exchanges
- Tab 3 Shane B. Hansen – Professional Background
- Tab 4 Hugh H. Makens – Professional Background

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Tab 1

**Securities Exchange Act
Sections 5 and 6 and related SEC rules**

Federal Securities Laws and Regulations, Sec. 5. TRANSACTIONS ON UNREGISTERED EXCHANGES

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It shall be unlawful for any broker, dealer, or exchange, directly or indirectly, to make use of the mails or any means or instrumentality of interstate commerce for the purpose of using any facility of an exchange within or subject to the jurisdiction of the United States to effect any transaction in a security or to report any such transaction, unless such exchange (1) is registered as a national securities exchange under section 6 of this title, or (2) is exempted from such registration upon application by the exchange because, in the opinion of the Commission, by reason of the limited volume of transactions effected on such exchange, it is not practicable and not necessary or appropriate in the public interest or for the protection of investors to require such registration.

Federal Securities Laws and Regulations, Sec. 6. NATIONAL SECURITIES EXCHANGES

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(a) An exchange may be registered as a national securities exchange under the terms and conditions hereinafter provided in this section and in accordance with the provisions of section 19(a) of this title, by filing with the Commission an application for registration in such form as the Commission, by rule, may prescribe containing the rules of the exchange and such other information and documents as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors.

(b) An exchange shall not be registered as a national securities exchange unless the Commission determines that—

(1) Such exchange is so organized and has the capacity to be able to carry out the purposes of this title and to comply, and (subject to any rule or order of the Commission pursuant to section 17(d) or 19(g)(2) of this title) to enforce compliance by its members and person pursuant to section 17(d) or 19(g)(2) of this title) to enforce compliance by its members and persons associated with its members, with the provisions of this title, the rules and regulations thereunder, and the rules of the exchange.

(2) Subject to the provisions of subsection (c) of this section, the rules of the exchange provide that any registered broker or dealer or natural person associated with a registered broker or dealer may become a member of such exchange and any person may become associated with a member thereof.

(3) The rules of the exchange assure a fair representation of its members in the selection of its directors and administration of its affairs and provide that one or more directors shall be representative of issuers and investors and not be associated with a member of the exchange, broker, or dealer.

(4) The rules of the exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities.

(5) The rules of the exchange are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, or to regulate by virtue of any authority conferred by this title matters not related to the purposes of this title or the administration of the exchange.

(6) The rules of the exchange provide that (subject to any rule or order to the Commission pursuant to section 17(d) or 19(g)(2) of this title) its members and persons associated with its members shall be appropriately disciplined for violation of the provisions of this title, the rules or regulations thereunder, or the rules of the exchange, by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, being suspended or barred from being associated with a member, or any other fitting sanction.

(7) The rules of the exchange are in accordance with the provisions of subsection (d) of this section, and, in general, provide a fair procedure for the disciplining of members and persons associated with members, the denial of membership to any person seeking membership therein, the barring of any person from becoming associated with a member thereof, and the prohibition or limitation by the exchange of any person with respect to access to services offered by the exchange or a member thereof.

(8) The rules of the exchange do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of this title.

(9)

(A) The rules of the exchange prohibit the listing of any security issued in a limited partnership rollup transaction (as such term is defined in paragraphs (4) and (5) of section 14(h)), unless such transaction was conducted in accordance with procedures designed to protect the rights of limited partners, including—

(i) the right of dissenting limited partners to one of the following:

(I) an appraisal and compensation;

(II) retention of a security under substantially the same terms and conditions as the original issue;

(III) approval of the limited partnership rollup transaction by not less than 75 percent of the outstanding securities of each of the participating limited partnerships;

(IV) the use of a committee of limited partners that is independent, as determined in accordance with rules prescribed by the exchange, of the general partner or sponsor, that has been approved by a majority of the outstanding units of each of the participating limited partnerships, and that has such authority as is necessary to protect the interest of limited partners, including the authority to hire independent advisors, to negotiate with the general partner or sponsor on behalf the limited partners, and to make a recommendation to the limited partners with respect to the proposed transaction; or

(V) other comparable rights that are prescribed by rule by the exchange and that are designed to protect dissenting limited partners;

(ii) the right not to have their voting power unfairly reduced or abridged;

(iii) the right not to bear an unfair portion of the costs of a proposed limited partnership rollup transaction that is rejected; and

(iv) restrictions on the conversion of contingent interests or fees into non-contingent interests or fees and restrictions on the receipt of a non-contingent equity interest in exchange for fees for services which have not yet been provided.

(B) As used in this paragraph, the term "dissenting limited partner" means a person who, on the date on which soliciting material is mailed to investors, is a holder of a beneficial interest in a limited partnership that is the subject of a limited partnership rollup transaction, and who casts a vote against the transaction and complies with procedures established by the exchange, except that for purposes of an exchange or tender offer, such person shall file an objection in writing under the rules of the exchange during the period during which the offer is outstanding.

(10)

(A) The rules of the exchange prohibit any member that is not the beneficial owner of a security registered under section 12 from granting a proxy to vote the security in connection with a shareholder vote described in subparagraph (B), unless the beneficial owner of the security has instructed the member to vote the proxy in accordance with the voting instructions of the beneficial owner.

(B) A shareholder vote described in this subparagraph is a shareholder vote with respect to the election of a member of the board of directors of an issuer, executive compensation, or any other

significant matter, as determined by the Commission, by rule, and does not include a vote with respect to the uncontested election of a member of the board of directors of any investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80b-1 et seq.).

(C) Nothing in this paragraph shall be construed to prohibit a national securities exchange from prohibiting a member that is not the beneficial owner of a security registered under section 12 from granting a proxy to vote the security in connection with a shareholder vote not described in subparagraph (A).

(c)

(1) A national securities exchange shall deny membership to **(A)** any person, other than a natural person, which is not a registered broker or dealer or **(B)** any natural person who is not, or is not associated with, a registered broker or dealer.

(2) A national securities exchange may, and in cases in which the Commission, by order, directs as necessary or appropriate in the public interest or for the protection of investors shall, deny membership to any registered broker or dealer or natural person associated with a registered broker or dealer, and bar from becoming associated with a member any person, who is subject to a statutory disqualification. A national securities exchange shall file notice with the Commission not less than thirty days prior to admitting any person to membership or permitting any person to become associated with a member, if the exchange knew, or in the exercise of reasonable care should have known, that such person was subject to a statutory disqualification. The notice shall be in such form and contain such information as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors.

(3)

(A) A national securities exchange may deny membership to, or condition the membership of, a registered broker or dealer if (i) such broker or dealer does not meet such standards of financial responsibility or operational capability or such broker or dealer or any natural persons associated with such broker or dealer does not meet such standards of training, experience, and competence as are prescribed by the rules of the exchange or (ii) such broker or dealer or person associated with such broker or dealer has engaged and there is a reasonable likelihood he will again engage in acts or practices inconsistent with just and equitable principles of trade. A national securities exchange may examine and verify the qualifications of an applicant to become a member and the natural persons associated with such an applicant in accordance with procedures established by the rules of the exchange.

(B) A national securities exchange may bar a natural person from becoming a member or associated with a member, or condition the membership of a natural person or association of a natural person with a member, if such natural person (i) does not meet such standards of training, experience, and competence as are prescribed by the rules of the exchange or (ii) has engaged and there is a reasonable likelihood he will again engage in acts or practices inconsistent with just and equitable principles of trade. A national securities exchange may examine and verify the qualifications of an applicant to become a person associated with a member in accordance with procedures established by the rules of the exchange and require any person associated with a member, or any class of such persons, to be registered with the exchange in accordance with procedures so established.

