

February 12, 2014

Yesterday, the House passed HR 3448, the Small Cap Liquidity Reform Act, by a vote of 412 to 4.

Next Step - The Bill will now move over to the Senate, who may or may not, decide to pick it up and draft similar legislation.

Summary of HR 3448

Small Cap Liquidity Reform Act of 2013 - Amends the Securities Exchange Act of 1934 to establish a liquidity pilot program for securities of emerging growth companies (EGC) **with total annual gross revenues of less than \$750 million**, under which **those securities shall be quoted using either**: (1) a minimum increment of \$0.05, (2) a minimum increment of \$0.10, or (3) the increment at which the securities would be quoted without regard to such minimum increments.

Repeals the requirement for a Securities and Exchange Commission (SEC) study examining the transition to trading and quoting securities in one penny increments, known as decimalization.

Requires EGC securities quoted at a minimum increment of \$0.05 or \$0.10 to be traded at either such minimum increment or at one permitted by SEC regulations.

Prescribes procedures for an EGC board of directors to elect either to opt out or to change the minimum increment.

Prescribes pricing and trading procedures governing securities trading below \$1.00.

Directs the SEC to require an EGC under this Act to submit additional reports and disclosures.

Shields an issuer from liability for losses caused solely by the quoting or trading of its securities at a minimum increment of \$0.05, \$0.10, or another SEC-authorized increment.

Directs the SEC to report biannually to Congress on: (1) the quoting and trading of securities in increments permitted by this Act, and (2) the extent to which such quoting and trading increases liquidity and active trading by incentivizing capital commitment, research coverage, and brokerage support.

Complete Text of HR 3448 [here](#)