

June 12, 2026

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

**Re: File No. S7-2026-15
Proposed Amendments to Permit Optional Semiannual Reporting by Public Companies
Release Nos. 33-11414; 34-105368; 39-2563; IC-36140**

Dear Ms. Countryman:

BetterInvesting is a 75-year-old nonprofit investment education organization serving approximately 22,000 paying members across the United States. Our mission is to equip everyday investors to invest wisely and independently. Our members are retail investors. Most are fundamental, long-term stock pickers who read 10-Q filings.

BetterInvesting opposes the proposed amendments to Exchange Act Rules 13a-13 and 15d-13 that would permit reporting companies to elect filing semiannual reports on new Form 10-S in lieu of quarterly reports on Form 10-Q.

The proposal would cut in half the number of reviewed, certified, liability-bearing interim financial reports the U.S. disclosure regime produces each year. Voluntary earnings releases would fill the gap. Voluntary earnings releases do not carry interim auditor review, Sarbanes-Oxley Section 302 certification, or Section 18 liability in the same form as a periodic report. The empirical literature on this exact question, including work the proposing release relies on, indicates that the trade would widen information asymmetry, raise the cost of equity capital, fail to deliver the long-term investment benefits the Commission asserts, and fall hardest on retail investors. The Commission already took comment on this question in 2018 and convened a roundtable in 2019.¹ It declined to act then. The proposing release does not explain what has changed in the empirical or investor protection landscape since 2018 to justify revisiting the question on different terms now.

¹Request for Comment on Earnings Releases and Quarterly Reports, Release No. 33-10588; 34-84842; File No. S7-26-18 (Dec. 18, 2018); Roundtable on Short-Term/Long-Term Management of Public Companies, Our Periodic Reporting System and Regulatory Requirements, U.S. Securities and Exchange Commission (July 18, 2019).

1. The proposal would widen information asymmetry between retail and institutional investors and reduce the legal weight of interim disclosure.

Institutional investors do not depend on the 10-Q the way retail investors do. They have access to alternative data feeds, credit card panels, satellite imagery, channel checks, expert networks, and direct corporate access. Retail investors rely on standardized, periodic, reviewed filings. When companies stop filing quarterly, institutions retain their information edge. Retail investors would lose half of the standardized data they have today.

The Commission's own published data establish how unevenly this loss would be distributed. Senate testimony delivered by the Director of the Division of Trading and Markets in 2015, drawing on September 2013 ownership data, reported median individual ownership of 89.1 percent for exchange-listed companies with market capitalizations under \$50 million, 80.1 percent for companies between \$51 million and \$100 million, and 68.7 percent for companies between \$101 million and \$250 million.² Institutional ownership became the majority only at market capitalizations above \$500 million. Institutional ownership of smaller companies has trended upward since the data were collected, primarily through passive index fund growth, but the relative concentration of retail investors at smaller market capitalizations remains a durable empirical relationship, and the Commission has not published an updated comprehensive breakdown contradicting these figures. The proposal, as drafted, permits the largest practicable reductions in disclosure in precisely the segment of the market where, by the Commission's own data, retail investors are the dominant owners.

This is not a theoretical concern. Fu, Kraft, and Zhang examined a comparable natural experiment using U.S. firms that transitioned between annual, semiannual, and quarterly reporting between 1951 and 1973. They found that higher reporting frequency reduces information asymmetry and reduces the cost of equity capital.³ Pozen, Nallareddy, and Rajgopal, in research supported by the CFA Institute Research Foundation, report that UK firms voluntarily issuing quarterly reports before the 2007 mandate had lower bid-ask spreads and higher share turnover than firms that did not.⁴ Both findings identify the same channel through

²Stephen Luparello, Director, Division of Trading and Markets, Testimony on "Venture Exchanges and Small-Cap Companies," Before the United States Senate Subcommittee on Securities, Insurance, and Investment, Committee on Banking, Housing, and Urban Affairs (March 10, 2015), Table 1.

³Renhui Fu, Arthur Kraft & Huai Zhang, Financial Reporting Frequency, Information Asymmetry, and the Cost of Equity, 54 *Journal of Accounting and Economics* 132 (2012).

⁴Robert C. Pozen, Suresh Nallareddy & Shivaram Rajgopal, Impact of Reporting Frequency on UK Public Companies, CFA Institute Research Foundation (March 2017). The bid-ask spread and turnover finding for voluntary quarterly reporters is reported at page 4, note 2, citing Cuijpers and Peek (2010).

which retail investors benefit from quarterly reporting today, and the same channel that would be weakened by the proposed rule.

The proposing release argues that voluntary earnings releases will fill any gap left by eliminating two of four interim filings per year. This conflates information flow with legal protection. Form 10-Q financial statements are subject to interim review under AS 4105. The 10-Q carries CEO and CFO certifications under Section 302 of the Sarbanes-Oxley Act. It triggers liability under Section 18 of the Securities Exchange Act. The proposed Form 10-S would retain those standards for the semiannual period but would not provide them for the two interim periods that 10-Qs cover today. Voluntary earnings releases furnished under Item 2.02 of Form 8-K do not carry equivalent legal protections; they are furnished rather than filed precisely to limit issuer liability.

