

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4745

To provide a framework for Securities and Exchange Commission supervision and regulation of derivatives activities, and for other purposes.

---

IN THE HOUSE OF REPRESENTATIVES

JULY 13, 1994

Mr. MARKEY (for himself and Mr. SYNAR) introduced the following bill; which was referred to the Committee on Energy and Commerce

---

## A BILL

To provide a framework for Securities and Exchange Commission supervision and regulation of derivatives activities, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Derivatives Dealers  
5 Act of 1994”.

6       **SEC. 2. DEFINITIONS.**

7       Section 3(a) of the Securities Exchange Act of 1934  
8 (15 U.S.C. 78c(a)) is amended by adding at the end the  
9 following new paragraphs:

1           “(53) The term ‘derivative’ means any financial  
2 contract or other instrument that derives its value  
3 from the value or performance of any security, cur-  
4 rency exchange rate, or interest rate (or group or  
5 index thereof), but does not include—

6           “(A) any security that is traded on a na-  
7 tional securities exchange or on an automated  
8 interdealer quotation system sponsored by a se-  
9 curities association registered under section  
10 15A of this title;

11           “(B) any forward contract which has a  
12 maturity at the time of issuance not exceeding  
13 270 days;

14           “(C) any contract of sale of a commodity  
15 for future delivery, or any option on such a con-  
16 tract, traded or executed on a designated con-  
17 tract market and subject to regulation under  
18 the Commodity Exchange Act; or

19           “(D) any deposit held by a financial insti-  
20 tution.

21           “(54) The term ‘derivatives dealer’ means any  
22 person engaged in the business of buying, selling, or  
23 entering into derivatives for his own account, but  
24 does not include—

1           “(A) any person insofar as such person  
2           buys, sells, or enters into derivatives for his own  
3           account, either individually or in a fiduciary ca-  
4           pacity, but not as part of a regular business; or

5           “(B) any financial institution.

6           “(55) The term ‘material associated person’  
7           means any associated person of a broker, dealer,  
8           government securities broker, government securities  
9           dealer, municipal securities dealer, or derivatives  
10          dealer (other than a natural person) whose business  
11          activities are reasonably likely to have a material im-  
12          pact on the financial or operational condition of any  
13          such broker, dealer, government securities broker,  
14          government securities dealer, municipal securities  
15          dealer, or derivatives dealer, including on its net  
16          capital, its liquidity, or its ability to conduct or fi-  
17          nance its operations.

18          “(56) The term ‘person associated with a de-  
19          rivatives dealer’ or ‘associated person of a deriva-  
20          tives dealer’ means any partner, officer, director, or  
21          branch manager of such derivatives dealer (or any  
22          person occupying a similar status or performing  
23          similar functions), and any other employee of such  
24          derivatives dealer who is engaged in the manage-  
25          ment, direction, supervision, or performance of any

1 activities relating to derivatives, and any person di-  
 2 rectly or indirectly controlling, controlled by, or  
 3 under common control with such derivatives dealer.

4 “(57) The term ‘designated examining author-  
 5 ity’ means the national securities exchange or reg-  
 6 istered securities association of which a registered  
 7 broker or dealer is a member, and if such broker or  
 8 dealer is a member of more than 1 such self-regu-  
 9 latory organization, the organization designated by  
 10 the Commission as the principal examining authority  
 11 for such broker or dealer.”.

## 12 **TITLE I—DERIVATIVES DEALERS**

### 13 **SEC. 101. DERIVATIVES DEALER REGISTRATION.**

14 The Securities Exchange Act of 1934 is hereby  
 15 amended by inserting after section 15C (15 U.S.C. 780-  
 16 5) the following new section:

#### 17 **“SEC. 15D. DERIVATIVES DEALERS.**

18 “(a) REGISTRATION REQUIRED.—

19 “(1) REGISTRATION OF DERIVATIVES DEAL-  
 20 ERS.—

21 “(A) REGISTRATION REQUIREMENT.—It  
 22 shall be unlawful for any derivatives dealer  
 23 (other than a registered broker or dealer, or a  
 24 material associated person of a registered  
 25 broker or dealer that has filed notice in accord-

1           ance with subparagraph (B) of this paragraph)  
2           to make use of the mails or any means or in-  
3           strumentality of interstate commerce to effect  
4           any transaction in, or to induce or attempt to  
5           induce the purchase or sale of, any derivative  
6           unless such derivatives dealer is registered in  
7           accordance with paragraph (2) of this sub-  
8           section.

