



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 1, 2014

H.R. 4554 **Restricted Securities Relief Act of 2014**

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

H.R. 4554 would broaden the instances where sellers of certain securities can take advantage of a safe harbor that allows the securities to be sold without registering the offering with the Securities and Exchange Commission (SEC). Under current law, owners of restricted or control securities (securities acquired through private transactions or held by an affiliate of the issuer) are prohibited from selling those securities on public exchanges unless certain requirements are met. H.R. 4554 would, among other things, shorten the time an owner must hold such securities, from six months to three months.

Based on information from the SEC, CBO estimates that implementing H.R. 4554 would cost less than \$500,000 over the 2015-2019 period for rulemaking activities required under the bill. Further, the SEC is authorized to collect fees sufficient to cover its annual appropriation; therefore, CBO estimates that implementing H.R. 4554 would have a negligible effect on discretionary costs, assuming appropriation action consistent with that authority. Enacting H.R. 4554 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 4554 would impose an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) by prohibiting states from requiring the registration or review of securities in some cases. Based on information from the SEC and industry sources, the number of securities that would be affected is small and states could still charge filing fees. Consequently, CBO estimates that the cost to state governments of complying with the mandate also would be small and well below the annual threshold established in UMRA for intergovernmental mandates (\$76 million in 2014, adjusted annually for inflation). H.R. 4554 contains no private-sector mandates as defined in UMRA.

The CBO staff contact for this estimate is Susan Willie (for federal costs) and Melissa Merrell (for intergovernmental mandates). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.