



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 11, 2018

H.R. 5877 **Main Street Growth Act**

As passed by the U.S. House of Representatives on July 10, 2018

Under current law, the Securities and Exchange Commission (SEC) registers and approves marketplaces for trading securities (known as national securities exchanges) and regulates aspects of their operation. H.R. 5877 would allow current national securities exchanges to register a venture exchange for trading stocks of certain small companies. Under the legislation, any newly formed exchanges could elect to operate as venture exchanges at the time they register with the SEC. The SEC would be required to issue regulations regarding the information that must be disclosed to venture securities issuers and investors. Finally, H.R. 4638 would authorize the SEC to create an Office of Venture Exchanges.

The cost to implement the legislation would depend on the number of venture exchanges that would seek SEC registration. Using information from the SEC, CBO estimates that implementing H.R. 5877 would cost about \$1 million a year for the agency to hire about three additional staff to conduct the rulemakings required to implement the legislation and to register venture exchanges and monitor their activity on an ongoing basis. However, 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. 5877 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 5756 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 5877 contains no intergovernmental mandates as defined in Unfunded Mandate Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. If the SEC increases fees to offset the costs of implementing provisions in the legislation, H.R. 5877 would increase the cost of an existing mandate on private entities required to pay those fees. Using information from the SEC, CBO estimates the increase in fees to offset the costs of the SEC would amount to no more than \$1 million

annually which would fall well below the annual threshold for private-sector mandates established in UMRA (\$160 million in 2018, adjusted annually for inflation).

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