



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 30, 2017

H.R. 2201 **Micro Offering Safe Harbor Act**

As ordered reported by the House Committee on Financial Services on October 12, 2017

Under current law, the Securities and Exchange Commission (SEC) prohibits the sale or delivery of securities that have not been registered with the agency. Some transactions are exempt from this prohibition. H.R. 2201 would expand the exemption to include the sale of securities that meet certain criteria regarding the number of purchasers and aggregate offering amount sold by the issuer in a 12-month period. The bill also would exempt such transactions from state regulation of securities offerings.

Under H.R. 2201, CBO expects only a relatively small number of securities transactions would be covered under the expanded exemption that are not currently covered by other existing exemptions. As a result, and on the basis of information from the SEC, CBO estimates that implementing H.R. 2201 would have no significant effect on the agency's costs to update, monitor, and enforce regulations. Moreover, 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 appropriation actions consistent with that authority.

Enacting H.R. 2201 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 2201 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 2201 would preempt state laws that govern state-level registration of security offerings by exempting some security offerings from state registration and regulation. Issuers would be exempt from registering such securities if each purchaser of the security has a pre-existing relationship with the officer of the issuer, the offering has 35 or fewer purchasers, and the aggregate amount of securities sold by the issuer does not exceed \$500,000 in a 12-month period. The preemption would be a mandate as defined in the Unfunded Mandate Reform Act (UMRA) because it would limit the authority of states to apply their own laws and regulations. However, CBO estimates that the preemption itself would impose no duty on states that would result in additional spending or a loss of revenues.

H.R. 2201 contains no private-sector mandates as defined in UMRA.

The CBO staff contacts for this estimate are Stephen Rabent (for federal costs) and Logan Smith (for intergovernmental mandates). The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.