

## [H.R. 1525, Disclosure Modernization and Simplification Act of 2015](#)

### FLOOR SITUATION

On Tuesday, October 6, 2015, the House will consider [H.R. 1525](#), the Disclosure Modernization and Simplification Act of 2015, under suspension of the rules. H.R. 1525 was introduced on March 23, 2015 by Rep. Scott Garrett (R-NJ) and was referred to the Committee on Financial Services, which ordered the bill reported by a vote of 60 to 0 on May 20, 2015.

### SUMMARY

H.R. 1525 requires the Securities and Exchange Commission (SEC), within 180 days of enactment, to simplify registration and disclosure requirements (Form 10-K) for most domestic public companies, in an effort to reduce the burden on these companies and provide more useful information to investors.<sup>1</sup>

The bill also requires the SEC, within one-year of enactment, to report to the Congress on ways to further simplify regulation S-K and, one-year after the report is issued, to issue a proposed rule based on the findings of the report.<sup>2</sup>

### BACKGROUND

Form 10-K is an annual report required by the SEC for most U.S. public companies that gives a detailed picture of a company's business, the risks it faces, and the operating and financial results for the fiscal year. Because the typical 10-K filed by a public company is hundreds to thousands of pages long, some investors find it difficult to locate important information about the company in the report. Regulation S-K is a regulation the SEC issued under the U.S. Securities Act of 1933 that establishes reporting requirements for public companies.

<sup>1</sup> <http://www.sec.gov/answers/reada10k.htm>

<sup>2</sup> Regulations S-K ([17 C.F.R. 229.10 et seq.](#))

The bill builds upon Section 108 of the Jumpstart Our Business Startups Act (JOBS Act)(P.L. 112-106), which directed the SEC to study Regulation S-K in order to simplify and modernize disclosure rules. The SEC completed this study and submitted its report to Congress in December 2013. The report includes recommendations for potential next steps, including an outline of economic principles to consider. However, according to the Committee, the report fails to include any substantive recommendations for reforming specific outdated, duplicative, unnecessary, or overly burdensome Regulation S-K disclosure requirements.<sup>3</sup> H.R. 1525 attempts to modernize and simplify the form 10-K and regulation S-K to benefit both investors and companies.

According to the bill sponsor, “As part of the JOBS Act, Congress directed the SEC to review its existing disclosure requirements and identify ways to make our current disclosure regime less burdensome for issuers and more useful for investors, but the agency has yet to act. The Disclosure Modernization and Simplification Act of 2015 will fix that by eliminating the unnecessary bloat of our current disclosure regime, while at the same time ensuring that investors receive all of the material information they need in order to make informed investment and voting decisions.”<sup>4</sup>

The House passed identical legislation, [H.R. 4569](#), by voice vote on December 2, 2014. The Senate did not act on the House-passed bill in the 113<sup>th</sup> Congress.

### **COST**

The Congressional Budget Office (CBO) [estimates](#) implementing H.R. 1525 would cost about \$1 million over the 2016 to 2020 period to comply with the reporting and rulemaking requirements under the bill. Under current law the SEC is authorized to collect fees sufficient to offset its appropriation each year; therefore, CBO estimates that the net cost to the SEC would be negligible, assuming appropriation action consistent with that authority. Enacting H.R. 1525 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

### **STAFF CONTACT**

For questions or further information please contact [John Huston](#) with the House Republican Policy Committee by email or at 6-5539.

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<sup>3</sup> See [House Report 113-642](#), at 4.

<sup>4</sup> See Rep. Scott Garrett Press Release, [Garrett Bill to Modernize SEC Disclosures Passes Committee with Unanimous Support](#), May 21, 2015.