



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 20, 2017

H.R. 3972 **Family Office Technical Correction Act of 2017**

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

Current law provides a number of exemptions from the requirement that securities be registered with the Securities and Exchange Commission (SEC) prior to their sale. Central to those exemptions is the accredited investor, a person with sufficient financial sophistication and ability to sustain the risk of loss so that the protections from the registration process are unnecessary. Accredited investors may participate in investment opportunities not available to non-accredited investors, such as purchasing securities that are exempt from registration.

H.R. 3972 would broaden the definition of an accredited investor to include a family office or a client of a family office that meets certain criteria. (A family office is a company that only has family clients, is owned and controlled by family members or family entities, and does not hold itself out to the public as an investment adviser.)

Based on an analysis of information from the SEC, CBO estimates that implementing H.R. 3972 would cost less than \$500,000 for the agency to conduct a rulemaking to change the definition of an accredited investor. 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. 3972 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 3972 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 3972 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

If the SEC increases fees to offset the costs associated with implementing the bill, H.R. 3972 would increase the cost of an existing mandate on private entities required to pay those assessments. CBO estimates that the incremental cost of the mandate would be

small and would fall well below the annual threshold for private-sector mandates established in UMRA (\$156 million in 2017, adjusted annually for inflation).

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