(C) A national securities exchange may bar any person from becoming associated with a member if such person does not agree (i) to supply the exchange with such information with respect to its relationship and dealings with the member as may be specified in the rules of the exchange and (ii) to permit the examination of its books and records to verify the accuracy of any information so supplied.

(4) A national securities exchange may limit **(A)** the number of members of the exchange and **(B)** the number of members and designated representatives of members permitted to effect transactions on the floor of the exchange without the services of another person acting as broker: Provided, however, That no national securities exchange shall have the authority to decrease the number of memberships in such exchange, or the number of members and designated representatives of members permitted to effect transactions on the floor of such exchange without the services of another person acting as broker, below such number in effect on May 1, 1975, or the date such exchange was registered with the Commission, whichever is later: And provided further, That the Commission, in accordance with the provisions of section 19(c) of this title, may amend the rules of any national securities exchange to increase (but not to decrease) or to remove any limitation on the number of memberships in such exchange or the number of members or designated representatives of members permitted to effect transactions on the floor of the exchange without the services of another person acting as broker, if the Commission finds that such limitation imposes a burden on competition not necessary or appropriate in furtherance of the purposes of this title.

(d)

(1) In any proceeding by a national securities exchange to determine whether a member or person associated with a member should be disciplined (other than a summary proceeding pursuant to paragraph **(3)** of this subsection), the exchange shall bring specific charges, notify such member or person of, and give him an opportunity to defend against, such charges, and keep a record. A determination by the exchange to impose a disciplinary sanction shall be supported by a statement setting forth—

(A) any act or practice in which such member or person associated with a member has been found to have engaged, or which such member or person has been found to have omitted;

(B) the specific provision of this title, the rules or regulations thereunder, or the rules of the exchange which any such act or practice, or omission to act, is deemed to violate; and

(C) the sanction imposed and the reasons therefor.

(2) In any proceeding by a national securities exchange to determine whether a person shall be denied membership, barred from becoming associated with a member, or prohibited or limited with respect to access to services offered by the exchange or a member thereof (other than a summary proceeding pursuant to paragraph **(3)** of this subsection), the exchange shall notify such person of, and give him an opportunity to be heard upon, the specific grounds for denial, bar, or prohibition or limitation under consideration and keep a record. A determination by the exchange to deny membership, bar a person from becoming associated with a member, or prohibit or limit a person with respect to access to services offered by the exchange or a member thereof shall be supported by a statement setting forth the specific grounds on which the denial, bar, or prohibition or limitation is based.

(3) A national securities exchange may summarily **(A)** suspend a member or person associated with a member who has been and is expelled or suspended from any self-regulatory organization or barred or suspended from being associated with a member of any self-regulatory organization, **(B)** suspend a member who is in such financial or operating difficulty that the exchange determines and so notifies the Commission that the member cannot be permitted to continue to do business as a member with safety to investors, creditors, other members, or the exchange, or **(C)** limit or prohibit any person with respect to access to services offered by the exchange if subparagraph **(A)** or **(B)** of this paragraph is applicable to such person or, in the case of a person who is not a member, if the exchange determines that such person does not meet the qualification requirements or other prerequisites for such access and such person cannot be permitted to continue to have such access with safety to investors, creditors, members, or the exchange. Any person aggrieved by any such summary action shall be promptly afforded an opportunity for a hearing by the exchange in accordance with the provisions of paragraph **(1)** or **(2)** of

this subsection. The Commission, by order, may stay any such summary action on its own motion or upon application by any person aggrieved thereby, if the Commission determines summarily or after notice and opportunity for hearing (which hearing may consist solely of the submission of affidavits or presentation of oral arguments) that such stay is consistent with the public interest and the protection of investors.

(e)

(1) On and after the date of enactment of the Securities Acts Amendments of 1975, no national securities exchange may impose any schedule or fix rates of commissions, allowances, discounts, or other fees to be charged by its members: Provided, however, That until May 1, 1976, the preceding provisions of this paragraph shall not prohibit any such exchange from imposing or fixing any schedule of commissions, allowances, discounts, or other fees to be charged by its members for acting as broker on the floor of the exchange or as odd-lot dealer: And provided further, That the Commission, in accordance with the provisions of section 19(b) of this title as modified by the provisions of paragraph (3) of this subsection, may—

(A) permit a national securities exchange, by rule, to impose a reasonable schedule or fix reasonable rates of commissions, allowances, discounts, or other fees to be charged by its members for effecting transactions on such exchange prior to November 1, 1976, if the Commission finds that such schedule or fixed rates of commissions, allowances, discounts, or other fees are in the public interest; and

(B) permit a national securities exchange, by rule, to impose a schedule or fix rates of commissions, allowances, discounts, or other fees to be charged by its members for effecting transactions on such exchange after November 1, 1976, if the Commission finds that such schedule or fixed rates of commissions, allowances, discounts, or other fees (i) are reasonable in relation to the costs of providing the service for which such fees are charged (and the Commission publishes the standards employed in adjudging reasonableness) and (ii) do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of this title, taking into consideration the competitive effects of permitting such schedule or fixed rates weighed against the competitive effects of other lawful actions which the Commission is authorized to take under this title.

(2) Notwithstanding the provisions of section 19(c) of this title, the Commission, by rule, may abrogate any exchange rule which imposes a schedule or fixes rates of commissions, allowances, discounts, or other fees, if the Commission determines that such schedule or fixed rates are no longer reasonable, in the public interest, or necessary to accomplish the purposes of this title.

(3)

(A) Before approving or disapproving any proposed rule change submitted by a national securities exchange which would impose a schedule or fix rates of commissions, allowances, discounts, or other fees to be charged by its members for effecting transactions on such exchange, the Commission shall afford interested persons (i) an opportunity for oral presentation of data, views, and arguments and (ii) with respect to any such rule concerning transactions effected after November 1, 1976, if the Commission determines there are disputed issues of material fact, to present such rebuttal submissions and to conduct (or have conducted under subparagraph (B) of this paragraph) such cross-examination as the Commission determines to be appropriate and required for full disclosure and proper resolution of such disputed issues of material fact.

(B) The Commission shall prescribe rules and make rulings concerning any proceeding in accordance with subparagraph (A) of this paragraph designed to avoid unnecessary costs or delay. Such rules or rulings may (i) impose reasonable time limits on each interested person's oral presentations, and (ii) require any cross-examination to which a person may be entitled under subparagraph (A) of this paragraph to be conducted by the Commission on behalf of that person in such manner as the

Commission determines to be appropriate and required for full disclosure and proper resolution of disputed issues of material fact.

(C)

(i) If any class of persons, the members of which are entitled to conduct (or have conducted) cross-examination under subparagraphs (A) and (B) of this paragraph and which have, in the view of the Commission, the same or similar interests in the proceeding, cannot agree upon a single representative of such interests for purposes of cross-examination, the Commission may make rules and rulings specifying the manner in which such interests shall be represented and such cross-examination conducted.

(ii) No member of any class of persons with respect to which the Commission has specified the manner in which its interest shall be represented pursuant to clause (i) of this subparagraph shall be denied, pursuant to such clause (i), the opportunity to conduct (or have conducted) cross-examination as to issues affecting his particular interests if he satisfies the Commission that he has made a reasonable and good faith effort to reach agreement upon group representation and there are substantial and relevant issues which would not be presented adequately by group representation.