9           “(B) MATERIAL ASSOCIATED PERSONS OF  
10          BROKERS AND DEALERS.—

11           “(i) NOTICE REQUIREMENT.—It shall  
12          be unlawful for any derivatives dealer that  
13          is a material associated person of a reg-  
14          istered broker or dealer (other than a ma-  
15          terial associated person of a registered  
16          broker or dealer that is itself a registered  
17          broker or dealer, or a derivatives dealer  
18          that is registered in accordance with para-  
19          graph (2) of this subsection) to make use  
20          of the mails or any means or instrumentality  
21          of interstate commerce to effect any  
22          transaction in, or to induce or attempt to  
23          induce the purchase or sale of, any deriva-  
24          tive unless such derivatives dealer has filed  
25          with the Commission written notice that it

1 is a derivatives dealer. When such a de-  
2 rivatives dealer ceases to act as such it  
3 shall file with the Commission a written  
4 notice that it is no longer acting as a de-  
5 rivatives dealer.

6 “(ii) FORM OF NOTICE.—Such notices  
7 shall be in such form and contain such in-  
8 formation concerning a derivatives dealer  
9 and any persons associated with such de-  
10 rivatives dealer as the Commission shall,  
11 by rule, prescribe as necessary or appro-  
12 priate in the public interest or for the pro-  
13 tection of investors.

14 “(2) REGISTRATION PROCEDURE.—A deriva-  
15 tives dealer subject to the registration requirement  
16 of paragraph (1)(A) of this subsection may be reg-  
17 istered by filing with the Commission an application  
18 for registration in such form and containing such in-  
19 formation and documents concerning such deriva-  
20 tives dealer and any of its associated persons as the  
21 Commission, by rule, may prescribe as necessary or  
22 appropriate in the public interest or for the protec-  
23 tion of investors. Within 45 days of the date of filing  
24 of such application (or within such longer period as

1 to which the applicant consents), the Commission  
2 shall—

3 “(A) by order grant registration, or

4 “(B) institute proceedings to determine  
5 whether registration should be denied. Such  
6 proceedings shall include notice of the grounds  
7 for denial under consideration and opportunity  
8 for hearing and shall be concluded within 120  
9 days of the date of the filing of the application  
10 for registration. At the conclusion of such pro-  
11 ceedings, the Commission, by order, shall grant  
12 or deny such registration. The order granting  
13 registration shall not be effective until such de-  
14 rivatives dealer has become a member of a secu-  
15 rities association registered under section 15A  
16 of this title, unless the Commission has exempt-  
17 ed such derivatives dealer, by rule or order,  
18 from such membership. The Commission may  
19 extend the time for the conclusion of such pro-  
20 ceedings for up to 90 days if it finds good cause  
21 for such extension and publishes its reasons for  
22 so finding or for such longer period as to which  
23 the applicant consents.

24 The Commission shall grant the registration of a de-  
25 rivatives dealer if the Commission finds that the re-

1        requirements of this section are satisfied. The Com-  
2        mission shall deny such registration if it does not  
3        make such a finding or if it finds that if the appli-  
4        cant were so registered, its registration would be  
5        subject to suspension or revocation under subsection  
6        (c) of this section.

7            “(3) PROHIBITED CONDUCT.—Any provision of  
8        this title (other than section 5 or paragraph (1) of  
9        this subsection) which prohibits any act, practice, or  
10       course of business if the mails or any means or in-  
11       strumentality of interstate commerce is used in con-  
12       nection therewith shall also prohibit any such act,  
13       practice, or course of business by any derivatives  
14       dealer registered or having filed notice under para-  
15       graph (1) of this subsection or any person acting on  
16       behalf of such derivatives dealer, irrespective of any  
17       use of the mails or any means or instrumentality of  
18       interstate commerce in connection therewith.

19            “(4) EXEMPTIONS.—The Commission, by rule  
20       or order, upon the Commission’s own motion or  
21       upon application, may conditionally or uncondition-  
22       ally exempt any derivatives dealer, or class of deriva-  
23       tives dealers, from any provision of this section, or  
24       the rules thereunder, if the Commission finds that  
25       such exemption is consistent with the public interest,

1 the protection of investors, and the purposes of this  
2 title.

