Congressional Budget Office
Cost Estimate

May 21, 2024

At a Glance

H.R. 4763, Financial Innovation and Technology for the 21st Century Act

As posted on the website of the House Committee on Rules on May 10, 2024, and amended by Manager's Amendment 30

https://rules.house.gov/bill/118/hr-4763

By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	*	5	10
Revenues	*	-2	13
Increase or Decrease (-) in the Deficit	*	7	-3
Spending Subject to Appropriation (Outlays)	*	-4	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2035?	< $2.5 billion	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
		Contains intergovernmental mandate?	Yes, Under Threshold
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2035?	< $5 billion	Contains private-sector mandate?	Yes, Over Threshold

* = between -$500,000 and $500,000.

The bill would

- Require the Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission (SEC) to issue rules that establish a framework for regulating digital assets
- Direct the CFTC and SEC to supervise and enforce digital asset markets and administer a process to register digital asset exchanges, brokers, dealers, and other entities
- Preempt state laws governing the security registration of digital assets
- Impose mandates on private entities involved in the digital asset market

Estimated budgetary effects would mainly stem from

- Spending for agencies to issue rules, process new registrants, supervise digital asset markets, and enforce violations of the bill's provisions
- Reduction in the size of the Federal Reserve's surplus fund

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Bill Summary

H.R. 4763 would require the Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission (SEC) to issue rules that establish a framework for regulating digital assets. The bill would direct those agencies to register digital asset exchanges, brokers, dealers, and other entities, supervise digital asset markets, and enforce violations.

Estimated Federal Cost

The estimated budgetary effect of H.R. 4763 is shown in Table 1. The costs of the legislation fall within budget functions 370 (commerce and housing credit) and 750 (administration of justice).

Table 1.
Estimated Budgetary Effects of H.R. 4763, the Financial Innovation and Technology for the 21st Century Act, as Posted on the Website of the House Committee on Rules, on May 10, 2024, and Amended by Manager's Amendment 30

	By Fiscal Year, Millions of Dollars												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034
Increases in Direct Spending													
Estimated Budget Authority	*	1	1	1	1	1	1	1	1	1	1	5	10
Estimated Outlays	*	1	1	1	1	1	1	1	1	1	1	5	10
Increases or Decreases (-) in Revenues													
Estimated Revenues	*	*	*	*	*	-2	*	*	*	*	15	-2	13
Net Increase or Decrease (-) in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	*	1	1	1	1	3	1	1	1	1	-14	7	-3
Increases or Decreases (-) in Spending Subject to Appropriation													
Estimated Authorization	*	2	1	1	*	*	n.e.	n.e.	n.e.	n.e.	n.e.	4	n.e.
Estimated Outlays	*	-10	-9	4	2	9	n.e.	n.e.	n.e.	n.e.	n.e.	-4	n.e.

n.e. = not estimated; * = between -$500,000 and $500,000.

Basis of Estimate

For this estimate, CBO assumes that H.R. 4763 will be enacted near the end of fiscal year 2024.

Direct Spending

The bill would require the CFTC to share information with the Federal Deposit Insurance Corporation (FDIC), the Financial Stability Oversight Council (FSOC), the National Credit Union Administration (NCUA), and the Office of the Comptroller of the Currency (OCC), upon request. The bill would require those agencies to undertake additional activities, including regulating additional entities subject to federal anti-money laundering regulations and assisting with a study.

The expenditures for the FDIC, FSOC, NCUA, and OCC are classified in the budget as direct spending. The FSOC is authorized to collect fees to offset its operating costs. Because those fees are recorded in the budget as revenues, they are discussed in the section below. Both the NCUA and OCC collect fees from financial institutions to offset their operating costs, and those fees are recorded as offsetting receipts (or reductions in direct spending) in the budget. After accounting for fees for the NCUA and OCC, CBO estimates that, on net, enacting H.R. 4763 would increase direct spending for those four agencies by $10 million over the 2024-2034 period.

Revenues

CBO estimates that enacting H.R. 4763 would, on net, increase revenues by $13 million over the 2024-2034 period.

Section 413 would reduce the size of the Federal Reserve's surplus fund. CBO estimates that enacting that provision would increase remittances to the Treasury (which are recorded in the budget as revenues) by $15 million in 2034.