(D) A transcript shall be kept of any oral presentation and cross-examination.

(E) In addition to the bases specified in subsection 25(a), a reviewing Court may set aside an order of the Commission under section 19(b) approving an exchange rule imposing a schedule or fixing rates of commissions, allowances, discounts, or other fees, if the Court finds—

(1) a Commission determination under subparagraph (A) of this paragraph that an interested person is not entitled to conduct cross-examination or make rebuttal submissions, or

(2) a Commission rule or ruling under subparagraph (B) of this paragraph limiting the petitioner's cross-examination or rebuttal submissions,

has precluded full disclosure and proper resolution of disputed issues of material fact which were necessary for fair determination by the Commission.

(f) The Commission, by rule or order, as it deems necessary or appropriate in the public interest and for the protection of investors, to maintain fair and orderly markets, or to assure equal regulation, may require—

(1) any person not a member or a designated representative of a member of a national securities exchange effecting transactions on such exchange without the services of another person acting as a broker, or

(2) any broker or dealer not a member of a national securities exchange effecting transactions on such exchange on a regular basis,

to comply with such rules of such exchange as the Commission may specify.

(g) NOTICE REGISTRATION OF SECURITY FUTURES PRODUCT EXCHANGES.—

(1) REGISTRATION REQUIRED.— An exchange that lists or trades security futures products may register as a national securities exchange solely for the purposes of trading security futures products if—

(A) the exchange is a board of trade, as that term is defined by the Commodity Exchange Act (7 U.S.C. 1a(2)), that has been designated a contract market by the Commodity Futures Trading

Commission and such designation is not suspended by order of the Commodity Futures Trading Commission; and

(B) such exchange does not serve as a market place for transactions in securities other than—

(i) security futures products; or

(ii) futures on exempted securities or groups or indexes of securities or options thereon that have been authorized under section 2(a)(1)(C) of the Commodity Exchange Act.

(2) REGISTRATION BY NOTICE FILING.—

(A) FORM AND CONTENT.— An exchange required to register only because such exchange lists or trades security futures products may register for purposes of this section by filing with the Commission a written notice in such form as the Commission, by rule, may prescribe containing the rules of the exchange and such other information and documents concerning such exchange, comparable to the information and documents required for national securities exchanges under section 6(a), as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors. If such exchange has filed documents with the Commodity Futures Trading Commission, to the extent that such documents contain information satisfying the Commission's informational requirements, copies of such documents may be filed with the Commission in lieu of the required written notice.

(B) IMMEDIATE EFFECTIVENESS.— Such registration shall be effective contemporaneously with the submission of notice, in written or electronic form, to the Commission, except that such registration shall not be effective if such registration would be subject to suspension or revocation.

(C) TERMINATION.— Such registration shall be terminated immediately if any of the conditions for registration set forth in this subsection are no longer satisfied.

(3) PUBLIC AVAILABILITY.— The Commission shall promptly publish in the Federal Register an acknowledgment of receipt of all notices the Commission receives under this subsection and shall make all such notices available to the public.

(4) EXEMPTION OF EXCHANGES FROM SPECIFIED PROVISIONS.—

(A) TRANSACTION EXEMPTIONS.— An exchange that is registered under paragraph (1) of this subsection shall be exempt from, and shall not be required to enforce compliance by its members with, and its members shall not, solely with respect to those transactions effected on such exchange in security futures products, be required to comply with, the following provisions of this title and the rules thereunder:

(i) Subsections (b)(2), (b)(3), (b)(4), (b)(7), (b)(9), (c), (d), and (e) of this section.

(ii) Section 8.

(iii) Section 11.

(iv) Subsections (d), (f), and (k) of section 17.

(v) Subsections (a), (f), and (h) of section 19.

(B) RULE CHANGE EXEMPTIONS.— An exchange that registered under paragraph (1) of this subsection shall also be exempt from submitting proposed rule changes pursuant to section 19(b) of this title, except that—

(i) such exchange shall file proposed rule changes related to higher margin levels, fraud or manipulation, recordkeeping, reporting, listing standards, or decimal pricing for security futures products, sales practices for security futures products for persons who effect transactions in security futures products, or rules effectuating such exchange's obligation to enforce the securities laws pursuant to section 19(b)(7);

(ii) such exchange shall file pursuant to sections 19(b)(1) and 19(b)(2) proposed rule changes related to margin, except for changes resulting in higher margin levels; and

(iii) such exchange shall file pursuant to section 19(b)(1) proposed rule changes that have been abrogated by the Commission pursuant to section 19(b)(7)(C).

(5) TRADING IN SECURITY FUTURES PRODUCTS.—

(A) IN GENERAL.— Subject to subparagraph (B), it shall be unlawful for any person to execute or trade a security futures product until the later of—

(i) 1 year after the date of enactment of the Commodity Futures Modernization Act of 2000; or

(ii) such date that a futures association registered under section 17 of the Commodity Exchange Act has met the requirements set forth in section 15A(k)(2) of this title.

(B) PRINCIPAL-TO-PRINCIPAL TRANSACTIONS.— Notwithstanding subparagraph (A), a person may execute or trade a security futures product transaction if—

(i) the transaction is entered into—

(I) on a principal-to-principal basis between parties trading for their own accounts or as described in section 1a(18)(B)(ii) of the Commodity Exchange Act; and

(II) only between eligible contract participants (as defined in subparagraphs (A), (B)(ii), and (C) of such section 1a(18)) at the time at which the persons enter into the agreement, contract, or transaction; and

(ii) the transaction is entered into on or after the later of—

(I) 8 months after the date of enactment of the Commodity Futures Modernization Act of 2000; or

(II) such date that a futures association registered under section 17 of the Commodity Exchange Act has met the requirements set forth in section 15A(k)(2) of this title.

(h) TRADING IN SECURITY FUTURES PRODUCTS.—

(1) TRADING ON EXCHANGE OR ASSOCIATION REQUIRED.— It shall be unlawful for any person to effect transactions in security futures products that are not listed on a national securities exchange or a national securities association registered pursuant to section 15A(a).

(2) LISTING STANDARDS REQUIRED.— Except as otherwise provided in paragraph (7), a national securities exchange or a national securities association registered pursuant to section 15A(a) may trade only security futures products that (A) conform with listing standards that such exchange or association files with the Commission under section 19(b) and (B) meet the criteria specified in section 2(a)(1)(D)(i) of the Commodity Exchange Act.