The Commission would be replacing two reviewed, certified, liability-bearing interim filings per year with corporate communications that carry materially weaker legal protections. Retail investors are the constituency most dependent on those protections, and as the Commission's own data show, they hold the most stock in the companies the proposing release identifies as the principal intended beneficiaries of the new regime.

2. The empirical record on reporting frequency does not support the proposal.

The Commission's premise, that less frequent reporting will reduce managerial short-termism (i.e., the corporate myopia hypothesis) and improve long-term outcomes, is testable, and the literature has tested it. The leading U.S. paper cited in support of the Commission's premise is Kraft, Vashishtha, and Venkatachalam, which finds that increased reporting frequency among U.S. firms between 1950 and 1970 was associated with reduced corporate capital investment, which the authors interpret as evidence of managerial myopia.⁵ Three points limit the weight this finding should carry in this rulemaking, and the more recent natural-experiment evidence cuts uniformly against the proposal.

First, the dependent variable is capital investment by the firm. The Commission's statutory mandate is investor protection, not capital expenditure levels. A decline in corporate capital investment associated with more frequent reporting is not the same as a decline in long-term shareholder welfare. The myopia hypothesis assumes that the forgone investments would have been positive net present value (NPV) projects whose abandonment harms shareholders. The literature does not establish that. The forgone investments may have included negative-NPV projects whose abandonment benefits shareholders, or positive-NPV projects whose abandonment harms shareholders, or some mix. Until the literature distinguishes between these

⁵Arthur G. Kraft, Rahul Vashishtha & Mohan Venkatachalam, *Frequent Financial Reporting and Managerial Myopia*, 93 *The Accounting Review* 249 (2018).

cases, the myopia channel does not justify reducing investor disclosure on the basis of preserving issuer capital expenditure levels.

Second, the more recent natural experiment cuts the other way. Pozen, Nallareddy, and Rajgopal exploited the United Kingdom's adoption of mandatory quarterly reporting in 2007 and its repeal in 2014.⁶ They found no statistically significant differences in capital expenditures, research and development, or net property, plant, and equipment between mandatory switchers and voluntary adopters in the years after 2007. They reached the same finding for stoppers compared to continuers after 2014. The frequency of financial reporting did not materially affect corporate investment levels in either direction. The myopia channel that the Commission's proposing release relies on does not replicate in the modern UK natural experiment.

Third, the UK experience produced findings that directly contradict the proposal's premises about investor outcomes. The introduction of mandatory quarterly reporting in 2007 was associated with a 21.5 percent increase in the average number of analysts following mandatory switchers, from 2.79 to 3.39, and a 26.5 percent increase for voluntary adopters, from 3.77 to 4.78. Analyst forecast accuracy improved more for mandatory switchers than for voluntary adopters. When the mandate was repealed in 2014, companies that stopped reporting quarterly experienced a statistically significant decline in analyst coverage.⁷ Each of these findings undercuts the rationale for the proposed rule. Quarterly reporting brought analysts to the market. Less frequent reporting drove them away.

Fourth, when the UK gave companies the option to drop quarterly reporting in 2014, fewer than 10 percent of UK public companies in the Pozen study sample (45 of 471) did so by the end of 2015.⁸ More than 90 percent continued quarterly reporting even with no requirement to do so. The proposing release cites the UK repeal as a policy precedent for this rulemaking. The release does not mention the 90-plus percent retention rate. The companies most exposed to the alleged costs of quarterly reporting voted with their filings to keep it.

BetterInvesting acknowledges that Pozen, Nallareddy, and Rajgopal, while finding no support for the move from quarterly to semiannual reporting, do recommend reform of the existing quarterly reporting framework. They favor streamlined quarterly reporting with sector-specific guidelines and key performance indicators rather than the current 10-Q format. The Commission's proposal addresses reporting frequency, not reporting content. The Pozen analysis supports the latter, not the former. If the Commission is interested in reducing the compliance burden of the current 10-Q while preserving its investor protection function, the path forward is content reform, not frequency reduction. The two are not interchangeable, and the empirical record cited above does not support treating them as such.

⁶Pozen, Nallareddy & Rajgopal, *supra* note 4.

⁷*Id.*

⁸*Id.*

The empirical finding most directly relevant to the Commission’s investor protection mandate, that higher reporting frequency reduces information asymmetry and lowers the cost of equity, comes from the same historical natural experiment Kraft, Vashishtha, and Venkatachalam use and rests on the same underlying data.⁹ The Commission cannot selectively rely on one half of that older literature while ignoring the other half and the more recent UK evidence that uniformly runs counter to the proposal.

The proposing release also cites a 2019 Nasdaq survey in which 75 percent of 183 responding listed companies indicated that they or their investors would benefit from semiannual reporting. That is a survey of issuers, not investors. Asking companies what they think investors want is not the same as asking investors.

