

the regulatory landscape has evolved for the Nation's financial institutions since the financial crisis, I have worked with my colleagues on the Financial Services Committee to ensure that our community banks are not unduly burdened. H.R. 1553 is a part of that effort, as it will extend much-needed relief to Main Street banks by allowing well-managed, well-capitalized community banks an opportunity to take advantage of an extended 18-month examination cycle.

While bank examinations are vital to the safety and soundness of the American banking system, the time and resources that banks put into preparing for and responding to examinations can be extremely time consuming, particularly for smaller banks with limited staff and resources that cannot afford to divert key personnel away from their core business in order to prepare for examinations.

H.R. 1553 also allows banking regulators to better allocate their resources to financial institutions that warrant additional attention and away from community banks that have otherwise demonstrated that they are soundly managed and well capitalized.

I have heard from community bankers in Missouri and from across the country that straightforward, bipartisan, commonsense regulatory relief proposals like H.R. 1553 can contribute significantly to community banks' ability to lend to Main Street businesses and reinvest in our communities.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mrs. CAROLYN B. MALONEY of New York. I yield the gentleman such time as he may consume.

Mr. CLAY. I look forward to working with Mr. TIPTON and my other colleagues on the Financial Services Committee to find additional opportunities to enact targeted relief for our community banks, and I would urge my colleagues to adopt H.R. 1553.

Mrs. CAROLYN B. MALONEY of New York. Mr. Speaker, I yield back the balance of my time.

Mr. NEUGEBAUER. Mr. Speaker, this is a commonsense piece of legislation. You talk about bipartisan; when it passes out of your committee with no opposition, that is bipartisan support. I think that says a lot about how important community banks are to America and how important this Congress thinks community banks are.

The fact is these organizations that are well managed and have good ratings will only have to get an examination every 18 months. So I encourage support for this bill.

I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Texas (Mr. NEUGEBAUER) that the House suspend the rules and pass the bill, H.R. 1553.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds being in the affirmative, the ayes have it.

Mr. NEUGEBAUER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this motion will be postponed.

#### DISCLOSURE MODERNIZATION AND SIMPLIFICATION ACT OF 2015

Mr. GARRETT. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1525) to require the Securities and Exchange Commission to make certain improvements to form 10-K and regulation S-K, and for other purposes.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 1525

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

##### SECTION 1. SHORT TITLE.

This Act may be cited as the "Disclosure Modernization and Simplification Act of 2015".

##### SEC. 2. SUMMARY PAGE FOR FORM 10-K.

Not later than the end of the 180-day period beginning on the date of the enactment of this Act, the Securities and Exchange Commission shall issue regulations to permit issuers to submit a summary page on form 10-K (17 C.F.R. 249.310), but only if each item on such summary page includes a cross-reference (by electronic link or otherwise) to the material contained in form 10-K to which such item relates.

##### SEC. 3. IMPROVEMENT OF REGULATION S-K.

Not later than the end of the 180-day period beginning on the date of the enactment of this Act, the Securities and Exchange Commission shall take all such actions to revise regulation S-K (17 C.F.R. 229.10 et seq.)—

(1) to further scale or eliminate requirements of regulation S-K, in order to reduce the burden on emerging growth companies, accelerated filers, smaller reporting companies, and other smaller issuers, while still providing all material information to investors;

(2) to eliminate provisions of regulation S-K, required for all issuers, that are duplicative, overlapping, outdated, or unnecessary; and

(3) for which the Commission determines that no further study under section 4 is necessary to determine the efficacy of such revisions to regulation S-K.

##### SEC. 4. STUDY ON MODERNIZATION AND SIMPLIFICATION OF REGULATION S-K.

(a) STUDY.—The Securities and Exchange Commission shall carry out a study of the requirements contained in regulation S-K (17 C.F.R. 229.10 et seq.). Such study shall—

(1) determine how best to modernize and simplify such requirements in a manner that reduces the costs and burdens on issuers while still providing all material information;

(2) emphasize a company by company approach that allows relevant and material information to be disseminated to investors without boilerplate language or static requirements while preserving completeness and comparability of information across registrants; and

(3) evaluate methods of information delivery and presentation and explore methods for discouraging repetition and the disclosure of immaterial information.

