Congressional Budget Office
Cost Estimate

November 20, 2019

H.R. 4335, 8-K Trading Gap Act of 2019

As ordered reported by the House Committee on Financial Services on September 20, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Deficit Effect	0	0	0
Spending Subject to Appropriation (Outlays)	*	*	*

Statutory pay-as-you-go procedures apply?	No	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Under Threshold

* = between zero and $500,000.

H.R. 4335 would require publicly traded companies to establish policies that prohibit their executive officers and directors from trading company stock during the period between the occurrence of a major corporate event (for example, a bankruptcy or acquisition) and the public disclosure of that event using Form 8-K.

Using information from the Securities and Exchange Commission (SEC), CBO estimates that the SEC would spend less than $500,000 in 2020 to issue rules to implement the bill. CBO expects that the work would require two employees, at an annual cost of $260,000 each, for less than one year. However, because the SEC is authorized to collect fees sufficient to offset its annual appropriation, CBO expects that the net effect on discretionary spending would be negligible, assuming appropriation actions consistent with that authority.

H.R. 4335 contains private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) because it would require publicly traded companies to establish policies and procedures prohibiting officers from trading company stock before a major corporate event is disclosed publicly. CBO estimates that the mandates' aggregate cost would be below the private-sector threshold established in UMRA ($164 million in 2019, adjusted annually for inflation).

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

The cost of the mandate would be small because some companies already have such policies in place. For companies without such policies and procedures, the duties would be administrative and would impose only small incremental costs, CBO estimates.

If the SEC increased fees to offset the costs associated with implementing the bill, H.R. 4335 would increase the cost of an existing mandate on private entities required to pay those assessments. CBO estimates that the incremental cost of that mandate also would be small.

H.R. 4335 contains no intergovernmental mandates as defined in UMRA.

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