Congressional Budget Office
Cost Estimate

June 15, 2022

H.R. 4618, Short Sale Transparency and Market Fairness Act
As ordered reported by the House Committee on Financial Services on July 29, 2021

By Fiscal Year, Millions of Dollars	2022	2022-2027	2022-2032
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	0
Spending Subject to Appropriation (Outlays)	*	*	not estimated

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 2033?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Under Threshold

* = between zero and $500,000.

H.R. 4618 would amend the Securities and Exchange Act to modify reporting requirements for some institutional investment managers. Under current law, institutional investment managers, such as investment advisers and broker-dealers that exercise investment discretion over $100 million or more in securities, are required to report quarterly to the Securities and Exchange Commission (SEC) on their holdings, including any equity securities, equity options and warrants, and convertible debt securities. Those disclosures are called Form 13F reports.

H.R. 4618 would authorize the SEC to require institutional investment managers to submit Form 13F reports monthly. The bill also would require those managers to disclose certain derivatives, including any security-based swaps, on the Form 13F report. Finally, H.R. 4618 would require the SEC to evaluate the criteria used to determine if an institutional investment manager may confidentially file a Form 13F report and report to the Congress on its findings.

Using information from the SEC, CBO estimates that implementing the bill would cost $2 million over the 2022-2027 period. Because the SEC is authorized to collect fees each year to offset its annual appropriation, CBO expects that the net effect on discretionary spending over the 2022-2027 period would be negligible, assuming appropriation actions consistent with that authority.

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.

Although the bill also would direct the SEC to issue rules that require institutional investment managers to disclose the number of short sales they conduct each month, section 929X of the Dodd-Frank Wall Street Reform and Consumer Protection Act already requires the commission to issue such rules. Furthermore, the SEC is currently undertaking such a rulemaking. On that basis, CBO estimates that implementing this requirement would have no budgetary effect.

H.R. 4618 would impose private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the costs of the mandates would be below the threshold established in UMRA ($184 million in 2022, adjusted annually for inflation).

By modifying the reporting requirements for Form 13F, H.R. 4618 would impose private-sector mandates on institutional investment managers. Because they currently file Form 13F reports and disclose information on a variety of derivatives to shareholders, the Financial Industry Regulatory Authority, and other federal agencies, CBO estimates that the incremental costs of the mandates would be below the threshold established in UMRA.

If the SEC increased fees to offset the costs associated with implementing the bill, H.R. 4618 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.

H.R. 4618 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 Director of Budget Analysis.