



Consumer Federation of America

July 12, 2016

Vote NO on H.R. 5421, the “National Securities Exchange Regulatory Parity Act”

We understand that H.R. 5421, the “National Securities Exchange Regulatory Parity Act,” is scheduled to be brought up for a vote today in the House. Despite its innocuous title, this bill would create potentially sweeping preemption of state oversight of small local securities offerings without increasing federal oversight to compensate. We therefore urge you to vote no on this deceptively dangerous bill.

Congress has exempted certain “covered securities” from state-level protections against fraud and abuse, but only where these securities meet listing standards imposed by leading national exchanges. The intent was to provide uniform national treatment for stocks of established companies that trade in national markets, while retaining state oversight of smaller, more local offerings.

This legislation represents a backdoor attempt to broadly preempt state oversight of even many smaller, more local offerings. It would do so by sweeping aside the requirement that companies meet listing standards comparable to those of leading national exchanges in order to be deemed “covered securities.” Instead, it would condition the definition solely on listing on any exchange approved by the SEC, with a requirement that the SEC adopt minimum listing standards but with no requirement that those listing standards match the protections afforded by the listing standards of leading national exchanges.

This proposal is particularly troubling in the context of recent discussions regarding possible creation of a new venture capital exchange, with listing standards specifically designed for the types of smaller offerings appropriately subject to state review. If this approach were adopted, investors could be left without the protections afforded by state oversight, without the protections afforded by high listing standards, and without any reasonable hope that the SEC will be able to provide effective oversight at the federal level.

We therefore urge you to vote no.

Respectfully submitted,

Barbara Roper
Director of Investor Protection