

Fiscal Estimate - 2013 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 13-2190/2	Introduction Number AB-0350	
Description Exemptions from securities registration requirements		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input checked="" type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations <input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS s. 20.144(1)(g)		
Agency/Prepared By DFI/ Susan Dietzel (608) 267-0399	Authorized Signature Susan Dietzel (608) 267-0399	Date 8/21/2013

Fiscal Estimate Narratives

DFI 8/21/2013

LRB Number	13-2190/2	Introduction Number	AB-0350	Estimate Type	Original
Description Exemptions from securities registration requirements					

Assumptions Used in Arriving at Fiscal Estimate

With few exceptions, before being offered or sold in Wisconsin, every security must be registered with the Department of Financial Institutions or exempt from registration under the Wisconsin Uniform Securities Law. Securities sales that are exempt from registration most often require no filings with the Department.

The legislation makes changes to current exemption standards related to the definition of an accredited investor, an institutional investor, the number of offerees, and the number of securities holders.

In addition, certain securities are exempt from registration. This bill exempts a security issued by a bank or a savings and loan holding company if the security represents an interest in or direct obligation of a holding company.

While the total fiscal effect related to these changes is unknown, it is anticipated that the changes to existing exemption standards and the additional security exemption will result in minor fiscal impact to the Department.

The legislation also creates two new exemptions to securities registrations associated with "Crowd Funding," a vehicle for raising capital. The new exemptions are for:

- Offerings made exclusively through an internet site registered with the Department. The issuer is to file a notice of the offering with a \$50 fee and submit a quarterly report to the Department, with specified information to be included in the report. To be registered, an internet site operator is to pay a \$100 fee with a filing statement as specified.
- "In person" capital raising, requiring notice filing of an offering with a \$50 fee before the 100th sale.

The two new proposed exemptions will have a fiscal impact to the Department, increasing both revenue and expenditures. Crowd funding is a new tool that is not currently available at this point and it is impossible to know at this time how many registrations will result from this legislation.

Because of the nature of the business, it is assumed that internet sites and issuers will file on-line. As this is a new function, the Department does not currently have an on-line application for this activity. The Central Registration Repository (CRD), a nation-wide registration system used by multi-state filers also does not have a system in place for the registration of internet site operators. To support the filing requirements, at a minimum, a web application will need to be developed to accept the required information, upload documents and take payment electronically. The cost of a similar application previously developed by the Department was approximately \$240,000, with on-going annual maintenance of \$40,000.

The new exemptions will also require securities staff time to process registration applications, review for compliance with requirements, and conduct periodic examinations of registered internet sites. Additionally, securities staff will also need to process the on-line and in-person offerings, review the filings and monitor for compliance, analyze for legal concerns, respond to inquiries and investigate customer complaints.

At this point, it is indeterminate how much time that will take because the number of filers is unknown. However, this work cannot be absorbed by current staff and will require additional resources. An average securities division staff salary and fringe benefits totals approximately \$90,000 annually.

Revenue will increase as notices and filings are submitted to the Department with fees paid. However, that amount is indeterminate as the number cannot be estimated at this time.

Long-Range Fiscal Implications