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Oct. 27, 2020

The Honorable Jay Clayton
Chairman
U.S. Securities and Exchange
Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange
Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Release Nos. 33-10588, 34-84842; File No. S7-26-18

Dear Chairman Clayton and Secretary Countryman,

We write to express support for the Securities and Exchange Commission's Division of Corporation Finance's examination of proposals to ease compliance burdens on public companies and promote policies to that encourage shareholders to invest for the long-term. In particular, we feel that a move toward tri-annual reporting would harmonize reporting practices, benefit capital markets, businesses, employees and investors when organizations are empowered to use their resources to continue to innovate and focus on products that benefit customers and shareholders alike.

As the Commission has regularly done under your leadership and this administration, we are encouraged to see the SEC examine rules that can be streamlined to accommodate advances in technology, reducing regulatory burdens that strengthen capital markets and inspire private companies to seek public exchanges. Federal securities laws mandate that public companies disclose financial information throughout the year, which includes three quarterly reports and one annual report, known as Forms 10-Q and 10-K, filed with the SEC's Electronic Data Gathering, Analysis and Retrieval system, a publicly accessible database. As noted by the [Wall Street Journal](#), the size of the company plays a role in determining the cost of reporting:

Companies that have earlier deadlines to file annual reports with regulators—paid audit fees of \$541 per \$1 million of revenue to their independent auditors in 2016, the latest full-year data available. By contrast, smaller reporting companies that recorded revenue in 2016, a group of 1,554 firms, paid \$3,345 per \$1 million in revenue.

Additionally, much of the information provided on Form 10-Qs is similarly [restated](#) on earning reports filed under Item 2.02 of Form 8-K. With advanced technology, Georgetown University Law Center professor Donald Langevoort [notes](#) that large institutional investors use algorithmic trading systems to immediately process earnings accountments and move the market, whereas retail investors are last to react to earnings reports. This delayed reaction and the need to play catch-up may be sending the wrong incentive to retail investors and it is appropriate for the SEC to examine if regulatory barriers are contributing to “short-termism” within markets.

In the current healthcare emergency, [hundreds](#) of businesses have withheld providing traditional quarterly guidance and investors have rightfully excused businesses from attempting to hold themselves to metrics in an uncertain and fluid global marketplace. It is clear that businesses and investors have appreciated this flexibility and the Commission should continue to study the effects further flexibility would create by allowing small and medium size businesses to shift from the current quarterly reporting standard to a tri-annual or semi-annual standard. Less frequent reporting would also allow business to continue to reinvest capital into their products and services, rather than holding capital on the sidelines to comply with regulatory requirements, that in some cases are duplicative in nature.

Chairman Clayton, as you have expressed and continue to lead by example, we appreciate the focus you have exercised to expand the participation of retail investors within our capital markets. Further analysis is needed to examine the role of quarterly reporting and if it could be contributing to disproportionately aligning incentives for short-term trading instead of long-term investing among retail shareholders. We, the undersigned organizations, support the Commission's review of reporting requirements while balancing the need for appropriate levels of disclosure to protect all investors.

Sincerely,

Grover Norquist
President, Americans for Tax Reform

James Setterlund
Executive Director, Shareholder Advocacy Forum

Brent Wm. Gardner
Chief Government Affairs Officer, Americans for Prosperity

Maureen Blum
Executive Director, USA Workforce

Andrew F. Quinlan
President, Center for Freedom and Prosperity

John Berlau
Sr. Fellow, Competitive Enterprise Institute

Adam Brandon
President, FreedomWorks

Ryan Ellis
President, Center for a Free Economy