



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 28, 2015

### **H.R. 2356**

#### **Fair Access to Investment Research Act of 2015**

*As ordered reported by the House Committee on Financial Services on May 20, 2015*

Under current law, the Securities Exchange Commission's (SEC's) rules generally prohibit an issuer from offering securities for sale without filing a registration statement with the agency. H.R. 2356 would establish a safe harbor that would allow broker-dealers to issue research reports about certain investment funds without such reports being considered as an offering for sale of shares of those funds. To be eligible for the safe harbor, the research reports would need to meet certain requirements (for example being distributed with reasonable regularity in the normal course of business).

Based on information from the SEC, CBO expects that the commission would need six additional staff positions working across several divisions within the agency to propose and implement the broadened rule. CBO estimates that implementing H.R. 2356 would cost \$2 million over the 2016-2020 period, assuming appropriation of the necessary amounts. Under current law, the SEC is authorized to collect fees sufficient to offset its annual appropriation; therefore, CBO estimates that the net budgetary effect would be negligible. Because enacting the legislation would not affect direct spending or revenues, pay-as-you-go procedures do not apply.

If the SEC increases fees to offset the costs of implementing requirements in the bill, H.R. 2356 would increase the cost of an existing mandate as defined in the Unfunded Mandates Reform Act (UMRA) on private entities required to pay those fees. Based on information from the SEC, CBO estimates that the incremental cost of the mandate would be about \$2 million in fiscal year 2016.

To the extent that H.R. 2356 would eliminate an existing right of action for investors related to research reports for exchange traded funds, it would impose an additional mandate on public and private entities. The cost of the mandate would be the forgone value of the awards and settlements in such cases. To date, CBO has found no cases successfully establishing liability for information contained in or missing from such research reports and expects few, if any, in the future.

Therefore, CBO estimates the total cost of the mandates on public and private entities would be small and would fall well below the annual thresholds established in UMRA for intergovernmental and private-sector mandates (\$77 million and \$154 million in fiscal year 2015, respectively, adjusted annually for inflation).

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