

Proposal to Allow Optional Semiannual Reporting



The Securities and Exchange Commission proposed amendments to provide public companies with the option of filing interim reports on a semiannual basis rather than on a quarterly basis. The proposal includes the following:

- amendments to Exchange Act Rules 13a-13 and 15d-13 that would permit public companies to elect to file semiannual reports instead of quarterly reports;
- a new Form 10-S on which semiannual filers would file semiannual reports;
- amendments to Regulation S-X that would revise rules governing financial statement requirements in periodic reports, registration statements, and proxy statements to reflect the new optional semiannual reporting approach; and
- technical amendments to numerous existing rules and forms that refer to quarterly reporting to incorporate the optional semiannual reporting approach.

Background

Companies subject to the reporting obligations of Exchange Act Sections 13(a) and 15(d) (reporting companies) must file periodic reports as required by the Commission's rules. Currently, Exchange Act Rules 13a-13 and 15d-13 require reporting companies to file quarterly reports on Form 10-Q, with certain exceptions (e.g., certain foreign private issuers, investment companies, and asset-backed issuers). Pursuant to these rules, reporting companies currently file with the Commission three quarterly reports on Form 10-Q each fiscal year, with the fourth fiscal quarter subsumed within the reporting company's annual report on Form 10-K.

Optional Semiannual Reporting

The proposal would amend Exchange Act Rules 13a-13 and 15d-13 to allow reporting companies to elect to file semiannual reports on new Form 10-S in lieu of quarterly reports on Form 10-Q. Companies that make this election (semiannual filers) would be required to file one semiannual report and one annual report for each fiscal year. Companies that do not choose to become semiannual filers would continue to file quarterly reports on Form 10-Q. The proposed amendments would provide greater flexibility to reporting companies to select the interim reporting frequency that best serves the company and its investors.

Reporting companies would make the election to become semiannual filers by marking a check box on the cover page of the annual report on Form 10-K, Securities Act registration statements (Forms S-1, S-3, S-4, or S-11), or Exchange Act registration statements on Form 10, as applicable.

New Form 10-S

Semiannual filers would file their interim reports on new Form 10-S. This form would require the same narrative disclosures and financial information as the current Form 10-Q but would cover a fiscal six-month period rather than a fiscal quarter.

The financial statements for a semiannual period would be required to be prepared in accordance with United States generally accepted accounting principles and reviewed by an auditor (but not required to be audited). Semiannual filers would have the same length of time to file the Form 10-S as Form 10-Q, with the Form 10-S due 40 or 45 days (depending on the company's filer status) after the end of the first semiannual period of the fiscal year.

Amendments to Regulation S-X

The amendments to Regulation S-X would revise rules governing financial statement requirements in periodic reports, registration statements, and proxy statements to reflect the new optional semiannual reporting approach, such as:

- amending the requirements governing the age of financial statements to help ensure that, when semiannual filers file registration statements, their financial statements in those registration statements are not considered “stale” under existing rules built along a quarterly framework; and
 - simplifying the rules governing the age of financial statements and consolidating these requirements in a single rule.
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Amendments to Transition Report Rules and Technical Amendments

To reflect the optional semiannual reporting approach, the proposal would amend Exchange Act Rules 13a-10 and 15d-10, which set forth requirements with respect to transition reports upon a change in fiscal year.

The proposal would also make technical amendments to numerous existing rules and forms that refer to quarterly reporting to reflect the optional semiannual reporting approach.

Additional Information:

The public comment period will remain open for 60 days following publication of the proposing release in the Federal Register.