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The Honorable Jeb Hensarling
Chairman, House Financial Services Committee
2228 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member, House Financial Services Committee
2221 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling, Ranking Member Waters, and Members of the House Financial Services Committee:

I am writing to express concern about HR 5054, the Small Company Disclosure Simplification Act, which would greatly reduce the availability of machine-readable XBRL data—data Morningstar aggregates and uses to help investors find companies in which they might want to invest. Transparency and equal access to information for large and small companies alike have been the foundation of U.S. financial markets since 1933. Excluding smaller companies, frequently startups, from this reporting would harm the ability of smaller investors to compete with large institutions when investing and providing capital to American entrepreneurs.

Requiring machine-readable disclosures lowers the barriers for deriving insights from financial filings. They also make it much easier for investment analysts to understand, initiate coverage, and spotlight relatively small and unknown companies in the market. Previously, aggregating financial filing data required the laborious transcription of filed documents, raising the possibility of the introduction of human error, not to mention a lag between submission and transcription.

Moves in the United States and around the globe toward these structured data filings have profoundly increased the transparency of capital markets. Investors now have significantly easier access to actionable insights derived from company filings, and this data is increasingly becoming available to investors more quickly. These trends toward greater transparency, in turn, improve the efficiency of capital markets.

We are pleased to see the SEC continue to make strides toward more structured data, but we are worried about policy shifts that would move us backward—impeding investors and even smaller entities hoping to attract investments.

Sincerely,

Aron Szapiro
Director of Policy Research
Morningstar, Inc.

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