Investor-side survey evidence on this question exists. In 2019, the CFA Institute surveyed 28,204 chartered financial analysts worldwide and reported the results.¹⁰ Among the 768 respondents, 91 percent reported that quarterly reports contain incremental financial information beyond what earnings releases provide, 75 percent reported that the incremental information in a quarterly report can affect their views about a company, and 72 percent rejected the “supplemental approach” under consideration at the time that would have permitted earnings releases to substitute for the financial content of a Form 10-Q. Based on that member survey, the CFA Institute formally opposed any move to semiannual reporting. The Council of Institutional Investors, representing pension funds and other long-term institutional investors with member assets of approximately \$4 trillion, separately characterized quarterly reports as “a critical element of the robust disclosure infrastructure that is so important for investors” and warned that less frequent reporting “would likely lead to greater share price volatility, and more intense investor focus on short-term share price fluctuations.”¹¹ This investor-side record speaks to the same question the Commission is now revisiting and runs against any move to semiannual reporting.

3. Comparability and trend analysis across companies would degrade.

If some companies elect semiannual reporting while others continue quarterly reporting, retail investors face a fragmented disclosure landscape. Comparing two competitors in the same industry becomes harder when one reports quarterly and the other twice a year. Sector analysis,

⁹Fu, Kraft & Zhang, *supra* note 3.

¹⁰CFA Institute, *The Case for Quarterly and Environmental, Social, and Governance Reporting* (2019). The survey was administered to a random sample of 28,204 CFA Institute charterholders employed as quantitative analysts or portfolio managers from February 27 to March 10, 2019, with 768 useable responses, a 3 percent response rate, and a margin of error of plus or minus 3.5 percentage points at a 95 percent confidence level.

¹¹Council of Institutional Investors, *Comment Letter to the U.S. Securities and Exchange Commission on Earnings Releases and Quarterly Reports*, File No. S7-26-18 (2019).

peer benchmarking, and the screening tools that retail investors and the educational organizations that serve them rely on all depend on consistent reporting intervals.

This concern compounds for investors using fundamental analysis methodologies that rely on multi-period data. BetterInvesting teaches the Stock Selection Guide, which requires investors to evaluate trends in sales growth, EPS growth, pre-tax profit margins, return on equity, and debt levels across multiple periods. Eight quarters of data per two-year window is the foundation of credible trend analysis. Four data points per two years materially weaken the statistical foundation for the kind of patient, fundamental analysis that long-term retail investing depends on.

4. The proposed Regulation S-X amendments would permit materially stale financial statements in primary offerings.

The proposing release indicates that Regulation S-X would be amended to address the age of financial statements for semiannual filers, including changes intended to prevent semiannual filers' financial statements from being deemed stale under existing rules built around a quarterly framework. The fact sheet describes this as a simplification and consolidation of the staleness rules.

The age-of-financial-statements rules in Regulation S-X exist to protect investors who purchase newly issued securities. A retail investor buying shares in a follow-on offering or an IPO is entitled to make that decision based on reasonably current financial information.

If the Commission relaxes the staleness window to accommodate semiannual filers, retail investors purchasing in primary offerings from those filers will be pricing the offering off financial statements up to seven months old at the time of issuance. That is a substantively weaker level of disclosure than what investors in primary offerings receive today. The Commission should not modify the Regulation S-X staleness framework in a way that converts financial statements that are stale by current investor protection standards into financial statements that are no longer stale by definition.

Recommendations

1. The Commission should not adopt this proposal. The empirical record, including the Commission's own data on retail ownership concentration in smaller companies and the UK natural experiment that the proposing release cites as policy precedent, does not support the proposed change. The size-tiered alternative that some commenters may propose, under which the semiannual election would be limited to smaller filers, would compound the harm to retail investors rather than mitigate it: the Commission's data establish that retail ownership is most concentrated at smaller companies, and the same Pozen, Nallareddy, and Rajgopal research cited above explicitly warns against size-tiered reporting cadence on the grounds that it would reduce liquidity and raise the cost of

capital for smaller companies.¹² A size threshold is not a remedy. The cleanest course is to preserve the existing framework.

2. If the Commission proceeds with this rulemaking notwithstanding the empirical record, it should retain the current Regulation S-X staleness framework for primary offerings. Any company conducting a registered offering should be required to include financial information no older than that required of a quarterly filer, regardless of the issuer's elected interim reporting cadence. The trade-off between issuer compliance burden and ongoing periodic reporting differs from the trade-off between issuer compliance burden and the freshness of information available to investors at the time of a primary offering. The Commission should not bundle them.

Quarterly reporting is not an administrative burden the Commission should be eager to lift. It is the architecture that has given American retail investors enough standardized, certified information to participate in U.S. capital markets on something approaching equal footing with sophisticated investors for more than half a century. The empirical record, including the Commission's own data, indicates that weakening that architecture would impose its largest costs on the constituency the Commission exists to protect. BetterInvesting urges the Commission not to do so.

Thank you for the opportunity to comment. I would welcome the chance to discuss these concerns with you or your staff at any time.

Sincerely,



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cc: Office of the Investor Advocate, U.S. Securities and Exchange Commission

¹²Pozen, Nallareddy & Rajgopal, supra note 4.