3 “(b) RULES.—

4 “(1) AUTHORITY.—The Commission shall pro-  
5 pose and adopt rules to effect the purposes of this  
6 title with respect to transactions in derivatives ef-  
7 fected by derivatives dealers registered or required to  
8 register under subsection (a)(1)(A) of this section as  
9 follows:

10 “(A) FINANCIAL RESPONSIBILITY.—Such  
11 rules shall provide safeguards with respect to  
12 the financial responsibility and related practices  
13 of such derivatives dealers including, but not  
14 limited to, capital adequacy standards and the  
15 carrying and use of customers’ deposits or cred-  
16 it balances.

17 “(B) REPORTS.—Such rules shall require  
18 every such derivatives dealer to make reports to  
19 and furnish copies of records to the Commis-  
20 sion, and to file with the Commission, annually  
21 or more frequently, a balance sheet and income  
22 statement certified by an independent public ac-  
23 countant, prepared on a calendar or fiscal year  
24 basis, and such other financial statements  
25 (which shall, as the Commission specifies, be

1 certified) and information concerning its finan-  
2 cial condition as required by such rules.

3 “(C) RECORDKEEPING.—Such rules shall  
4 require records to be made and kept by such  
5 derivatives dealers and shall specify the periods  
6 for which such records shall be preserved.

7 “(2) AUTHORITY TO LIMIT DISCLOSURE OF IN-  
8 FORMATION.—Notwithstanding any other provision  
9 of law, the Commission shall not be compelled to  
10 disclose any information required to be kept or re-  
11 ported under rules adopted under paragraph (1) of  
12 this subsection. Nothing in this paragraph shall au-  
13 thorize the Commission to withhold information  
14 from Congress, or prevent the Commission from  
15 complying with a request for information from any  
16 other Federal department or agency requesting the  
17 information for purposes within the scope of its ju-  
18 risdiction, or complying with an order of a court of  
19 the United States in an action brought by the  
20 United States or the Commission. For purposes of  
21 section 552 of title 5, United States Code, this para-  
22 graph shall be considered a statute described in sub-  
23 section (b)(3)(B) of such section 552.

24 “(3) FRAUDULENT ACTS AND PRACTICES.—  
25 With respect to any derivatives dealer, the Commis-

1 sion may, by rule or regulation define, and prescribe  
2 means reasonably designed to prevent, such acts and  
3 practices as are fraudulent, deceptive, or manipula-  
4 tive.

5 “(4) COMPLIANCE WITH RULES UNDER THIS  
6 SECTION.—No derivatives dealer shall make use of  
7 the mails or any means or instrumentality of inter-  
8 state commerce to effect any transaction in, or to in-  
9 duce or attempt to induce the purchase or sale of,  
10 any derivative in contravention of any rule under  
11 this section.

12 “(c) ENFORCEMENT BY THE COMMISSION.—

13 “(1) ADMINISTRATIVE POWERS TO IMPOSE  
14 SANCTIONS.—With respect to any derivatives dealer  
15 registered or required to register under subsection  
16 (a)(1)(A) of this section—

17 “(A) DERIVATIVES DEALERS.—The Com-  
18 mission, by order, shall censure, place limita-  
19 tions on the activities, functions, or operations  
20 of, suspend for a period not exceeding 12  
21 months, or revoke the registration of such de-  
22 rivatives dealer, if it finds, on the record after  
23 notice and opportunity for hearing, that such  
24 censure, placing of limitations, suspension, or  
25 revocation is in the public interest and that

1 such derivatives dealer, or any person associ-  
2 ated with such derivatives dealer (whether prior  
3 or subsequent to becoming so associated), has  
4 committed or omitted any act or omission enu-  
5 merated in subparagraph (A), (D), (E), or (G)  
6 of paragraph (4) of section 15(b) of this title,  
7 has been convicted of any offense specified in  
8 subparagraph (B) of such paragraph (4) within  
9 10 years of the commencement of the proceed-  
10 ings under this paragraph, or is enjoined from  
11 any action, conduct, or practice specified in  
12 subparagraph (C) of such paragraph (4).

13 “(B) SUSPENSION OR WITHDRAWAL PEND-  
14 ING FINAL DETERMINATION.—Pending final de-  
15 termination whether registration of any deriva-  
16 tives dealer shall be revoked, the Commission,  
17 by order, may suspend such registration, if such  
18 suspension appears to the Commission, after  
19 notice and opportunity for hearing, to be nec-  
20 essary or appropriate in the public interest or  
21 for the protection of investors. Any registered  
22 derivatives dealer may, upon such terms and  
23 conditions as the Commission may deem nec-  
24 essary in the public interest or for the protec-  
25 tion of investors, withdraw from registration by

1 filing a written notice of withdrawal with the  
2 Commission. If the Commission finds that any  
3 registered derivatives dealer is no longer in ex-  
4 istence or has ceased to do business as a deriva-  
5 tives dealer, the Commission, by order, shall  
6 cancel the registration of such derivatives deal-  
7 er.

