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**XBRL US Reacts to Legislation That Would Reduce Data Transparency**

Small businesses are the cornerstone of the US economy; growth in small business drives job creation and increases the US' ability to compete. To effectively help small companies requires: 1) improving their access to funds for growth in the US financial markets, and 2) reducing regulatory costs where possible.

Legislation has been proposed[1] with a goal of helping small companies by exempting these businesses from XBRL submission for a three to five year period. Contrary to the stated goal, we believe that an XBRL exemption for small companies will reduce their access to capital and will provide virtually no savings in regulatory costs. New information just made available through a survey conducted jointly by the American Institute of CPAs (AICPA) and XBRL US in December 2014 provides further support (see details about the survey in the Attachment). In addition, an XBRL exemption will negatively impact investors' access to information about small companies and consequently inhibit their ability to make informed, timely decisions about small company investments which could discourage investment in small companies.

XBRL US is a not for profit consortium that focuses on improving the availability, comparability and transparency of business information in the capital markets to all stakeholders. We share the goals of the authors of the bill to promote job creation, and to reduce the regulatory burden on smaller companies. This statement helps to explain the role of XBRL (structured data) in helping small companies, and even more importantly, their shareholders and potential investors.

**Financial data in XBRL format is significantly less expensive, more timely and easier to use.**
XBRL transforms financial data from flat HTML files into data that is computer-readable and therefore significantly more functional, timely, and less costly for investors and analysts. Without XBRL, small company data is made available to shareholders only in HTML format and must be rekeyed and vetted before use. Some large providers of corporate data are beginning to replace their legacy databases with XBRL. Many new small providers have started up *because* they can access inexpensive XBRL corporate data that has greater functionality.

**Small companies will have a higher cost of capital than large companies.**
By exempting small companies from providing XBRL formatted information, only the large company data will be available in XBRL format which will be significantly easier to extract, manipulate and analyze than small company data.

**The cost of financial analysis for regulators and investors will increase.**
Today, all companies provide data in both HTML and XBRL format. The proposed legislation would eliminate the XBRL version for small companies and only large company data will be available in an enhanced (XBRL) format. Regulators and investors who need to analyze all public companies will need to process two separate sets of financial data, with different levels of timeliness and functionality. Maintaining two sets of data is more costly to commercial entities but also to regulators; ultimately the cost will be passed on to the American public.

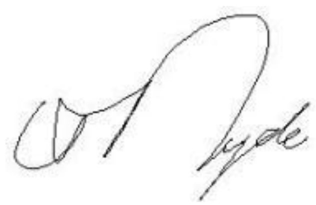
[1] H.R. 37 was passed by the House of Representatives on January 13.

**The savings from an XBRL exemption averages $10,000 <u>per year</u> (median cost $8,000) for most small companies which will do little to reduce the burden of being a public company.**

The December 2014 study conducted by the AICPA and XBRL US found that the average cost for entities designated as small companies (per the SEC definition) is $10,406; and the median is only $8,000. 70% of the companies in the study paid $10,000 or less. This study is based on actual prices paid by 1,299 companies which comprises 32% of small reporting companies per the SEC designation. The data was gathered from 14 separate service providers, geographically dispersed around the country. See the Attachment to this letter for more details on the study.

We urge  the Congress to consider the benefits of XBRL for small companies and for their shareholders. Exempting small companies from XBRL filing will effectively demote them to second class citizens and actively discourage institutions and individuals from investing in small companies. $10,000 is a small price to pay for transparency and equal access to the capital markets. Now that concrete pricing data on the true cost of XBRL is available, we strongly urge consideration of the benefits that XBRL can provide versus the minimal costs .

XBRL US would be happy to further elaborate on XBRL and the price survey to more fully address the concerns we've raised in this statement. If we can assist in your efforts in any way, please contact Campbell Pryde, President, at 917-582-6159, Campbell.Pryde@xbrl.us.



President and CEO, XBRL US, Inc.

**Attachment**

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

The goal of Title VII in H.R. 37 is to reduce the burden on small public companies by delaying the XBRL (eXtensible Business Reporting Language) formatting requirement for companies with revenue under $250 million for a minimum of three years[2]. An XBRL exemption, such as the one proposed in this bill, will not reduce the burden on small companies.

