April 28, 2015

The Willard Office Building
1455 Pennsylvania Avenue, NW
10th Floor
Washington, DC 20004
Phone: (202) 434-9213

The Honorable Scott Garrett
Chairman
Subcommittee on Capital Markets & Government-Sponsored Enterprises
United States House of Representatives
2361 Rayburn House Office Building
Washington, DC 20515

The Honorable Carolyn Maloney
Ranking Member
Subcommittee on Capital Markets & Government-Sponsored Enterprises
United States House of Representatives
2361 Rayburn House Office Building
Washington, DC 20515

RE: April 29, 2015 Hearing on *Legislative Proposals to Enhance Capital Formation & Reduce Regulatory Burden*
H.R. 1965: *The Small Company Disclosure Simplification Act*

Dear Chairman Garrett and Ranking Member Maloney:

XBRL US is a not for profit that focuses on improving the availability, comparability and transparency of business information in the capital markets to all stakeholders. We respectfully submit the enclosed statement for the record of the hearing to be held on April 29, 2015 on "Legislative Proposals to Enhance Capital Formation and Reduce Regulatory Burden." This statement specifically addresses proposed legislation H.R. 1965, "The Small Company Disclosure Simplification Act" which will be discussed during the hearing.

We share the goals of the authors of the bill, H.R. 1965, to promote job creation, and to reduce the regulatory burden on smaller companies, however we disagree with the approach taken of exempting small companies from XBRL submissions. As currently written, this bill will do little to reduce costs for small companies in the short-term and will increase costs in the longer term, while impeding their ability to raise money in the capital markets.

We welcome the opportunity to discuss this statement and respond to any questions.

Regards,

Campbell Pryde
CEO, XBRL US, Inc.

CC: Members of the Subcommittee on Capital Markets & Government-Sponsored Enterprises

WRITTEN STATEMENT

OF XBRL US, INC.

FOR THE RECORD OF THE

APRIL 29, 2015

HEARING OF

THE UNITED STATES HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON CAPITAL MARKETS AND GOVERNMENT-SPONSORED ENTERPRISES

ON

LEGISLATIVE PROPOSALS TO ENHANCE CAPITAL FORMATION & REDUCE REGULATORY BURDEN

Introduction

XBRL US commends Chairman Garrett and Ranking Member Maloney and members of the Subcommittee on Capital Markets and Government-Sponsored Enterprises for recognizing the unique needs of small companies and for seeking to reduce their regulatory burden. That said, we believe that the proposed legislation, H.R. 1965, as currently written, will have unintended consequences that will result in harming small companies ability to grow and expand their business.

XBRL US is the non-profit consortium for XBRL business reporting standards in the U.S. and it represents the business information supply chain. Its mission is to support the implementation of XBRL business reporting standards through the development of taxonomies for use by U.S. public and private sectors, with a goal of interoperability between sectors, and by promoting business reporting standards through marketplace collaboration. XBRL US has developed taxonomies for U.S. GAAP, credit rating and mutual fund reporting and has developed a taxonomy for corporate actions. XBRL US also focuses on improving the quality and usability of XBRL-formatted data by supporting creators and users of the data produced.

Legislation That Would Reduce Data Transparency & Provide Minimal Savings

Aiding small companies to grow their business requires: 1) improving access to funds, and 2) reducing regulatory costs where possible. XBRL (eXtensible Business Reporting Language) is a market-based open data standard. It is not software or a product. After XBRL was developed by industry participants in the financial reporting supply chain, the Securities and Exchange Commission (SEC) adopted the standard for public company reporting. XBRL-formatted financial data is less expensive, more timely and easier for investors and regulators to use because it makes financial data computer-readable.

Today, XBRL is required for financial statement reporting to the SEC but the legislation proposed (H.R. 1965) would exempt small companies from XBRL submission for a three to five year period. Contrary to the stated goal, an ***XBRL exemption for small companies will reduce their access to capital and will provide virtually no savings in regulatory costs***.