8 “(C) ASSOCIATED PERSONS.—The Com-  
9 mission, by order, shall censure or place limita-  
10 tions on the activities or functions of any per-  
11 son associated, or seeking to become associated,  
12 with a derivatives dealer registered or required  
13 to register under subsection (a)(1)(A) of this  
14 section or suspend for a period not exceeding  
15 12 months or bar any such person from being  
16 associated with such a derivatives dealer, if the  
17 Commission finds, on the record after notice  
18 and opportunity for hearing, that such censure,  
19 placing of limitations, suspension, or bar is in  
20 the public interest and that such person has  
21 committed or omitted any act or omission enu-  
22 merated in subparagraph (A), (D), (E), or (G)  
23 of paragraph (4) of section 15(b) of this title,  
24 has been convicted of any offense specified in  
25 subparagraph (B) of such paragraph (4) within

1           10 years of the commencement of the proceed-  
2           ings under this paragraph, or is enjoined from  
3           any action, conduct, or practice specified in  
4           subparagraph (C) of such paragraph (4).

5           “(2) PERSONS SUSPENDED OR BARRED FROM  
6           ASSOCIATION.—It shall be unlawful for any person  
7           as to whom an order entered pursuant to paragraph  
8           (1) of this subsection suspending or barring him  
9           from being associated with a derivatives dealer is in  
10          effect willfully to become, or to be, associated with  
11          a derivatives dealer without the consent of the Com-  
12          mission, and it shall be unlawful for any derivatives  
13          dealer to permit such a person to become, or remain,  
14          a person associated with it without the consent of  
15          the Commission, if such derivatives dealer knew, or,  
16          in the exercise of reasonable care should have  
17          known, of such order.

18          “(d) EXAMINATION OF RECORDS.—All records of a  
19          derivatives dealer registered or required to register under  
20          subsection (a)(1)(A) of this section, or that has filed notice  
21          or is required to file notice under subsection (a)(1)(B) of  
22          this section, are subject at any time, or from time to time,  
23          to such reasonable periodic, special, or other examinations  
24          by representatives of the Commission as the Commission  
25          deems necessary or appropriate in the public interest, for

1 the protection of investors, or otherwise in furtherance of  
2 the purposes of this title.

3 “(e) SECURITIES ASSOCIATION MEMBERSHIP.—

4 “(1) MEMBERSHIP REQUIREMENT.—It shall be  
5 unlawful for any derivatives dealer registered or re-  
6 quired to register with the Commission under sub-  
7 section (a)(1)(A) of this section to effect any trans-  
8 action in, or induce or attempt to induce the pur-  
9 chase or sale of, any derivative, unless such deriva-  
10 tives dealer is a member of a securities association  
11 registered under section 15A of this title.

12 “(2) EXEMPTION.—The Commission, by rule or  
13 order, as it deems consistent with the public interest  
14 and the protection of investors, may conditionally or  
15 unconditionally exempt from paragraph (1) of this  
16 subsection any derivatives dealer or class of deriva-  
17 tives dealers specified in such rule or order.”.

## 18 **TITLE II—BROKER-DEALER**

### 19 **OVERSIGHT REFORMS**

#### 20 **SEC. 201. DERIVATIVES ON SECURITIES.**

21 Section 3(a)(10) of the Securities Exchange Act of  
22 1934 (15 U.S.C. 78c(a)(10)) is amended by inserting “de-  
23 rivative,” after “any put, call, straddle, option,” the first  
24 place it appears.

1 **SEC. 202. NATIONAL SECURITIES EXCHANGES.**

2 Section 6 of the Securities Exchange Act of 1934 (15  
3 U.S.C. 78f) is amended by adding at the end the following  
4 new subsection:

5 “(g) A national securities exchange may adopt and  
6 implement rules applicable to members of such exchange,  
7 and material associated persons that have filed notice or  
8 are required to file notice under section 15D(a)(1)(B) of  
9 this title and that are associated with members for which  
10 the exchange is the designated examining authority, who  
11 engage in transactions in derivatives—

12 “(1) to enforce compliance with applicable pro-  
13 visions of this title and the rules and regulations  
14 thereunder;

15 “(2) to provide that any such person shall be  
16 appropriately disciplined for violations of applicable  
17 provisions of this title and the rules and regulations  
18 thereunder;

19 “(3) to provide for reasonable inspection and  
20 examination of the books and records of any such  
21 person;

22 “(4) to prevent fraudulent and manipulative  
23 acts and practices;

24 “(5) to promote just and equitable principles of  
25 trade; and

1           “(6) to require the establishment of, and adher-  
2           ence to, appropriate internal controls structures.”.