(b) CONSULTATION.—In conducting the study required under subsection (a), the Commission shall consult with the Investor

Advisory Committee and the Advisory Committee on Small and Emerging Companies.

(c) REPORT.—Not later than the end of the 360-day period beginning on the date of enactment of this Act, the Commission shall issue a report to the Congress containing—

(1) all findings and determinations made in carrying out the study required under subsection (a);

(2) specific and detailed recommendations on modernizing and simplifying the requirements in regulation S-K in a manner that reduces the costs and burdens on companies while still providing all material information; and

(3) specific and detailed recommendations on ways to improve the readability and navigability of disclosure documents and to discourage repetition and the disclosure of immaterial information.

(d) RULEMAKING.—Not later than the end of the 360-day period beginning on the date that the report is issued to the Congress under subsection (c), the Commission shall issue a proposed rule to implement the recommendations of the report issued under subsection (c).

(e) RULE OF CONSTRUCTION.—Revisions made to regulation S-K by the Commission under section 3 shall not be construed as satisfying the rulemaking requirements under this section.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from New Jersey (Mr. GARRETT) and the gentlewoman from New York (Mrs. CAROLYN B. MALONEY) each will control 20 minutes.

The Chair recognizes the gentleman from New Jersey.

##### GENERAL LEAVE

Mr. GARRETT. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and include extraneous material on this bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

□ 1630

Mr. GARRETT. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, first of all, I want to thank the chairman of the Financial Services Committee—that would be the gentleman from Texas (Mr. HENSARLING)—for his leadership in helping to bring a number of bills, as we have just seen, to the floor today.

I would also like to thank all of my colleagues on the Financial Services Committee from both sides of the aisle—obviously, both sides—because they have voted unanimously, voted the Disclosure Modernization and Simplification Act out of committee not just once, but twice, when you include passage last year as well.

I would also like to add this legislation passed the House of Representatives by voice vote in December of 2014.

So you ask what is the purpose of this bill, and why is it necessary.

Well, Mr. Speaker, look, if you step back about eight decades ago, Congress made the monumental decision in this country that disclosure, opening up, and transparency would be the centerpiece of our Nation's securities law.

See, instead of carving out or creating a merit review system where the Federal Government determined which companies we were allowed to put our money into, Congress wisely went down the other road and decided that those decisions would be best made where?

Left in the hands of the people, in the hands of the investors themselves, so long as they were provided with a sufficient level of disclosure from publicly traded companies.

Unfortunately, over the last eight decades since the securities laws were first put in place, the quarterly and annual reports filed by the public companies have grown, and they have grown in size tremendously, larger and more complex than ever, to the point where now the most sophisticated of investors have trouble understanding even the most basic operations and risks of these companies. This has come to be known as the phenomenon of information overload.

So to put this in perspective, a recent article in the Wall Street Journal noted that the average annual report from public companies is now 42,000 words, a 40 percent increase just from the year 2000 alone and even longer than the entire Sarbanes-Oxley bill that passed Congress in 2002.

Another recent report out of Stanford University found that only 38 percent of institutional investors view disclosures about executive compensation as “easy to understand.”

So, if you think about it, if the majority of institutional investors can't understand the disclosure, what chance does the little guy, the mom-and-pop investor, have to understand all this?

They, of course, have very little chance and can even be harmed by the disclosures that too voluminous and complex reports show.

As then-SEC Commissioner Troy Paredes put it way back in 2013, “If investors are overloaded, more disclosure actually can result in less transparency and worse decisions, in which case capital is allocated less efficiently and market discipline is compromised.”

So what would our bill do today? It would rectify the situation.

How? One, it would require that the SEC eliminate any outdated or duplicative disclosure requirements that are not material to investors and, furthermore, to scale disclosures for emerging growth companies and small issuers.

Two, it will allow issuers to file a summary page of their annual report that will include simply cross-references to the material already included.