Explanation

The proposal as currently written would exempt companies with revenue under $250 million from XBRL formatting for a minimum period of between three to five years. A cutoff of $250 million effectively removes 60% of all public companies from electronic filing. Submitting data in HTML and not in XBRL, means corporate data for these filers must be manually rekeyed and validated by financial statement users before any analysis can begin. The proposed legislation would result in potentially hundreds of small companies that have already been filing in XBRL for years reverting back to earlier processes. This means they will lose the XBRL expertise they have gained and will have to "re-learn" it again once the three to five year period is over. Importantly, the larger issue is that small companies that do not file in an XBRL format, will be at a significant disadvantage versus large companies in terms of accessing public funds at a minimal savings in XBRL compliance costs.

Removing the XBRL requirement means that small company financial data will be more difficult to extract and less timely, making small companies more expensive to analyze than large companies. This would raise the cost of capital for small companies, impeding their ability to attract funds to grow and expand their business.

The cost of financial analysis for regulators and investors will increase.
The proposed legislation would result in small companies reverting back to filing in HTML alone; large company data would continue to be available in the enhanced (XBRL) format. Regulators and investors will be required to process two separate formats for financial data, resulting in unnecessary costs.

XBRL data in use today will no longer be available.
Investors, analysts, and the SEC themselves are users of XBRL-formatted financial data, benefitting from the greater timeliness and usability of computer-readable data that XBRL provides. Large data aggregators have begun to replace legacy systems that require rekeying and validating of data and numerous small providers have launched because they can leverage low-cost XBRL data. These market changes serve to drive down costs of corporate data, benefiting investors large and small. Examples of new providers and use cases can be found at http://www.xbrl.us/usedata.

The cost of XBRL formatting today averages $10,000 per year (median cost $8,000) for small companies which will do little to reduce the burden of being a public company. These statistics are from a comprehensive study conducted by the AICPA and XBRL US (see attachment below) that also found that 70% of small companies paid $10,000 or even less.

XBRL can reduce regulatory burden.
Today XBRL is used by public companies primarily for SEC reporting, but it can also be used in reporting to other regulatory agencies, e.g., DOE, Census, BLS, etc. The same corporate data is often reported to different government agencies, in different formats, at different times and by different individuals within the same organization. Massive redundancy means massive costs, which would be streamlined by reporting in a single format like XBRL. Streamlining, cost savings and increased accuracy would benefit both government regulators, investors and reporting companies.

Conclusion

The goals of the proposed legislation, H.R. 1965, are to reduce regulatory burden for small companies. This is an important goal but we ask members of Congress to consider the unintended consequences of rolling back a requirement that has already been in place for several years for large and small companies alike. Removing access to computer-readable corporate data for small companies would be a major step backward for the U.S. capital markets and would present significant problems for small companies seeking to expand and grow.

For more information or if you have any questions, please contact Campbell Pryde, CEO, XBRL US, at 917-582-6159, Campbell.Pryde@xbrl.us.

Attachment

Consequences of XBRL Exemption – Minimal Savings, Reduced Transparency and Access to Capital for Small Companies

(See study online at
http://www.aicpa.org/interestareas/frc/accountingfinancialreporting/xbrl/pages/xbrlcostsstudy.aspx)

