

Union Calendar No. 299

115TH CONGRESS
1ST SESSION

H. R. 3973

[Report No. 115–405]

To amend the Securities Exchange Act of 1934 to require certain entities to develop internal risk control mechanisms to safeguard and govern the storage of market data.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 5, 2017

Mr. DAVIDSON (for himself and Mr. SHERMAN) introduced the following bill;
which was referred to the Committee on Financial Services

NOVEMBER 9, 2017

Committed to the Committee of the Whole House on the State of the Union
and ordered to be printed

A BILL

To amend the Securities Exchange Act of 1934 to require certain entities to develop internal risk control mechanisms to safeguard and govern the storage of market data.

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 “Market Data Protec-

5 tion Act of 2017”.

6 **SEC. 2. INTERNAL RISK CONTROLS.**

7 The Securities Exchange Act of 1934 (15 U.S.C. 78a

8 et seq.) is amended—

9 (1) by inserting after section 4E the following:

10 **“SEC. 4F. INTERNAL RISK CONTROLS.**

11 “(a) IN GENERAL.—Each of the following entities, in

12 consultation with the Chief Economist, shall develop com-

13 prehensive internal risk control mechanisms to safeguard

14 and govern the storage of all market data by such entity,

15 all market data sharing agreements of such entity, and

16 all academic research performed at such entity using mar-

17 ket data:

18 “(1) The Commission.

19 “(2) Each national securities association reg-

20 istered pursuant to section 15A.

21 “(3) The operator of the consolidated audit

22 trail created by a national market system plan ap-

23 proved pursuant to section 242.613 of title 17, Code

24 of Federal Regulations (or any successor regulation).

1 “(b) CONSOLIDATED AUDIT TRAIL PROHIBITED
2 FROM ACCEPTING MARKET DATA UNTIL MECHANISMS
3 DEVELOPED.—The operator described in paragraph (3) of
4 subsection (a) may not accept market data (or shall cease
5 accepting market data) until the operator has developed
6 the mechanisms required by such subsection. Any require-
7 ment for a person to provide market data to the operator
8 shall not apply during any time when the operator is pro-
9 hibited by this subsection from accepting such data.

10 “(c) TREATMENT OF PREVIOUSLY DEVELOPED
11 MECHANISMS.—The development of comprehensive inter-
12 nal risk control mechanisms required by subsection (a)
13 may occur, in whole or in part, before the date of the en-
14 actment of this section, if such development and such
15 mechanisms meet the requirements of such subsection (in-
16 cluding consultation with the Chief Economist).”; and

17 (2) in section 3(a)—

18 (A) by redesignating the second paragraph
19 (80) (relating to funding portals) as paragraph
20 (81); and

21 (B) by adding at the end the following:

22 “(82) CHIEF ECONOMIST.—The term ‘Chief
23 Economist’ means the Director of the Division of
24 Economic and Risk Analysis, or an employee of the

- 1 Commission with comparable authority, as deter-
- 2 mined by the Commission.”.

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