3 **SEC. 203. FINANCIAL RESPONSIBILITY.**

4           Section 15(c)(3) of the Securities Exchange Act of  
5 1934 (15 U.S.C. 78o(c)(3)) is amended—

6           (1) by striking “and” at the end of clause (A);  
7           and

8           (2) by inserting after “requirements for all bro-  
9           kers and dealers” the following: “, and (C) require  
10          the maintenance of sufficient capital levels taking  
11          into account the financial activities conducted by,  
12          the customary sources of capital and funding of, and  
13          the credit risk and aggregate leverage of, any deriva-  
14          tives dealer that is a material associated person of  
15          the broker or dealer and that has filed notice or is  
16          required to file notice under section 15D(a)(1)(B) of  
17          this title”.

18 **SEC. 204. REGISTERED SECURITIES ASSOCIATION.**

19          Section 15A of the Securities Exchange Act of 1934  
20 (15 U.S.C. 78o-3) is hereby amended by adding at the  
21 end the following new subsection:

22          “(j) A registered securities association may adopt and  
23 implement rules applicable to members of such associa-  
24 tion, and material associated persons that have filed notice  
25 or are required to file notice under section 15D(a)(1)(B)

1 of this title and that are associated with members for  
2 which the association is the designated examining author-  
3 ity, who engage in transactions in derivatives—

4 “(1) to enforce compliance with applicable pro-  
5 visions of this title and the rules and regulations  
6 thereunder;

7 “(2) to provide that any such person shall be  
8 appropriately disciplined, in accordance with sub-  
9 sections (b)(7), (b)(8), and (h) of this section, for  
10 violations of applicable provisions of this title and  
11 the rules and regulations thereunder;

12 “(3) to provide for reasonable inspection and  
13 examination of the books and records of any such  
14 person;

15 “(4) to prevent fraudulent and manipulative  
16 acts and practices;

17 “(5) to promote just and equitable principles of  
18 trade; and

19 “(6) to require the establishment of, and adher-  
20 ence to, appropriate internal controls structures.”.

21 **SEC. 205. RISK ASSESSMENT FOR GOVERNMENT SECURI-**  
22 **TIES BROKERS AND DEALERS.**

23 Section 15C(b)(2) of the Securities Exchange Act of  
24 1934 (15 U.S.C. 78o-5(b)(2)) is amended by striking sub-  
25 paragraphs (A) and (B) and inserting the following:

1           “(A) OBLIGATIONS TO OBTAIN, MAINTAIN, AND  
2           REPORT INFORMATION.—Every person who is reg-  
3           istered as a government securities broker or govern-  
4           ment securities dealer under this section shall obtain  
5           such information and make and keep such records  
6           as the Secretary by rule prescribes concerning (i) the  
7           registered person’s policies, procedures, or systems  
8           for monitoring and controlling financial and oper-  
9           ational risks to it resulting from the activities of any  
10          of its associated persons, other than a natural per-  
11          son, and (ii) with respect to any of its material asso-  
12          ciated persons, such material associated person’s fi-  
13          nancial activities, including trading activity in any  
14          financial, securities, or derivatives market. Such  
15          records shall be in such form as the Secretary shall  
16          prescribe and shall include such information as may  
17          be necessary to evaluate any effect that such mate-  
18          rial associated person’s activities may have on any  
19          financial, securities, or derivatives market, or any  
20          participant in such market. The Secretary, by rule  
21          or order, may require reports of such information to  
22          be filed with the registered person’s appropriate reg-  
23          ulatory agency at such intervals as the Secretary  
24          prescribes as necessary or appropriate in the public

1 interest, for the protection of investors, or otherwise  
2 in furtherance of the purposes of this title.

