

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1324-01
Bill No.: HB 733
Subject: Banks and Financial Institutions: Business and Commerce; Secretary of State;
Securities
Type: Original
Date: April 6, 2007

Bill Summary: Changes the definition of "security" in the laws regulating securities so the that sale of variable annuities will be regulated by the Secretary of State.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$24,500	\$24,500	\$24,500
Total Estimated Net Effect on <u>All</u> Federal Funds	\$24,500	\$24,500	\$24,500

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Treasurer, Department of Insurance, and the Department of Economic Development - Division of Finance and Division of Credit Unions** state this proposed legislation will have no fiscal impact on their respective agencies.

Officials from the **Office of the Secretary of State -Administrative Rules Division (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this proposal for Administrative Rules is less than \$1,500. The SOS recognizes this is a small amount and does not expect additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed in a given year and that collectively the costs may be in excess of what the SOS can sustain with their core budget. Any additional required funding would be handled through the budget process.

Officials from the **Office of Secretary of State - Securities Division**, state the variable annuity exception from Missouri's securities law would authorize the Commissioner of Securities to enforce the national standards of professional conduct that the commissioner currently enforces in other securities transactions. This enforcement would be accomplished without any additional resources.

The additional revenue (\$24,500) is the product of the \$50 Missouri registration fee times the 490 agents who reside in Missouri but are not registered with the Securities Division.

No additional registration cost to the industry is anticipated because state securities registration occurs by cooperation of state securities officials through the Central Registration Depository operated by the broker-dealers' self-regulatory organization, the National Association of Securities Dealers. For 328 agents who have not passed the Uniform Securities Agent State Law exam at \$70 per examination it is estimated that a one-time aggregate cost to those insurance agents selling variable annuities now without a state securities registration may total \$22,960.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Income</u> - Office of Secretary of State			
Annual registration fees	<u>\$24,500</u>	<u>\$24,500</u>	<u>\$24,500</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$24,500</u>	<u>\$24,500</u>	<u>\$24,500</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2008 (10 Mo.)	 FY 2009	 FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

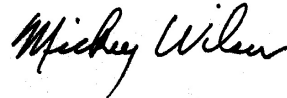
FISCAL DESCRIPTION

This proposal could have a negative fiscal impact on certain small businesses, but the impact will not be substantial. It is estimated that 490 agents selling variable annuities and currently registered through the Central Registration Depository would need to pay the \$50 Missouri registration fee. However, of these 490 agents, most are associated with large investment companies.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Secretary of State
Division of Securities
Administrative Rules Division
Office of State Treasurer
Department of Insurance, Finance, and Professional Regulation

A handwritten signature in black ink that reads "Mickey Wilson". The signature is fluid and cursive, with the first name "Mickey" and last name "Wilson" clearly distinguishable.

Mickey Wilson, CPA
Director
April 6, 2007