(3) REQUIREMENTS FOR LISTING STANDARDS AND CONDITIONS FOR TRADING.— Such listing standards shall—

- (A)** except as otherwise provided in a rule, regulation, or order issued pursuant to paragraph (4), require that any security underlying the security future, including each component security of a narrow-based security index, be registered pursuant to section 12 of this title;
- (B)** require that if the security futures product is not cash settled, the market on which the security futures product is traded have arrangements in place with a registered clearing agency for the payment and delivery of the securities underlying the security futures product;
- (C)** be no less restrictive than comparable listing standards for options traded on a national securities exchange or national securities association registered pursuant to section 15A(a) of this title;
- (D)** except as otherwise provided in a rule, regulation, or order issued pursuant to paragraph (4), require that the security future be based upon common stock and such other equity securities as the Commission and the Commodity Futures Trading Commission jointly determine appropriate;
- (E)** require that the security futures product is cleared by a clearing agency that has in place provisions for linked and coordinated clearing with other clearing agencies that clear security futures products, which permits the security futures product to be purchased on one market and offset on another market that trades such product;
- (F)** require that only a broker or dealer subject to suitability rules comparable to those of a national securities association registered pursuant to section 15A(a) effect transactions in the security futures product;
- (G)** require that the security futures product be subject to the prohibition against dual trading in section 4j of the Commodity Exchange Act (7 U.S.C. 6j) and the rules and regulations thereunder or the provisions of section 11(a) of this title and the rules and regulations thereunder, except to the extent otherwise permitted under this title and the rules and regulations thereunder;
- (H)** require that trading in the security futures product not be readily susceptible to manipulation of the price of such security futures product, nor to causing or being used in the manipulation of the price of any underlying security, option on such security, or option on a group or index including such securities;
- (I)** require that procedures be in place for coordinated surveillance among the market on which the security futures product is traded, any market on which any security underlying the security futures product is traded, and other markets on which any related security is traded to detect manipulation and insider trading;
- (J)** require that the market on which the security futures product is traded has in place audit trails necessary or appropriate to facilitate the coordinated surveillance required in subparagraph (I);
- (K)** require that the market on which the security futures product is traded has in place procedures to coordinate trading halts between such market and any market on which any security underlying the security futures product is traded and other markets on which any related security is traded; and
- (L)** require that the margin requirements for a security futures product comply with the regulations prescribed pursuant to section 7(c)(2)(B), except that nothing in this subparagraph shall be construed to prevent a national securities exchange or national securities association from requiring higher margin levels for a security futures product when it deems such action to be necessary or appropriate.

(4) AUTHORITY TO MODIFY CERTAIN LISTING STANDARD REQUIREMENTS.—

(A) AUTHORITY TO MODIFY.— The Commission and the Commodity Futures Trading Commission, by rule, regulation, or order, may jointly modify the listing standard requirements specified in subparagraph (A) or (D) of paragraph (3) to the extent such modification fosters the development of fair and orderly markets in security futures products, is necessary or appropriate in the public interest, and is consistent with the protection of investors.

(B) AUTHORITY TO GRANT EXEMPTIONS.— The Commission and the Commodity Futures Trading Commission, by order, may jointly exempt any person from compliance with the listing standard requirement specified in subparagraph (E) of paragraph (3) to the extent such exemption fosters the development of fair and orderly markets in security futures products, is necessary or appropriate in the public interest, and is consistent with the protection of investors.

(5) REQUIREMENTS FOR OTHER PERSONS TRADING SECURITY FUTURE PRODUCTS.— It shall be unlawful for any person (other than a national securities exchange or a national securities association registered pursuant to section 15A(a)) to constitute, maintain, or provide a marketplace or facilities for bringing together purchasers and sellers of security future products or to otherwise perform with respect to security future products the functions commonly performed by a stock exchange as that term is generally understood, unless a national securities association registered pursuant to section 15A(a) or a national securities exchange of which such person is a member—

(A) has in place procedures for coordinated surveillance among such person, the market trading the securities underlying the security future products, and other markets trading related securities to detect manipulation and insider trading;

(B) has rules to require audit trails necessary or appropriate to facilitate the coordinated surveillance required in subparagraph (A); and

(C) has rules to require such person to coordinate trading halts with markets trading the securities underlying the security future products and other markets trading related securities.

(6) DEFERRAL OF OPTIONS ON SECURITY FUTURES TRADING.— No person shall offer to enter into, enter into, or confirm the execution of any put, call, straddle, option, or privilege on a security future, except that, after 3 years after the date of enactment of this subsection, the Commission and the Commodity Futures Trading Commission may by order jointly determine to permit trading of puts, calls, straddles, options, or privileges on any security future authorized to be traded under the provisions of this Act and the Commodity Exchange Act.

(7) DEFERRAL OF LINKED AND COORDINATED CLEARING.—

(A) Notwithstanding paragraph (2), until the compliance date, a national securities exchange or national securities association registered pursuant to section 15A(a) may trade a security futures product that does not—

(i) conform with any listing standard promulgated to meet the requirement specified in subparagraph (E) of paragraph (3); or

(ii) meet the criterion specified in section 2(a)(1)(D)(i)(IV) of the Commodity Exchange Act.

(B) The Commission and the Commodity Futures Trading Commission shall jointly publish in the Federal Register a notice of the compliance date no later than 165 days before the compliance date.

(C) For purposes of this paragraph, the term 'compliance date' means the later of—

(i) 180 days after the end of the first full calendar month period in which the average aggregate comparable share volume for all security futures products based on single equity securities traded on all national securities exchanges, any national securities associations registered pursuant to section 15A(a), and all other persons equals or exceeds 10 percent of the average aggregate comparable share volume of options on single equity securities traded on all national securities exchanges and any national securities associations registered pursuant to section 15A(a); or

(ii) 2 years after the date on which trading in any security futures product commences under this title.

(i) Consistent with this title, each national securities exchange registered pursuant to subsection (a) of this section shall issue such rules as are necessary to avoid duplicative or conflicting rules applicable to any broker or dealer registered with the Commission pursuant to section 15(b) (except paragraph (11) thereof), that is also registered with the Commodity Futures Trading Commission pursuant to section 4f(a) of the Commodity Exchange Act (except paragraph (2) thereof), with respect to the application of—

(1) rules of such national securities exchange of the type specified in section 15(c)(3)(B) involving security futures products; and

(2) similar rules of national securities exchanges registered pursuant to section 6(g) and national securities associations registered pursuant to section 15A(k) involving security futures products.

(j) PROCEDURES AND RULES FOR SECURITY FUTURE PRODUCTS.— A national securities exchange registered pursuant to subsection (a) shall implement the procedures specified in section 6(h)(5)(A) of this title and adopt the rules specified in subparagraphs (B) and (C) of section 6(h)(5) of this title not later than 8 months after the date of receipt of a request from an alternative trading system for such implementation and rules.

(k)

(1) To the extent necessary or appropriate in the public interest, to promote fair competition, and consistent with the promotion of market efficiency, innovation, and expansion of investment opportunities, the protection of investors, and the maintenance of fair and orderly markets, the Commission and the Commodity Futures Trading Commission shall jointly issue such rules, regulations, or orders as are necessary and appropriate to permit the offer and sale of a security futures product traded on or subject to the rules of a foreign board of trade to United States persons.

(2) The rules, regulations, or orders adopted under paragraph (1) shall take into account, as appropriate, the nature and size of the markets that the securities underlying the security futures product reflect.

(l) SECURITY-BASED SWAPS. It shall be unlawful for any person to effect a transaction in a security-based swap with or for a person that is not an eligible contract participant, unless such transaction is effected on a national securities exchange registered pursuant to subsection (b).

Federal Securities Laws and Regulations, Regulation, Reg. §240.6a-1., Securities and Exchange Commission, (Rule 6a-1) Application for Registration as a National Securities Exchange or Exemption From Registration Based on Limited Volume.

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- (a) An application for registration as a national securities exchange, or for exemption from such registration based on limited volume, shall be filed on Form 1 (§249.1 of this chapter), in accordance with the instructions contained therein.
- (b) Promptly after the discovery that any information filed on Form 1 was inaccurate when filed, the exchange shall file with the Commission an amendment correcting such inaccuracy.
- (c) Promptly after the discovery that any information in the statement, any exhibit, or any amendment was inaccurate when filed, the exchange shall file with the Commission an amendment correcting such inaccuracy.
- (d) Whenever the number of changes to be reported in an amendment, or the number of amendments filed, are so great that the purpose of clarity will be promoted by the filing of a new complete statement and exhibits, an exchange may, at its election, or shall, upon request of the Commission, file as an amendment a complete new statement together with all exhibits which are prescribed to be filed in connection with Form 1.