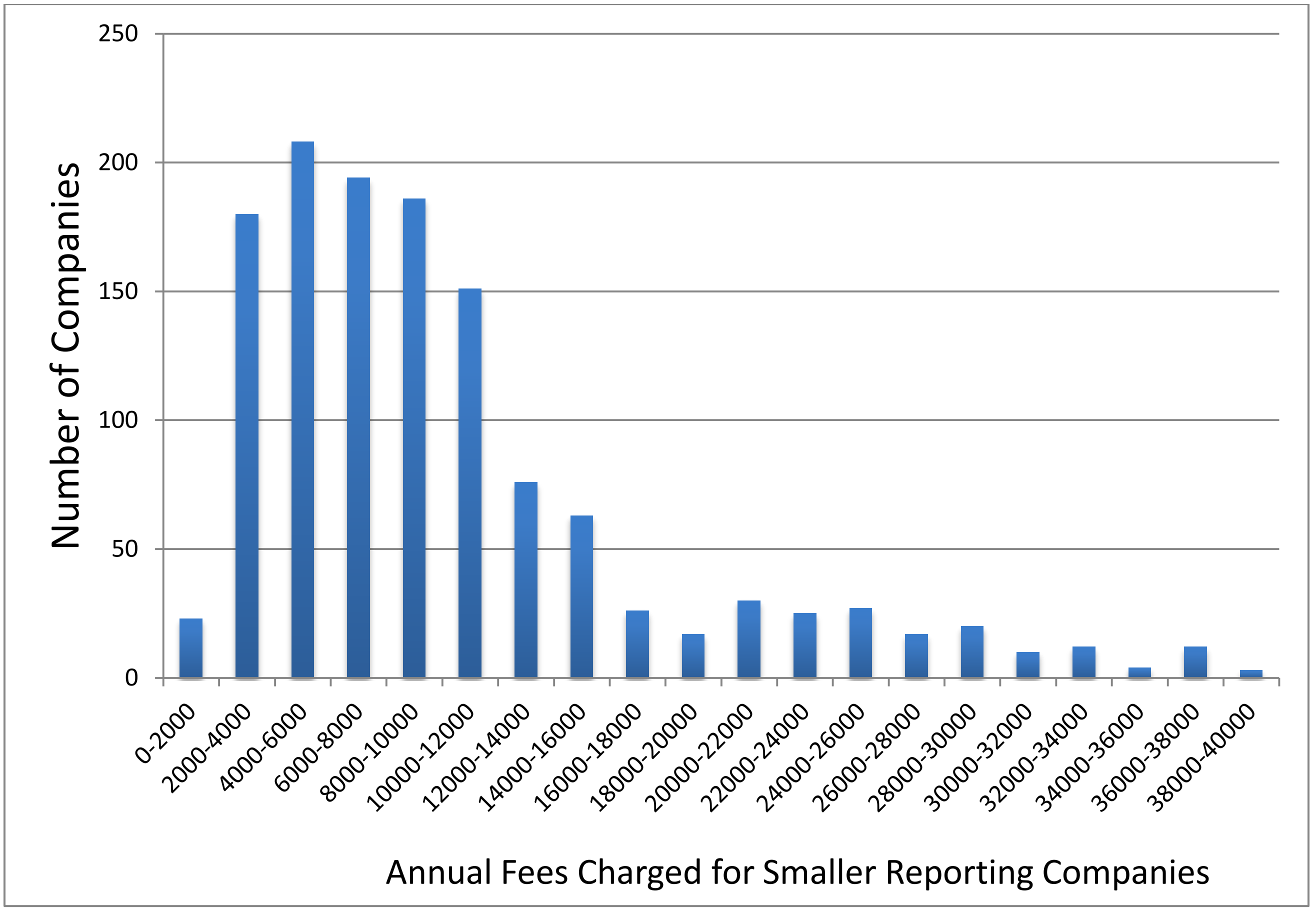
An XBRL exemption, such as that in the proposed legislation, H.R. 1965, will not reduce the burden on small companies.

The savings from an XBRL exemption averages $10,000 per year for small companies.
A December 2014 study conducted by the American Institute of CPAs (AICPA) and XBRL US found that the average annual cost of XBRL filing for companies defined as “small companies” per the U.S. Securities and Exchange (SEC) definition is $10,406; and 70% pay $10,000 or less. The median cost for the companies included in the study was $8,000. These figures demonstrate that the annual cost of XBRL creation is low relative to the benefits that XBRL formatting can provide. Financial data in XBRL format is significantly more functional and timely, and therefore less costly for investors and analysts, than traditional HTML data, which must be rekeyed and vetted before use.

The study was based on aggregating annual costs for 1,299 companies, working with 14 separate service providers, geographically dispersed around the country. The dataset captures 32% of all companies with the small company designation.

The chart below shows the distribution of the annual reported data with the lowest annual cost at $900/year and the highest cost at $50,000/year. Higher costs are typically associated with more complex financial statements and rush charges.

Chart 1 – Represents number of companies in our study that pay annual costs in the ranges shown.



The cumulative distribution function chart (Chart 2) below shows that 83% of companies pay $15,000 or less to perform 4 filings a year. Only 4% of companies pay more than $30,000 per year.

Chart 2 – Represents percentage of companies in our study that pay annual costs of the amounts shown in thousands.