



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 12, 2016

H.R. 5424 **Investment Advisers Modernization Act of 2016**

As ordered reported by the House Committee on Financial Services on June 16, 2016

Under current law, the Securities and Exchange Commission (SEC) enforces rules and requirements for advertising, transferring, and selling funds and securities by investment advisers. H.R. 5424 would provide investment advisers several exemptions from certain of those requirements. It also would prohibit the SEC from applying its rules to private funds that provide sales literature about their securities offerings.

On the basis of information provided by the SEC, CBO estimates that implementing H.R. 5424 would cost \$2 million over the 2017-2021 period for increased administrative activities related to revising current agency rules. 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.

Enacting H.R. 5424 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply. CBO estimates that enacting H.R. 5424 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 5424 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 any costs of implementing the bill, H.R. 5424 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 minimal 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 contact for this estimate is Stephen Rabent. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.