[Adopted in Release No. 34-4383, January 1, 1950, 14 F. R. 7759; amended in Release No. 34-40760 ([§86.101](#)), effective April 21, 1999, 63 F.R. 70844.]

[Compilation reference: [§21,306](#) .]

Federal Securities Laws and Regulations, Regulation, Reg. §240.6a-2., Securities and Exchange Commission, (Rule 6a-2) Amendments to Application.

[Click to open document in a browser](#)

(a) A national securities exchange, or an exchange exempted from such registration based on limited volume, shall file an amendment to Form 1, (§249.1 of this chapter), which shall set forth the nature and effective date of the action taken and shall provide any new information and correct any information rendered inaccurate, on Form 1, (§249.1 of this chapter), within 10 days after any action is taken that renders inaccurate, or that causes to be incomplete, any of the following:

- (1) Information filed on the Execution Page of Form 1, or amendment thereto; or
- (2) Information filed as part of Exhibits C, F, G, H, J, K or M, or any amendments thereto.

(b) On or before June 30 of each year, a national securities exchange, or an exchange exempted from such registration based on limited volume, shall file, as an amendment to Form 1, the following:

- (1) Exhibits D and I as of the end of the latest fiscal year of the exchange; and
- (2) Exhibits K, M, and N, which shall be up to date as of the latest date practicable within 3 months of the date the amendment is filed.

(c) On or before June 30, 2001 and every 3 years thereafter, a national securities exchange, or an exchange exempted from such registration based on limited volume, shall file, as an amendment to Form 1, complete Exhibits A, B, C and J. The information filed under this paragraph (c) shall be current as of the latest practicable date, but shall, at a minimum, be up to date within 3 months as of the date the amendment is filed.

(d)

(1) If an exchange, on an annual or more frequent basis, publishes, or cooperates in the publication of, any of the information required to be filed by paragraphs (b)(2) and (c) of this section, in lieu of filing such information, an exchange may:

(i) Identify the publication in which such information is available, the name, address, and telephone number of the person from whom such publication may be obtained, and the price of such publication; and

(ii) Certify to the accuracy of such information as of its publication date.

(2) If an exchange keeps the information required under paragraphs (b)(2) and (c) of this section up to date and makes it available to the Commission and the public upon request, in lieu of filing such information, an exchange may certify that the information is kept up to date and is available to the Commission and the public upon request.

(3) If the information required to be filed under paragraphs (b)(2) and (c) of this section is available continuously on an Internet web site controlled by an exchange, in lieu of filing such information with the Commission, such exchange may:

(i) Indicate the location of the Internet web site where such information may be found; and

(ii) Certify that the information available at such location is accurate as of its date.

(e) The Commission may exempt a national securities exchange, or an exchange exempted from such registration based on limited volume, from filing the amendment required by this section for any affiliate or subsidiary listed in Exhibit C of the exchange's application for registration, as amended, that either:

(1) Is listed in Exhibit C of the application for registration or notice of registration, as amended, of one or more other national securities exchanges; or

(2) Was an inactive subsidiary throughout the subsidiary's latest fiscal year. Any such exemption may be granted upon terms and conditions the Commission deems necessary or appropriate in the public interest or for the protection of investors, provided however, that at least one national securities exchange shall be required to file the amendments required by this section for an affiliate or subsidiary described in paragraph (e)(1) of this section.

(f) A national securities exchange registered pursuant to Section 6(g)(1) of the Act (15 U.S.C. 78f(g)(1)) shall be exempt from the requirements of this section.

[Adopted in Release No. 34-4383, January 1, 1950, 14 F. R. 7759; amended in Release No. 34-19814 ([¶83,357](#)), May 26, 1983, effective June 2, 1983, 48 F. R. 24664; and Release No. 34-35123 ([¶85,474](#)), effective January 27, 1995, 59 F.R. 66692; Release No. 34-40760 ([¶86,101](#)), effective April 21, 1999, 63 F.R. 70844; Release No. 34-44692 ([¶86,521](#)), effective August 20, 2001, 66 F.R. 43721.]

[Compilation reference: [¶21,307](#) .]

Federal Securities Laws and Regulations, Regulation, Reg. §240.6a-3., Securities and Exchange Commission, (Rule 6a-3) Supplemental Material to Be Filed by Exchanges.

[Click to open document in a browser](#)

(a)

(1) A national securities exchange, or an exchange exempted from such registration based on limited volume, shall file with the Commission any material (including notices, circulars, bulletins, lists, and periodicals) issued or made generally available to members of, or participants or subscribers to, the exchange. Such material shall be filed with the Commission within 10 days after issuing or making such material available to members, participants or subscribers.

(2) If the information required to be filed under paragraph (a)(1) of this section is available continuously on an Internet web site controlled by an exchange, in lieu of filing such information with the Commission, such exchange may:

(i) Indicate the location of the Internet web site where such information may be found; and

(ii) Certify that the information available at such location is accurate as of its date.

(b) Within 15 days after the end of each calendar month, a national securities exchange or an exchange exempted from such registration based on limited volume, shall file a report concerning the securities sold on such exchange during the calendar month. Such report shall set forth:

(1) The number of shares of stock sold and the aggregate dollar amount of such stock sold;

(2) The principal amount of bonds sold and the aggregate dollar amount of such bonds sold; and

(3) The number of rights and warrants sold and the aggregate dollar amount of such rights and warrants sold.

(c) A national securities exchange registered pursuant to Section 6(g)(1) of the Act (15 U.S.C. 78f(g)(1)) shall be exempt from the requirements of this section.

[Adopted in Release No. 34-4383, January 1, 1950, 14 F. R. 7759; amended by Release No. 34-5067, July 26, 1954, 19 F. R. 4723; Release No. 34-40760 ([§86.101](#)), effective April 21, 1999, 63 F.R. 70844; Release No. 34-44692 ([§86.521](#)), effective August 20, 2001, 66 F.R. 43721.]

[Compilation reference: [§21.308](#) .]

Federal Securities Laws and Regulations, Regulation, Reg. §240.6a-4., Securities and Exchange Commission, (Rule 6a-4) Notice of Registration Under Section 6(g) of the Act, Amendment to Such Notice, and Supplemental Materials to be Filed by Exchanges Registered under Section 6(g) of the Act.

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(a) Notice of registration.

(1) An exchange may register as a national securities exchange solely for the purposes of trading security futures products by filing Form 1-N (§249.10 of this chapter) ("notice of registration"), in accordance with the instructions contained therein, if:

(i) The exchange is a board of trade, as that term is defined in the Commodity Exchange Act (7 U.S.C. 1a(2)), that:

(A) Has been designated a contract market by the Commodity Futures Trading Commission and such designation is not suspended by order of the Commodity Futures Trading Commission; or

(B) Is registered as a derivative transaction execution facility under Section 5a of the Commodity Exchange Act (7 U.S.C. 7a) and such registration is not suspended by the Commodity Futures Trading Commission; and

(ii) Such exchange does not serve as a market place for transactions in securities other than:

(A) Security futures products; or

(B) Futures on exempted securities or on groups or indexes of securities or options thereon that have been authorized under Section 2(a)(1)(C) of the Commodity Exchange Act (7 U.S.C. 2a).