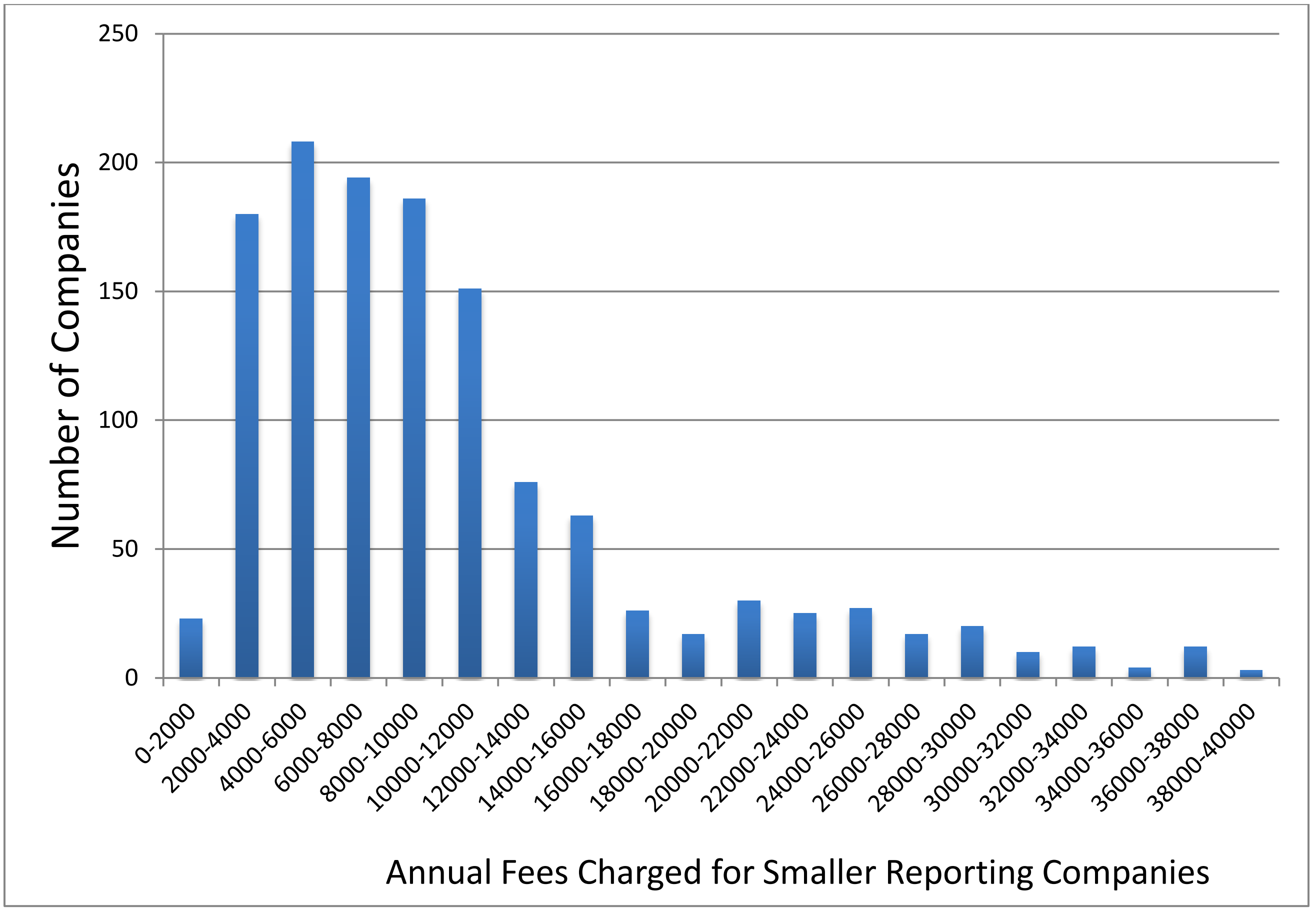
***The savings from an XBRL exemption averages $10,000 per year for small companies.***
A December 2014 study conducted by the American Institute of CPAs (AICPA) and XBRL US found that the average annual cost of XBRL filing for companies defined as "small companies" per the U.S. Securities and Exchange (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.

[2] Act requires exemption to stay in place for 5 years or 1 year after the SEC conducts a cost/benefit analysis proving that benefits outweigh the costs, with the exemption to stay in place a minimum of 3 years.

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.