



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 5, 2016

H.R. 4638 **Main Street Growth Act**

As ordered reported by the House Committee on Financial Services on March 2, 2016

Under current law, the Securities and Exchange Commission (SEC) registers and approves marketplaces for trading securities (known as national securities exchanges) and regulates aspects of their operation. H.R. 4638 would allow current national securities exchanges to elect to operate as newly defined venture exchanges for trading stocks of certain small companies. New exchanges could elect to operate as venture exchanges at the time they register with the SEC. Venture exchanges would be exempt from some regulations that national security exchanges must comply with. Finally, H.R. 4638 would allow SEC to create an Office of Venture Exchanges.

The cost to implement the legislation would depend on the number of venture exchanges that apply for registration. On the basis of information provided by the SEC, CBO estimates that the SEC would need two or three full-time staff members to register venture exchanges and monitor their activity at a cost of about \$1 million a year. However, the SEC is authorized to collect fees sufficient to offset its annual appropriation; therefore, CBO estimates that the net effect on discretionary spending would be negligible, assuming appropriations actions consistent with that authority.

Because enacting H.R. 4638 would not affect direct spending or revenues, pay-as-you-go procedures do not apply. CBO estimates that enacting H.R. 4638 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 4638 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

If the SEC increases fees to offset the costs of implementing the bill, H.R. 4638 would increase the cost of an existing mandate on private entities required to pay those fees. Based on information from the SEC, CBO estimates that the aggregate cost of the mandate, if imposed, would be small and would fall well below the annual threshold for private-sector mandates established in UMRA (\$154 million in 2016, adjusted annually for inflation).

The CBO staff contacts for this estimate are Stephen Rabent (for federal costs) and Logan Smith (for private-sector mandates). The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.