



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 30, 2014

H.R. 4570
Private Placement Improvement Act of 2014

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

Under current law, companies can be exempt from registering securities with the Securities and Exchange Commission (SEC) if they meet certain requirements set out in rules known as Regulation D. After first selling securities that are exempt under Regulation D, a company must file a report containing certain limited information about the company. H.R. 4570 would require the SEC to revise rules related to the frequency of those reports and the information that must be included in them. The bill also would allow private funds to offer securities to certain employees of the fund without registering the offering with the SEC.

Based on information from the SEC, CBO estimates that implementing this bill would cost about \$1 million in fiscal year 2015 to complete the rulemaking process as required under the bill. Further, 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, and would be subject to appropriation action consistent with that authority. Enacting H.R. 4570 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 4570 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 costs of the rulemakings required by the bill, H.R. 4570 would increase the cost of an existing mandate on private entities required to pay those fees. 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.