(2) Promptly after the discovery that any information filed on Form 1-N (§249.10 of this chapter) was inaccurate when filed, the exchange shall file with the Commission an amendment correcting such inaccuracy.

(b) Amendment to notice of registration.

(1) A national securities exchange registered pursuant to Section 6(g)(1) of the Act (15 U.S.C. 78f(g)(1)) ("Security Futures Product Exchange") shall file an amendment to Form 1-N (§249.10 of this chapter), which shall set forth the nature and effective date of the action taken and shall provide any new information and correct any information rendered inaccurate, on Form 1-N (§249.10 of this chapter), within:

(i) Ten days after any action is taken that renders inaccurate, or that causes to be incomplete, any information filed on the Execution Page of Form 1-N (§249.10 of this chapter), or amendment thereto; or

(ii) 30 days after any action is taken that renders inaccurate, or that causes to be incomplete, any information filed as part of Exhibit F to Form 1-N (§249.10 of this chapter), or any amendments thereto.

(2) A Security Futures Product Exchange shall maintain records relating to changes in information required in Exhibits C and E to Form 1-N (§249.10 of this chapter) which shall be current of as of the

latest practicable date, but shall, at a minimum, be up-to-date within 30 days. A Security Futures Product Exchange shall make such records available to the Commission and the public upon request.

(3) On or before June 30, 2002, and by June 30 every year thereafter, a Security Futures Product Exchange shall file, as an amendment to Form 1-N (§249.10 of this chapter), Exhibits F, H, and I, which shall be current of as of the latest practicable date, but shall, at a minimum, be up-to-date within three months as of the date the amendment is filed.

(4) On or before June 30, 2004, and by June 30 every three years thereafter, a Security Futures Product Exchange shall file, as an amendment to Form 1-N (§249.10 of this chapter), complete Exhibits A, B, C, and E, which shall be current of as of the latest practicable date, but shall, at a minimum, be up-to-date within three months as of the date the amendment is filed.

(5)

(i) If a Security Futures Product Exchange, on an annual or more frequent basis, publishes, or cooperates in the publication of, any of the information required to be filed by paragraphs (b)(3) and (b)(4) of this section, in lieu of filing such information, a Security Futures Product Exchange may satisfy this filing requirement by:

(A) Identifying the publication in which such information is available, the name, address, and telephone number of the person from whom such publication may be obtained, and the price of such publication; and

(B) Certifying to the accuracy of such information as of its publication date.

(ii) If a Security Futures Product Exchange keeps the information required under paragraphs (b)(3) and (b)(4) of this section up-to-date and makes it available to the Commission and the public upon request, in lieu of filing such information, a Security Futures Product Exchange may satisfy this filing requirement by certifying that the information is kept up-to-date and is available to the Commission and the public upon request.

(iii) If the information required to be filed under paragraphs (b)(3) and (b)(4) of this section is available continuously on an Internet web site controlled by a Security Futures Product Exchange, in lieu of filing such information with the Commission, such Security Futures Product Exchange may satisfy this filing requirement by:

(A) Indicating the location of the Internet web site where such information may be found; and

(B) Certifying that the information available at such location is accurate as of its date.

(6)

(i) The Commission may exempt a Security Futures Product Exchange from filing the amendment required by this section for any affiliate or subsidiary listed in Exhibit C to Form 1-N (§249.10 of this chapter), as amended, that either:

(A) Is listed in Exhibit C to Form 1 (§249.1 of this chapter) or to Form 1-N (§249.10 of this chapter), as amended, of one or more other national securities exchanges; or

(B) Was an inactive affiliate or subsidiary throughout the affiliate's or subsidiary's latest fiscal year.

(ii) Any such exemption may be granted upon terms and conditions the Commission deems necessary or appropriate in the public interest or for the protection of investors, provided however,

that at least one national securities exchange shall be required to file the amendments required by this section for an affiliate or subsidiary described in paragraph (b)(6)(i) of this section.

(7) If a Security Futures Product Exchange has filed documents with the Commodity Futures Trading Commission, to the extent that such documents contain information satisfying the Commission's informational requirements, copies of such documents may be filed with the Commission in lieu of the required written notice.

(c) Supplemental material to be filed by Security Futures Product Exchanges.

(1)

(i) A Security Futures Product Exchange shall file with the Commission any material related to the trading of security futures products (including notices, circulars, bulletins, lists, and periodicals) issued or made generally available to members of, participants in, or subscribers to, the exchange. Such material shall be filed with the Commission within ten days after issuing or making such material available to members, participants, or subscribers.

(ii) If the information required to be filed under paragraph (c)(1)(i) of this section is available continuously on an Internet web site controlled by an exchange, in lieu of filing such information with the Commission, such exchange may:

(A) Indicate the location of the Internet web site where such information may be found; and

(B) Certify that the information available at such location is accurate as of its date.

(2) Within 15 days after the end of each calendar month, a Security Futures Product Exchange shall file a report concerning the security futures products traded on such exchange during the previous calendar month. Such a report shall:

(i) For each contract of sale for future delivery of a single security, the number of contracts traded on such exchange during the relevant calendar month and the total number of shares underlying such contracts traded; and

(ii) For each contract of sale for future delivery of a narrow-based security index, the number of contracts traded on such exchange during the relevant calendar month and the total number of shares represented by the index underlying such contracts traded.

[Adopted in Release No. 34-44692 ([§86.521](#)), effective August 20, 2001, 66 F.R. 43721.]

[Compilation reference: [§21,309](#) .]

Federal Securities Laws and Regulations, Regulation, Reg. §240.6h-1, Securities and Exchange Commission, (Rule 6h-1) Settlement and Regulatory Halt Requirements for Security Futures Products

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(a) For the purposes of this section:

(1) *Opening price* means the price at which a security opened for trading, or a price that fairly reflects the price at which a security opened for trading, during the regular trading session of the national securities exchange or national securities association that lists the security. If the security is not listed on a national securities exchange or a national securities association, then *opening price* shall mean the price at which a security opened for trading, or a price that fairly reflects the price at which a security opened for trading, on the primary market for the security.

(2) *Regular trading session* of a security means the normal hours for business of a national securities exchange or national securities association that lists the security.

(3) *Regulatory halt* means a delay, halt, or suspension in the trading of a security, that is instituted by the national securities exchange or national securities association that lists the security, as a result of:

(i) A determination that there are matters relating to the security or issuer that have not been adequately disclosed to the public, or that there are regulatory problems relating to the security which should be clarified before trading is permitted to continue; or

(ii) The operation of circuit breaker procedures to halt or suspend trading in all equity securities trading on that national securities exchange or national securities association.

(b) *Final settlement prices for security futures products.*

(1) The final settlement price of a cash-settled security futures product must fairly reflect the opening price of the underlying security or securities.

(2) Notwithstanding paragraph (b)(1) of this section, if an opening price for one or more securities underlying a security futures product is not readily available, the final settlement price of the security futures product shall fairly reflect:

(i) The price of the underlying security or securities during the most recent regular trading session for such security or securities; or

(ii) The next available opening price of the underlying security or securities.

