The SEC Proposes to Allow Optional Semi-Annual Reporting

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Following the Trump administration's advocacy for semi-annual reporting, on May 5, 2026, the Securities and Exchange Commission (the "SEC") proposed amendments to allow public companies subject to quarterly reporting under the Securities Exchange Act of 1934 ("Exchange Act") Section 13(a) or 15(d) the option to file reports on a semi-annual basis. Companies that opt into the proposed semi-annual reporting would file one report on Form 10-S rather than three quarterly reports on Form 10-Q, along with an annual report on Form 10-K(link). The proposed transition to semi-annual reporting would be completely voluntary and companies that do not opt into semi-annual reporting would continue to file quarterly reports on Form 10-Q. Therefore, companies would have the option to choose the reporting frequency that best aligns with their goals.

Background

The SEC has followed the quarterly reporting system since 1970, when the SEC rescinded the semi-annual reporting on Form 9-K and implemented quarterly reporting on Form 10-Q. The SEC moved to quarterly reporting to (i) provide more detailed information in support of information released according to the existing disclosure policies and (ii) create a uniform disclosure schedule for all Exchange Act reporting companies.

Although the SEC has required public companies to follow a quarterly reporting system for the past 55 years, there are certain companies (including foreign private issuers and asset-backed issuers) that are not subject to Section 13(a) or Section 15(d) and currently report on a semi-annual basis. In addition, several foreign jurisdictions, including the European Union, United Kingdom, Hong Kong and Japan, all follow a semi-annual reporting schedule. The European Union and the United Kingdom transitioned from quarterly reporting to semi-annual reporting in the 2010s.

Key Provisions of the Proposed Rule

Form 10-S

The new Form 10-S would require the same narrative disclosures and financial information as the current Form 10-Q, but the Form 10-S would cover a fiscal six-month period rather than a fiscal quarter. The financial statements for the Form 10-S would need to be prepared in accordance with generally accepted accounting principles in the United States and reviewed by an auditor (but the financials would not be required to be audited). The filers who elect to use semi-annual reporting on Form 10-S would still have the same length of time to file their Form 10-S as they currently do to file the second quarter Form 10-Q based on the company's filer status.

Amendments to Regulation S-X

The proposed rule would also revise the Regulation S-X rules that govern financial statements to reflect semi-annual reporting and simplify the rules regarding the age of financial statements. The SEC is proposing amendments to Rules 3-01 and 8-08 of Regulation S-X so that each rule would clearly set forth the requirements for annual and interim (both quarterly and semi-annual) financial statements. The SEC would also revise other rules throughout Regulation S-X, including Rules 10-01 and 8-03, to incorporate semi-annual reporting. The main focus of these amendments would be to ensure companies that choose semi-annual reporting would not be subject to staleness requirements designed for quarterly reporting.

Transition Reports

Companies that elect to transition to semi-annual reporting would transition by marking a check box that would be added to the cover page of all annual reports, Securities Act of 1933 registration statements on Forms S-1, S-3, S-4 and S-11, and Exchange Act registration statements on Form 10. Companies would need to elect semi-annual reporting every year, and companies that leave the box unchecked would need to comply with quarterly reporting standards, regardless of their previous elections. In addition, the SEC is proposing amendments to Exchange Act Rules 13a-10 and 15d-10 that currently govern how companies transition following a change in fiscal year. The proposal would expand these rules to govern how companies would make the transition from quarterly to semi-annual reporting. Additionally, the proposal includes technical changes to Exchange Act Rules 13a-10 and 15d-10 to indicate that the rules would apply to both the Form 10-S and Form 10-Q.

Technical Amendments

The proposed rule includes numerous technical amendments to conform existing rules to allow for the proposed flexible approach that encompasses both quarterly and semi-annual reporting. These proposed amendments would change Regulation S-K, Regulation M-A and several other proxy rules.

Key Considerations for Public Companies

Potential Benefits

- **Reduced Compliance Costs and Administrative Burden:** A transition to semi-annual reporting would reduce compliance costs for public companies. Semi-annual reporting companies would only incur interim reporting costs once per year as opposed to three times per year. This reduction would allow public companies to save on legal, accounting and management expenses associated with interim reporting. The less-stringent reporting requirement could allow more companies the option of going public or remaining public, as it would decrease the administrative costs associated with being a public company.
- **Flexibility for Diverse Business Models:** Semi-annual reporting would allow public companies more freedom to focus their time and resources outside of interim compliance efforts and on other goals that best align with their business. Semi-annual reporting would also allow public companies to shift their focus to long-term goals rather than short-term results, which is one of the largest complaints associated with quarterly reporting.
- **Potential Hybrid Approach to Manage Analyst Expectations:** The proposed rule could create a pattern where public companies choose to file a Form 10-S and supplement with voluntary quarterly information via earnings releases. This approach would allow public companies to take advantage of the less-stringent requirements of semi-annual reporting while still maintaining a similar level of quarterly disclosure. Investors typically rely on

quarterly reports to analyze their investment decisions, and companies rely on analyst coverage to support investor interest and engagement in the company. Therefore, analysts may still expect to see quarterly reports and may view a transition to semi-annual reporting as a reduction in transparency, which could lead to a reduction in analyst coverage. By choosing to provide quarterly earnings releases, public companies could help lessen information disparities that may otherwise arise during the period between semi-annual reports.

Potential Challenges

- **Insider Trading and Information Disparity Risks:** A decrease in frequency of periodic reports could lead to an increase in insider-trading restrictions and information disparities between the company and the investors. If companies issue less-frequent periodic reports, this may reduce the number of open trading days under the company's insider trading policies, if these restrictions are tied to periodic reports. This could restrict insiders' abilities to trade shares outside of Rule 10b5-1 plans, due to longer blackout periods and greater material nonpublic information accumulation risks. In addition, longer reporting intervals would increase information disparities between companies and investors, which could lead to increased volatility in stock prices and misinformation. Therefore, a transition to semi-annual reporting could require increased insider trading restrictions within the company.
- **Comparability Concerns:** Allowing for both quarterly and semi-annual reporting timelines may make it difficult to compare companies that choose different reporting frequencies. This comparability concern could be especially difficult when investors are looking to compare different companies within the same industry group that utilize different reporting timelines. If a company chooses to report on a less-frequent timeline than its peers, potential investors may view this as a company weakness.
- **Impact on Contractual Covenants:** Most public companies have credit agreements and other contractual documents that have provisions requiring delivery of quarterly financial statements. Therefore, transitioning into semi-annual reporting may require covenant amendments, waivers, or other administrative burdens that may ultimately result in companies choosing to continue with quarterly reporting.

If the proposed rule is adopted in final form, it would help to reduce compliance costs and provide more freedom for public companies to choose the interim disclosure schedule that best aligns with the company. The proposed rule has a 60-day comment period which ends on July 6, 2026. Those with strong views should participate in the comment period before the 60-day window closes.

For further information, please contact a member of the Haynes Boone Capital Markets and Securities Practice Group.