SEC PROPOSES OPTIONAL SEMIANNUAL REPORTING REGIME FOR PUBLIC COMPANIES

Date: 11 May 2026

US Corporate Alert

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On 5 May 2026, the United States Securities and Exchange Commission (SEC) proposed rule and form amendments that would allow public companies to elect to file semiannual reports on a new Form 10-S rather than quarterly reports on Form 10-Q. If adopted, public companies could elect to do either of the following:

- File a single semiannual report and one annual report each year.
- Choose to continue filing three quarterly reports and one annual report.

The SEC is also proposing amendments to Regulation S-X to facilitate semiannual reporting and simplify the "age of financial statements" rules.

The SEC's current proposal reflects its view that the regulatory landscape has evolved sufficiently to support greater flexibility. The SEC's proposal states that optional semiannual reporting could reduce the regulatory burden of being a reporting company and could influence decisions to become or remain public, particularly for emerging growth companies and smaller reporting companies. The SEC notes that other potential benefits of semiannual reporting include: less distraction from running the day-to-day business, reallocation of attention from interim reporting to company strategy, additional time spent on new product development, and ability to engage in transactions that might not be possible when management is focused on preparing interim reports. Comments are due 60 days after publication of the proposed rule in the *Federal Register*.

RULE AND FORM AMENDMENTS

Under the amendments proposed by the SEC, public companies would be permitted to choose between the new semiannual reporting regime and the current quarterly reporting regime. The SEC's proposal would allow a public company that elects semiannual reporting to check a box on the cover page of its Form 10-K indicating such choice, or, if a public company elects quarterly reporting, it would simply leave the box unchecked. The election would be made annually and would continue until the filing of the company's next Form 10-K.

Companies that elect semiannual reporting would be required to file semiannual reports on new Form 10-S. Form 10-S would require the same disclosures and financial statements as the current Form 10-Q, including management discussion and analysis, legal proceedings, material risk factor updates, and unregistered sales of securities. Form 10-S would also require the same exhibits, officer certification requirements for disclosure controls and Inline XBRL tagging as Form 10-Q. The Form 10-S filing deadline would be 40 or 45 days after the end of the first semiannual period (depending on filer status), matching current Form 10-Q deadlines, which would not change.

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The SEC is also proposing amendments to Regulation S-X to facilitate semiannual reporting and to simplify and modernize the “age of financial statements” rules. Specifically, the SEC proposes to consolidate the Rule 3-12 of Regulation S-X “age of financial statements” framework into Rule 3-01 of Regulation S-X. In addition, rather than a day-counting approach to determine whether interim financial statements are required in a registration or proxy statement, the SEC proposes a simplified approach that would require interim financial statements as of the end of the most recently completed fiscal quarter (for quarterly filers) or semiannual period (for semiannual filers) that has been filed, or is required to have been filed, on or before the filing date of the registration or proxy statement.

IMPACT ON PUBLIC COMPANIES

The proposed optional semiannual reporting regime could present meaningful opportunities for cost reduction and improved allocation of resources for public companies, including management's time and attention, but it also carries potential tradeoffs that they will need to evaluate carefully.

Potential Benefits

- The SEC's estimates suggest that, on average, annual direct public company compliance costs associated with three Form 10-Qs are approximately US$330,000, compared to approximately US$132,000 for one Form 10-S, for a net reduction of approximately US$198,000 per fiscal year.
- These potential savings span a range of cost categories, including internal time, external professional fees, auditor review and data tagging costs, and investor engagement obligations during the earnings cycle, such as quarterly conference calls.
- Additionally, public companies that choose semiannual reporting may realize indirect benefits, such as reduced managerial distraction and reductions or delays in disclosure of competitively sensitive information.

Considerations and Risks

- The SEC's proposal identifies potential investor-facing costs associated with semiannual reporting, including longer intervals between standardized disclosures, delays in the dissemination of material information, an overall reduction in information available to the public, and diminished comparability across issuers and over time.
- Longer gaps between disclosures may also extend periods of higher information asymmetry between insiders and investors, increasing the risk of insider trading on undisclosed material information.
- The SEC's proposal notes concerns that less frequent interim auditor reviews could negatively impact corporate accountability and financial reporting, as quarterly auditor reviews can facilitate the early detection of accounting issues and internal control deficiencies.
- Actual cost savings may be reduced for companies with contractual or other obligations that still require quarterly financial information, such as debt agreements, lender monitoring covenants, or capital-raising expectations, meaning some issuers may essentially be required to produce quarterly information even if they stop filing Form 10-Q.

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- Existing market practices around comfort letters and applicable Public Company Accounting Oversight Board standards and underwriter and investor demands could create practical pressure to maintain quarterly reviewed financial information to support offerings, depending on the timing of any capital-raising activity.

CONCLUSION

Should the SEC adopt the proposed rule and form changes, companies considering adopting the new semiannual reporting regime will need to weigh the benefits of a reduced compliance burden against the impact of the change in reporting frequency on investor relations. Companies will need to assess the expectations of their investor base, analyst coverage, market practices of peer companies, exchange listing requirements, and contractual obligations before determining whether electing semiannual reporting would be advantageous. In addition, even if a public company were to elect semiannual reporting, it will need to evaluate whether it would continue releasing material financial information on a quarterly basis as a matter of investor relations, in order to address stockholder and analyst expectations, to facilitate the opening of trading windows, and to ensure timely access to the capital markets.

Our Capital Markets practice group lawyers will be pleased to discuss how the proposed rules could impact our clients as they consider next steps.

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