(3) Notwithstanding paragraph (b)(1) or (b)(2) of this section, if a clearing agency registered under Section 17A of the Act (15 U.S.C. 78q-1), or exempt from registration pursuant to Section 17A(b)(7) of the Act (15 U.S.C. 78q-1(b)(7)), to which the final settlement price of a security futures product is or would be reported determines, pursuant to its rules, that such final settlement price is not consistent with the protection of investors and the public interest, taking into account such factors as fairness to buyers and sellers of the affected security futures product, the maintenance of a fair and orderly market in such security futures product, and consistency of interpretation and practice, the clearing agency shall have the authority to determine, under its rules, a final settlement price for such security futures product.

(c) *Regulatory trading halts.* The rules of a national securities exchange or national securities association registered pursuant to Section 15A(a) of the Act (15 U.S.C. 78o-3(a)) that lists or trades one or more security futures products must include the following provisions:

(1) Trading of a security futures product based on a single security shall be halted at all times that a regulatory halt has been instituted for the underlying security; and

(2) Trading of a security futures product based on a narrow-based security index shall be halted at all times that a regulatory halt has been instituted for one or more underlying securities that constitute 50 percent or more of the market capitalization of the narrow-based security index.

(d) The Commission may exempt from the requirements of this section, either unconditionally or on specified terms and conditions, any national securities exchange or national securities association, if the Commission determines that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors. An exemption granted pursuant to this paragraph shall not operate as an exemption from any Commodity Futures Trading Commission rules. Any exemption that may be required from such rules must be obtained separately from the Commodity Futures Trading Commission.

[Added in Release No. 34-45956 (186,642), effective June 24, 2002, 67 F.R. 36740.]

[**Compilation reference: ¶21,453 .]**

Federal Securities Laws and Regulations, Regulation, Reg. §240.6h-2., Securities and Exchange Commission, (Rule 6h-2) Security future based on note, bond, debenture, or evidence of indebtedness.

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A security future may be based upon a security that is a note, bond, debenture, or evidence of indebtedness or a narrow-based security index composed of such securities.

[Added by Release No. 34-54106 ([187.612](#)), effective August 12, 2006, 71 F.R. 39534.]

[Compilation reference: [121.454](#) .]

**Federal Securities Laws and Regulations, Regulation, Reg.
§240.7c2-1., Securities and Exchange Commission, (Rule 7c2-1) Exemption
from Section 7(c)(2) of Certain Securities Exempted from Registration or
Admitted to Trading on Exchanges Exempted from Registration**

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[Rescinded in Release No. 34-26180 (¶84,338), effective October 20, 1988, 53 F.R. 41205.]

Michigan House of Representatives
Commerce Committee
February 12, 2014

Tab 2

SEC-Recognized Exchanges



Division of Trading and Markets

About the Division

Broker-Dealers

Banks and Other
Depository
Institutions

Credit Rating
Agencies

Exchanges

Over-the-Counter
Markets

ECNs/Alternative
Trading Systems

National Market
System

Municipal Markets

Clearing Agencies

Transfer Agents

Additional Topics

Frequently
Requested
Documents

Exchanges

A "national securities exchange" is a securities exchange that has registered with the SEC under [Section 6](#) of the Securities Exchange Act of 1934.

There are currently sixteen securities exchanges registered with the SEC under Section 6(a) of the Exchange Act as [national securities exchanges](#):

- [NYSE MKT LLC](#) (formerly NYSE AMEX and the American Stock Exchange)
- [BATS Exchange, Inc.](#)
- [BATS Y-Exchange, Inc.](#)
- [BOX Options Exchange LLC](#)
- [NASDAQ OMX BX, Inc.](#) (formerly the Boston Stock Exchange)
- [C2 Options Exchange, Incorporated](#)
- [Chicago Board Options Exchange, Incorporated](#)
- [Chicago Stock Exchange, Inc.](#)
- [EDGA Exchange, Inc.](#)
- [EDGX Exchange, Inc.](#)
- [International Securities Exchange, LLC](#)
- [The Nasdaq Stock Market LLC](#)
- [National Stock Exchange, Inc.](#)
- [New York Stock Exchange LLC](#)
- [NYSE Arca, Inc.](#)
- [NASDAQ OMX PHLX, Inc.](#) (formerly Philadelphia Stock Exchange)

Certain exchanges are also registered with the SEC through a notice filing under Section 6(g) of the Exchange Act for the purpose of trading security futures.

- [Board of Trade of the City of Chicago, Inc.](#)
- [CBOE Futures Exchange, LLC](#)
- [Chicago Mercantile Exchange](#)
- [One Chicago, LLC](#)
- The Island Futures Exchange, LLC
- NQLX LLC

There are also two exchanges that the SEC has exempted from registration as national securities exchanges on the basis of a limited volume of transactions:

- Arizona Stock Exchange
- [SWX Europe Limited](#) (f/k/a Virt-x)

Recently Approved Exchange Applications

- [BOX Options Exchange LLC](#)
- [BATS Y-Exchange, Inc.](#)
- [EDGA Exchange, Inc.](#)

- [EDGX Exchange, Inc.](#)
- [C2 Options Exchange, Incorporated](#)
- [BATS Exchange, Inc.](#)
- [The Nasdaq Stock Market LLC](#)

Additional Information

- [Link to SRO Rule Filings](#)
- [Guidance on SRO Automation](#)
- [Disclosure of Order Execution and Order Routing Information](#)
- [Order Execution Data](#)
- [Archives](#)

<http://www.sec.gov/divisions/marketreg/mrexchanges.shtml>

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Michigan House of Representatives
Commerce Committee
February 12, 2014

Tab 3

Shane B. Hansen Professional Background

SHANE B. HANSEN
BIOGRAPHICAL SUMMARY



SHANE B. HANSEN is a partner and co-chairs the Funds and Investment Services Practice in the law firm of Warner Norcross & Judd LLP. His law practice concentrates in the area of financial services regulation, primarily involving federal and state securities and banking laws and related rules. He advises broker-dealers, M&A and business brokers, banks, investment advisers, investment managers, private fund advisers, financial planners, and registered representatives about corporate, contract, compliance, and regulatory topics, and frequently speaks on these topics. He has substantial experience involving formations, mergers, acquisitions, and sales of financial services firms and practices. He has testified before the Committee on Financial Services of the U.S. House of Representatives about the regulation of merger and acquisition advisors and business brokers and H.R. 2274, *the Small Business Mergers, Acquisitions, and Sales Brokerage Simplification Act of 2013*, which unanimously passed (422-0) the U.S. House of Representatives on January 14, 2014. He was recognized in *The Best Lawyers in America[®], Corporate Law and Securities Regulation, 2007 through 2014 editions* and named a “super lawyer” in the 2006, 2007, and 2009 through 2013 editions of *Michigan Super Lawyers[®]*.

Mr. Hansen chairs the Committee on State Regulation of Securities, Business Law Section, American Bar Association (2011-present). He also co-chairs its Subcommittee of Liaisons to Securities Administrators in the U.S. and Canada (2007-present). He is an active member of the ABA’s Committee on Federal Securities Regulation and the State Bar of Michigan’s Securities and Financial Institutions Committees. Other professional memberships and associate memberships include the Compliance and Legal Society of the Securities Industry and Financial Markets Association (SIFMA), the Financial Services Institute (FSI), the Investment Adviser Association (IAA), the Financial Planning Association (FPA), and the National Society of Compliance Professionals (NSCP). Mr. Hansen graduated with honors from the University of Michigan Law School in 1982. He graduated with high honors from Albion College in 1979.

