



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 1, 2014

H.R. 4569 **Disclosure Modernization and Simplification Act of 2014**

As ordered reported by the House Committee on Financial Services on May 22, 2014

H.R. 4569 would require the Securities and Exchange Commission (SEC), within 180 days of enactment, to revise certain registration and disclosure requirements for securities issuers with an aim to reduce the burden on smaller companies and to remove any duplicative or unnecessary provisions. The SEC also would be required, within 360 days of enactment, to report to the Congress on ways to further simplify those regulations and, 360 days after that, to issue a proposed rule based on the findings of the report.

Based on information from the SEC, CBO estimates that implementing H.R. 4569 would cost about \$1 million over the 2015-2019 period to comply with the reporting and rulemaking requirements under the bill. The SEC is currently studying and in the process of revising certain registration and disclosure requirements, so the costs of the initial rulemaking required under the bill would not be significant. Most of the costs would be incurred to issue the report and complete a second rulemaking process. Under current law the SEC is authorized to collect fees sufficient to offset its appropriation each year; therefore, we estimate that the net cost to the SEC would be negligible, assuming appropriation action consistent with that authority. Enacting H.R. 4569 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 4569 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.

Assuming that the SEC increases fees to offset the cost of the second rulemaking that would be required by the bill, H.R. 4569 would increase the cost of an existing mandate on private entities that are required to pay those fees. Based on information from the SEC, CBO estimates that the aggregate cost of the mandate would fall well below the annual threshold for private-sector mandates established in UMRA (\$152 million in 2014, adjusted annually for inflation).

The CBO staff contacts for this estimate are Michael Hirsch and Susan Willie (for federal costs) and Matthew Denny and Patrice Gordon (for the private-sector impact). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.