Rep. Tom Emmer on Emmer Speaks in Support of the Main Street Growth Act

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**REP. TOM EMMER:

** Mr. Speaker, I, too, rise in support of H.R. 5877, the Main Street Growth Act. Ever since the JOBS Act was signed into law, Congress has worked hard to build on its success to ensure that American businesses, entrepreneurs, and investors are able to realize the real and potential benefits that make our markets the envy of the world. The Main Street Growth Act continues that discussion. Approved by the House Financial Services Committee by a vote of 56-0, this legislation will facilitate the creation of venture exchanges, a concept many see as a viable means to encourage more early-stage IPOs and improve capital formation. When businesses go public, jobs are created and new centers of wealth are formed. In fact, a 2012 study found that for the 2,766 companies that participated in an IPO between 1996 and 2010, total employment across these businesses increased by 2.2 million jobs while total revenue increased by over $1 trillion. Unfortunately, sustaining and encouraging more companies to move forward with an IPO has proven difficult over time. Every year for the past two decades, the number of public companies in the United States has dropped, with the only exception being the year Congress passed the JOBS Act. Since 2009, the number of U.S.-listed IPOs, on average, has hovered at fewer than 200 a year, well below the previous decade's average. While there are a multitude of factors that a company takes into consideration when determining whether to go public, one such calculation is whether or not the current market structure fosters an active and liquid secondary trading environment for that company's securities. Ensuring there is a place for investors to easily trade and sell their securities is often a key determinant in a decision not to list if the business owner is not confident that such a marketplace exists. Small business hesitation when making this determination is not unfounded. According to the U.S. Securities and Exchange Commission, small-cap stocks, or those with capitalization below $100 million, typically exhibit the least liquidity, while mid-cap stocks with capitalization between $2 billion and $5 billion tend to exhibit a greater amount of liquidity. Recognizing the continued challenges we face in courting new IPOs and understanding that liquidity is key for small companies interested in going public, as well as securities currently trading in the marketplace, it is clear that we must take steps to better tailor our markets in order to account for the varying size and nature of potential public companies if we are to encourage new capital formation. Here is where the Main Street Growth Act can help. Under the Main Street Growth Act, an entity can register with the SEC to establish a venture exchange. This is designed specifically to support the trading of small and emerging companies, as well as currently listed but liquidity-challenged securities. These venture exchanges will trade venture securities, which include early-stage and emerging growth companies, as well as securities currently trading in the marketplace but are below a certain public float or average daily trade volume threshold. In my home state of Minnesota, there are more than 30 companies currently listed on an exchange that may meet the necessary criteria to explore the benefits of a new venture exchange as envisioned by this legislation. Additionally, there are over 130 Minnesota-based companies that are not listed publicly and have utilized private means of funding for their businesses but could qualify to list on a venture exchange to improve their ability to create new growth and employment opportunities. The Main Street Growth Act includes important provisions to concentrate liquidity by ensuring that the trading of securities listed on a venture exchange may only occur on that venture exchange. Also, utilizing the current exchange model serves as an efficient way to ensure investor protection while improving their standing in our capital markets. The Main Street Growth Act is a consensus bill with input from my colleagues on both sides of the aisle and with the administration as well, and it directly complements SE Chairman Clayton's ongoing efforts to quote, examine whether the current market structure meets the needs of all types of companies that have the potential to be public companies. I would like to extend my gratitude to the Chairman and Ranking Member of the Financial Services Committee and their staff for their tireless work on this legislation and the issues related to improving capital formation in the United States. I encourage my colleagues to join me in supporting H.R. 5877 and I yield back the remainder of my time.

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