Warner Norcross & Judd LLP is a full service law firm with over 220 attorneys practicing from seven offices located in Grand Rapids, Southfield, Holland, Kalamazoo, Muskegon, Lansing, Midland, and Macomb County, Michigan. The firm’s Funds and Investment Services Practice is an interdisciplinary group of attorneys and securities compliance consultants with substantial experience in the matters important to broker-dealers, investment advisers, financial planners, M&A intermediaries and business brokers, finders, and others who may be subject to federal and state securities laws, rules and regulations, as well as FINRA rules, regulation, and enforcement. Client matters include corporate, contracts, formation and registration, compliance, mergers and acquisitions, as well as preparing for and responding to examinations, enforcement, customer arbitration, and litigation. Other common client matters include human resources, labor, and benefits, trusts and estates, and tax issues. The firm represents a wide range of clients from large to small, with various business models, and located in various parts of the country.

More information about Shane and Warner Norcross & Judd LLP can be found on the Internet at: www.wnj.com. He can be reached at 616-752-2145 or shansen@wnj.com.

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Tab 4

Hugh H. Makens Professional Background

Hugh H. Makens

Of Counsel | hmakens@wnj.com

Grand Rapids | T 616.752.2117 | F 616.222.2117



Hugh Makens has been involved in the securities industry for more than 35 years as an attorney, regulator and adviser. He was a director at the Michigan Corporation & Securities Bureau for the Michigan Department of Commerce (1972-1978) and a trial attorney with the U.S. Securities & Exchange Commission (1966-1972). For more than 35 years he has represented broker-dealers, investment advisers, issuers, regulatory authorities and industry professionals regarding compliance with securities regulatory requirements, investigations and regulatory proceedings. He is the former chair of the firm's Broker-Dealer and Investment Adviser Law and Regulation Practice Group. He is an adjunct professor of securities law at Michigan State University College of Law and a member of the Lexis/Nexis Securities Board of Editors.

Publications

- "Ethical Issues; Due Diligence; Responsibilities of Counsel," ALI-ABA Court of Study, Regulation D Offerings and Private Placements, 1988-2013
- "Where was the SEC? After the Crash, Where Will It Go?," Michigan State University College of Law, Midwest Securities Law Institute, October 12, 2012
- Sommer, *Securities Law Techniques*, "Blue Sky Litigation," Administrative Enforcement Proceedings Under the Uniform Securities Act; Government Civil and Criminal Litigation; and Private Civil Litigation and Arbitration, Matthew Bender publication 2012, author: Chapter 93, Vol. 7
- "The Crash: Cause, Effect, and Consequences," Michigan State University College of Law, Midwest Securities Law Institute, October 15, 2010
- Makens, Hugh H., and Larson, James L., "Fair Value Pricing," *NSCP Currents*, May/June 2003
- Makens, Hugh H., "Finders in No-Man's Land," *The Blue Sky Bugle*, Vol. 2002, No. 1, March 2002

Industries

- Financial Services

Practices

- Business and Corporate Services
- Funds and Investment Services
- Securities Law

Honors and Awards

- Super Lawyers National
- *Best Lawyers in America*, Corporate Law, Securities/Capital Markets Law and Securities Regulation, 1983-Present
- *Best Lawyers'* 2013-2014 Grand Rapids Securities Regulation Lawyer of the Year
- *Best Lawyers'* 2012 Grand Rapids Securities/Capital Markets Lawyer of the Year
- *Best Lawyers'* 2011 Grand Rapids Corporate Lawyer of the Year
- Named to Michigan Super Lawyers 2006-Present
- AV Preeminent Peer Review Rated, Martindale-Hubbell
- Leader in corporate law and mergers and acquisitions in Michigan, *Chambers USA 2009*
- State Bar of Michigan's Stephen H. Schulman Outstanding Business Lawyer Award, 2006

Education

- Northwestern University J.D. 1964
- Michigan Technological University B.S.B.A. 1961 cum laude

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- † Report and Recommendations of the Task Force on Private Placement Broker-Dealers, 6/7/2005

Professional Affiliations

- † Division of Securities
Michigan Office of Financial and Insurance Services; Office of Financial and Insurance Services
- † National Endowment for Financial Education
Board of Trustees (2007-2012)

- North American Securities Administrators Association
Past President; Uniform Requirements Committee, Past Chairman; ALI-ABA Proposed Federal Code Committee, Past Vice Chairman; Real Estate Limited Partnership Committee; Oil & Gas Committee; CGTC Liaison Committee; Ombudsman Industry Attorney Advisor
- Michigan Corporation & Securities
Advisory Committee
- Midwest Association of Securities Administrators
Franchise Law Committee, Past Chairman; Real Estate Limited Partnership Committee, Past Vice President
- U.S. Securities & Exchange Commission
Report Coordinating Group
- The Nasdaq Stock Market, Inc.
Market Operations Review Committee (1996-2006)
- Lexis Nexis
Securities Board of Editors (2006-Present)
- Michigan Technological University
Member, Academy of Business; Member, Applied Management Program Advisory Board for the School of Business and Economics

Bar Associations

- American Bar Association
Section of Business Law, Council Member (2003-07); Institutes and Seminars Committee, Chair (1999-2003); Meeting Committee, Chair (1995-98); eSource Newsletter, Editorial Board (2006-09); Law Practice Management Section; Special Committee to Study Market Structure, Listings Standards and Corporate Governance, proposing governance best practices and disclosure policies for the New York Stock Exchange and Nasdaq, Member (2000-02); State Regulation of Securities Committee, Chairman (1983-86), Subcommittee on Liaison with Securities Administrators and NASD, Subcommittee on Merit Regulation, Subcommittee on Private Offering Exemption and Simplification of Capital Formation; Federal Regulation of Securities Committee, Subcommittee on Market Regulation, Subcommittee on Small Business, Subcommittee on Securities of Insurance Companies
- Federal Bar Association
Detroit Chapter, Past Treasurer, Past Secretary, Past Vice President; Grand Rapids Chapter, Present Member
- State Bar of Michigan
Business Law Section, Chairman (1984-85), Ex-Officio Member of the Council; Uniform Securities Act of 2002 Task Force Co-chair; Administrative Law Section; International Law Section
- Grand Rapids Bar Association
- State Bar of Illinois

Teaching and Lecturing

- University of Michigan Law School-State and Federal Securities Laws
- Wayne State University Law School-State and Federal Securities Laws
- Michigan Technological University

- Michigan Institute for Continuing Legal Education-Various programs on Corporation, Securities, Real Estate and Franchise Laws
- Illinois Institute for Continuing Legal Education-Franchise Law

Speaking Engagements

- Changes In the Practice of Securities Law In Michigan Over the Past 25 Years, Institute for Continuing Legal Education and Business Law Section of the State Bar of Michigan, Grand Rapids, June 7, 2013
- JOBS Act: Fertile Ground for Litigation, NASAA 2012 Annual Conference, September 9, 2012
- Where was the SEC? After the Crash, Where Will It Go? Michigan State University College of Law, Midwest Securities Law Institute, October 12, 2012
- National Association of Securities Dealers, Inc.
- North American Securities Administrators Association
- National Society of Compliance Professionals
- International Association for Financial Planning
- Securities Industry Association
- American Bar Association-Business Law Section
- Practising Law Institute-Blue Sky Law and Regulation D Programs
- American Law Institute-American Bar Association-Regulation D Offerings
- Private Placements and Other Exempt Offerings; Broker-Dealer Regulation
- Frequent guest lecturer at service clubs on business and securities topics