Three, it would require the SEC to produce a broad study on how best to, amongst all the other things, utilize technology in order to improve delivery and presentation systems for disclosure and, also, a requirement that the SEC commence a rulemaking in order to implement some of these ideas that come out of the study.

You see, these provisions will help our disclosure regime of the 21st century while at the very same time address the issue of information overload that I mentioned before.

If you go back, as part of the JOBS Act, Congress directed the SEC to review its existing disclosure requirements, and it was told to identify ways to make our current disclosure regime less burdensome for issuers and for people as investors.

While the SEC produced a report a few years ago—2013—that identified a number of obsolete things and duplicative requirements that could be addressed, unfortunately, the agency has yet to act upon them, this despite an ongoing disclosure effectiveness review that has so far only produced a concept release.

So, at the end, it is important that this Congress come here today and act on behalf of all the American investors, all the people in this country, in order to keep the original intent of our securities laws relevant today and ensure that the effective disclosure remains this very centerpiece of the capital markets.

Mr. Speaker, I reserve the balance of my time.

Mrs. CAROLYN B. MALONEY of New York. Mr. Speaker, I yield myself such time as I may consume.

I rise today in support of this bill. I thank Mr. GARRETT for his hard work. We worked together on this in the last Congress, and I added an amendment to improve the bill in the markup last year.

Markets are constantly evolving, and so too must our regulatory regime. This is especially true when it comes to reporting requirements for small public companies.

The process of scaling and streamlining the reporting requirements for these small companies is something that, in order to keep pace with the ever-evolving marketplace, has historically been revisited roughly once every 10 years. It requires vigilance by the SEC and, also, by Congress.

The Disclosure Modernization and Simplification Act directs the SEC to simplify the reporting requirements for small companies in regulation S-K.

First, the SEC would be required to revise regulation S-K to take care of any low-hanging fruit, that is, make any improvements to regulation S-K that they have already identified as helpful for small companies.

Next, the SEC would conduct a study of the best way to simplify and modernize the disclosure requirements in regulation S-K while still providing all the necessary information to investors and to also make specific detailed recommendations to Congress for how to achieve this.

Finally, the bill allows companies to submit a summary page on their form 10-K annual reports in order to make these annual reports easier to understand by investors.

In testimony before the Financial Services Committee last year, Colom-

bia Professor John Coffee called the idea “simple and unobjectionable” and said that he “didn’t see how anyone could be opposed to it.”

I agree that this is a commonsense idea that could make lengthy annual reports, which are often hundreds of pages long and difficult to navigate, significantly more investor-friendly.

So I urge my colleagues to support this bill.

I thank my colleague, Mr. GARRETT, for his leadership. He has worked on this for several Congresses.

Mr. Speaker, I have no additional speakers.

I yield back the balance of my time.

Mr. GARRETT. Mr. Speaker, I yield myself the balance of my time.

I thank the gentlewoman from New York for working with us today and also working with us over the last several years as well, trying to move this along. As you have said and I have said, this is one of those proverbial commonsense pieces of legislation.

If anyone got confused by all the technical terms that you and I used here, at the end of the day, it means, whether you are a sophisticated institutional investor or whether you are a mom-and-pop-type investor or if you are something in between, you just want to have clarity, you just want to understand what all these voluminous, hundreds-of-pages annual reports and quarterly reports are.

That is what our bill does. It just makes it a little bit simpler and then directs the SEC to go even the step further to develop other ways to do so as well.

So I look forward to passing this out of this House now for the third time, I believe, send it over to the Senate and, hopefully, get some action in the Senate and put it on the President’s desk.

I encourage Members from both sides of the aisle, once again, out of the House and to the Senate.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from New Jersey (Mr. GARRETT) that the House suspend the rules and pass the bill, H.R. 1525.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

#### REFORMING ACCESS FOR INVESTMENTS IN STARTUP ENTERPRISES ACT OF 2015

Mr. GARRETT. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1839) to amend the Securities Act of 1933 to exempt certain transactions involving purchases by accredited investors, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows: