



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 8, 2017

### **H.R. 3973** **Market Data Protection Act of 2017**

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

H.R. 3973 would require the Securities and Exchange Commission (SEC), national securities associations, and the operator of the consolidated audit trail (CAT, a database that will track trading in equities and options markets) to develop internal risk control mechanisms to safeguard the storage and use of market data, including the use of such data for research. The SEC's chief economist would be required to consult with the securities associations and the operator of the CAT on developing the controls, and the bill would delay any requirements to report market data to the CAT's operator until the mechanisms were in place.

Based on an analysis of information from the SEC, CBO estimates that implementing H.R. 3973 would cost \$1 million over the 2018-2022 period. That amount would cover the development and maintenance of the SEC's internal risk controls and the commission's continuous review of mechanisms put in place by the securities associations and the CAT's operator. Because the SEC is authorized to collect fees sufficient to offset its annual appropriation, CBO estimates that the net effect on discretionary spending would be negligible, assuming appropriation actions consistent with that authority.

Enacting H.R. 3973 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 3973 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 3973 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

If the SEC increased fees to offset the costs of implementing the additional regulatory activities required by the bill, H.R. 3973 would increase the cost of an existing mandate on private entities required to pay those fees. On the basis of information from the SEC, CBO estimates that an increase in fees to offset those costs would amount to about \$1 million over the 2018-2022 period. The bill also would impose a private-sector

mandate on national securities associations and on the CAT's operator by requiring them to develop safeguards. Because the national securities associations and the CAT's operator already are developing data safeguards that are expected to meet many of the bill's requirements, CBO estimates that the incremental costs of the mandate would be small. The combined costs of both mandates 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 mandates). The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.