

FEB 10 1987

(Return in triplicate)

FISCAL NOTE

Bill/Resolution No.: House Bill No. 1666 Amendment to: _____

Requested by: Legislative Council Date of Receipt: _____

Please estimate the fiscal impact of the above measure for:

State general or special funds Counties Cities

In the following space note the fiscal effect in dollars of this measure:

Narrative:

The changes proposed in House Bill No. 1666 are far-reaching and would definitely adversely affect this office's revenues. Virtually every amendment contained in the Bill will have some fiscal impact. However, it is virtually impossible to predict with any degree of accuracy or reliability the overall fiscal impact of the Bill. For example, excepting issuers and banks, savings institutions, and trust companies from the definition of "dealer" would require that we search all of our records to determine how many of the enumerated entities are currently registered as dealers. Excepting offers or grants of options from the definitions of "offer for sale" or "offer to sell" would also affect our revenues. Removing loans from the same definitions could also affect revenues. The same is true for the definition of "salesmen." Excepting the various categories of persons from the definition would further deplete revenues.

Continued on Supplemental Sheet

State Fiscal Effect:

<u>1987-88</u>		<u>1988-89</u>		<u>Biennium Total</u>	
<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>
	\$175,000		\$175,000		\$350,000

County and City Fiscal Effect:

<u>1987-88</u>		<u>1988-89</u>		<u>Biennium Total</u>	
<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>

If additional space is needed, attach a supplemental sheet.

Signed *Peter A. Quist*

Typed Name Peter A. Quist

Date Prepared: February 10, 1987

Department Securities Commissioner

Perhaps the greatest loss of revenues, however, would result from the creation of a new subsection to Section 10-04-05 in Section 3 of the Bill. That provision provides an automatic exemption from registration for securities listed on the New York Stock Exchange, the American Stock Exchange, the Midwest Stock Exchange, and the Pacific Coast Stock Exchange. All of those securities, except for the ones that meet the qualification standards contained in the so-called "blue chip" exemption (Section 10-04-06(5), N.D.C.C.), currently have to be registered with this office. About 1,500 companies are listed on the New York Stock Exchange alone. Even more critical is the exemption for securities designated as part of the National Market System by the NASD. There are currently 2,775 securities so designated which are traded in the over-the-counter market. All of the issuers of these securities, too, except those which qualify for the "blue chip" exemption, are currently required to register their securities with this office. The effect of this new section alone could result in a loss of revenues amounting to \$200,000 - \$300,000 or more during the biennium.

Further revenue losses would result from the amendments to Subsections 3, 5, and 9 of Section 10-04-06. We project these losses at \$30,000 - \$50,000.

To determine with any degree of accuracy what the total loss in revenues would be as a result of House Bill No. 1666 would take several days to compile. Even then, however, the securities marketplace is so volatile and unpredictable that no one could be sure that historical data would have any reasonable correlation to future filings.

With this caveat in mind, we estimate that enactment of House Bill No. 1666 could result in revenue losses of more than \$350,000.