MINORITY VIEWS ON HR 1965

HR 1965 would exempt small companies (less than $250M in annual revenue) and Emerging Growth Companies from the requirements to use Extensible Business Reporting Language, or XBRL, for their SEC filings for a period of 3 to 5 years depending on a cost-benefit analysis that the SEC must conduct under the bill. It also requires the SEC to revise its regulations within 60 days of enactment to provide the exemptions and to report to Congress.

XBRL is a computer readable reporting format that makes it easier to compare companies both against each other and against themselves across time. The bill is estimated to exclude more than 60% of public companies from using this format in their SEC filings, which are used by analysts, academics, researchers, the SEC, and investors. Exempting such a large number of filers would prevent those companies from being easily compared to other companies to the disadvantage of those using the data. Ultimately, the companies themselves may be harmed, as investors who do not have such information may demand a higher rate of return for investment or decide not to invest at all. Ironically, this would work against the capital formation goal that this bill is designed to achieve.

In addition, since this bill was considered in Committee last Congress, there have been several new developments that raise additional concerns with the bill. Specifically, the SEC's Investor Advocate has focused his attention on this issue and stated that the bill would hurt the SEC's ability to modernize disclosure. The Investor Advocate also announced a new project by the SEC that would help to reduce costs and improve the current use of XBRL by integrating XBRL tagging directly into HTML formatted documents. Finally, a large array of data transparency advocates, who've joined with both Democrats and Republicans like Rep. Darrell Issa, have expressed their concerns about making data accessible and understandable to the general public.

Democrats tried to limit the detrimental effect of the bill by narrowing the bill to only apply to emerging growth companies, as well as directing the SEC to reform XBRL. However, both amendments were rejected.

For these reasons, we oppose HR 1965.

Maxine Waters