The bill would require the CFTC to share information with the Federal Reserve upon request. In addition, the bill would require the Federal Reserve to regulate additional entities subject to federal anti-money laundering regulations and assist with a study. It would cost the Federal Reserve $4 million over the 2024-2034 period to carry out those activities, CBO estimates. Costs incurred by the Federal Reserve reduce remittances, which are recorded in the budget as decreases in revenues.[1]

Finally, the FSOC is authorized to assess fees on bank holding companies and nonbank financial institutions to offset its operating costs; those fees are recorded as revenues in the budget. CBO estimates that the FSOC would collect $2 million in additional fees over the

1. The Federal Reserve transmits the net income of the system to the Treasury as remittances, which are recorded as revenues. Changes in costs to the reserve banks typically result in changes to remittances during the same period. However, CBO estimates that expenses for the system, as modified by H.R. 4763, will exceed income for most reserve banks for a number of years and that remittances from the Federal Reserve will be largely suspended until 2029. Changes in costs incurred by the system during that time will be recorded as changes in revenues after remittances resume. For more information, see Nathaniel Frentz, Congressional Budget Office, "Recent Changes to CBO's Projections of Remittances From the Federal Reserve" (presentation, February 2023), www.cbo.gov/publication/58913.

2024-2034 period to cover its operating costs. (The FSOC's operating costs are classified as direct spending and discussed in the section above.)

Spending Subject to Appropriation
CBO estimates that implementing H.R. 4763 would decrease spending subject to appropriation, on net, by $4 million over the 2024-2029 period.

Costs for the CFTC and the SEC. CBO estimates that, on net, implementing H.R. 4763 would decrease net spending subject to appropriation by $7 million for the CFTC and SEC. CBO expects that the additional administrative costs for the CFTC and SEC to undertake activities required in the bill would be offset by the collection of fees.

Section 510 of the bill authorizes the CFTC to collect fees through 2028 from entities that file a notice of intent to register as a digital commodity exchange, broker, or dealer. Under the bill, such fees would be collected and spent subject to appropriation action. CBO expects that future appropriation laws would set fees in a manner such that the collection of additional fees would roughly offset the costs for the CFTC to implement H.R. 4763.

Additionally, the SEC is authorized under current law to collect fees each year to offset its annual appropriation. Assuming appropriation action consistent with that authority, CBO estimates that the cost to the SEC to implement H.R. 4763 would be roughly offset by fees.

Costs for the Financial Crimes Enforcement Network (FinCEN) and the Government Accountability Office (GAO). CBO expects that under H.R. 4763, FinCEN would need to regulate additional digital asset entities subject to federal anti-money laundering regulations, among other activities. CBO estimates that FinCEN would incur $2 million in personnel costs over the 2024-2029 period to update its regulations, issue guidance, and conduct outreach to the private sector.

H.R. 4763 also would require GAO to conduct a study and report to the Congress on nonfungible digital assets and decentralized finance. Based on the costs of similar activities, CBO estimates that it would cost GAO $1 million to implement H.R. 4763.

Any additional spending by FinCEN or GAO would be subject to the availability of appropriated funds.

Uncertainty
H.R. 4763, by affecting the adoption of virtual currencies as a substitute for other forms of money, could have indirect effects on the budget through the banking system, the Federal Reserve, and Treasury markets. Depending on their individual design and extent of adoption, virtual currencies could enhance the efficiency of the system, cause disruption, or reduce the amount of bank deposits. Those economic effects are uncertain and depend on how virtual currencies are designed, the collateral that backs them (if applicable), and the extent of their adoption. CBO has not assessed such effects for this estimate.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in Table 1.

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 4763 would not increase net direct spending by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2035.

CBO estimates that enacting H.R. 4763 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2035.

Mandates

H.R. 4763 would impose private-sector and intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the cost of the mandates would exceed the private-sector threshold but fall below the intergovernmental threshold established in UMRA ($200 million and $100 million in 2024, respectively, adjusted annually for inflation).

Private-Sector Mandates

The bill would impose requirements on some entities involved in the marketing of digital assets, such as issuers, dealers, brokers, and systems for trading; exchange brokers and dealers in digital commodities; and blockchain systems. Under the bill, those entities would be required to register with the CFTC or SEC and to file recurring disclosures with federal regulators. The bill also would require the CFTC and SEC to issue rules governing transactions involving mixed digital assets and regulating the activities of clearing agencies for digital assets. Those rules also would exempt certain entities from registration and would ensure fair access by consumers to digital asset markets.

CBO cannot determine the exact cost of the bill's private-sector mandates because federal financial regulators have not yet issued some of the required regulations. However, the entities likely to be affected are large multinational businesses with market capitalizations in the hundreds of billions of dollars and with millions of American consumers. Using publicly available information and consulting industry sources and experts, CBO estimates that the aggregate cost of the mandate would greatly exceed the private-sector threshold established in UMRA.

In addition, if federal financial regulators increase fees to offset the costs associated with implementing the bill, H.R. 4763 would increase the cost of an existing mandate on private entities required to pay those assessments. CBO estimates that the annual cost of the mandate would be in the tens of millions of dollars, including one year of the fees slightly exceeding $100 million.

Intergovernmental Mandates
The bill would expand existing preemptions of state laws governing the registration of digital assets as securities. Although it would limit the application of state laws, H.R. 4763 would impose no duty on states that would result in additional spending or loss of revenue.

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