3 “(B) AUTHORITY TO REQUIRE ADDITIONAL IN-  
4 FORMATION.—If the appropriate regulatory agency  
5 concludes that it has concerns regarding the finan-  
6 cial or operational condition of any government secu-  
7 rities broker or government securities dealer reg-  
8 istered under this section or concerns regarding ac-  
9 tivities affecting the stability or integrity of the secu-  
10 rities or derivatives markets, such agency may re-  
11 quire the registered person to make reports concern-  
12 ing the financial, securities, and derivatives activities  
13 of any of such person’s material associated persons.  
14 The appropriate regulatory agency, in requiring re-  
15 ports pursuant to this subparagraph, shall specify  
16 the information required, the period for which it is  
17 required, the time and date on which the informa-  
18 tion must be furnished, and whether the information  
19 is to be furnished directly to the appropriate regu-  
20 latory agency or to the designated examining author-  
21 ity for such person.”.

22 **SEC. 206. RISK ASSESSMENT FOR BROKERS AND DEALERS.**

23 Section 17(h) of the Securities Exchange Act of 1934  
24 (15 U.S.C. 78q(h)) is amended by striking paragraphs (1)  
25 and (2) and inserting the following:

1           “(1) OBLIGATION TO OBTAIN, MAINTAIN, AND  
2           REPORT INFORMATION.—Every person who is (A) a  
3           registered broker or dealer, or (B) a registered mu-  
4           nicipal securities dealer for which the Commission is  
5           the appropriate regulatory agency, shall obtain such  
6           information and make and keep such records as the  
7           Commission by rule prescribes concerning (i) the  
8           registered person’s policies, procedures, or systems  
9           for monitoring and controlling financial and oper-  
10          ational risks to it resulting from the activities of any  
11          of its associated persons, other than a natural per-  
12          son, and (ii) with respect to any of its material asso-  
13          ciated persons, such material associated person’s fi-  
14          nancial activities, including trading activity in any  
15          financial, securities, or derivatives market. Such  
16          records shall be in such form as the Commission  
17          shall prescribe and shall include such information as  
18          may be necessary to evaluate any effect that such  
19          material associated person’s activities may have on  
20          any financial, securities, or derivatives market, or  
21          any participant in such market. The Commission, by  
22          rule or order, may require reports of such informa-  
23          tion to be filed with the Commission at such inter-  
24          vals as the Commission prescribes as necessary or  
25          appropriate in the public interest, for the protection

1 of investors, or otherwise in furtherance of the pur-  
2 poses of this title.

3 “(2) AUTHORITY TO REQUIRE ADDITIONAL IN-  
4 FORMATION.—If the Commission concludes that it  
5 has concerns regarding the financial or operational  
6 condition of (A) any registered broker or dealer, or  
7 (B) any registered municipal securities dealer, gov-  
8 ernment securities broker, or government securities  
9 dealer for which the Commission is the appropriate  
10 regulatory agency, or concerns regarding activities  
11 affecting the stability or integrity of the securities or  
12 derivatives markets, the Commission may require  
13 the registered person to make reports concerning the  
14 financial, securities, and derivatives activities of any  
15 of such person’s material associated persons. The  
16 Commission, in requiring reports pursuant to this  
17 paragraph, shall specify the information required,  
18 the period for which it is required, the time and date  
19 on which the information must be furnished, and  
20 whether the information is to be furnished directly  
21 to the Commission or to the designated examining  
22 authority for such person.”.

1 **SEC. 207. RULES, REGULATIONS, AND ORDERS; ANNUAL RE-**  
2 **PORTS.**

3 Section 23(a)(1) of the Securities Exchange Act of  
4 1934 (15 U.S.C. 78w(a)(1)) is amended by inserting “de-  
5 rivatives,” after “and may for such purposes classify per-  
6 sons, securities,”.

7 **SEC. 208. CONFORMING AMENDMENTS.**

8 Section 3(a)(48) of the Securities Exchange Act of  
9 1934 (15 U.S.C. 78c(a)(48)) is amended to read as fol-  
10 lows:

11 “(48) The term ‘registered broker or dealer’  
12 means a broker or dealer registered or required to  
13 register pursuant to section 15 or 15B of this title,  
14 except that—

15 “(A) in paragraph (3)(A) of this sub-  
16 section and in section 6, the term means such  
17 a broker or dealer or a government securities  
18 broker or government securities dealer reg-  
19 istered or required to register pursuant to sec-  
20 tion 15C(a)(1)(A) of this title; and

21 “(B) in paragraph (3)(B) of this sub-  
22 section and in section 15A, the term means  
23 such a broker or dealer, a government securities  
24 broker or government securities dealer reg-  
25 istered or required to register pursuant to sec-  
26 tion 15C(a)(1)(A) of this title, or a derivatives

1 dealer registered or required to register pursu-  
2 ant to section 15D(a)(1)(A) of this title.”.

○

HR 4745 IH—2