

# The SEC Simplifies and Updates Disclosure Requirements

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**PRACTICES** Capital Markets and Securities, Corporate Governance, Corporate

On November 5, 2018, the amendments recently adopted by the Securities and Exchange Commission (the “**SEC**”) to update and simplify certain disclosure requirements will become effective. These disclosure simplification amendments were adopted pursuant to the FAST Act’s mandate to modernize and simplify the disclosure requirements of Regulation S-K and alter certain disclosure requirements that have become redundant, duplicative, overlapping, outdated or superseded as a result of other disclosure requirements. Although they are not intended to significantly alter the total mix of information disclosed to investors, the amendments will affect disclosure for a broad array of issuers. Depending upon the filing date, the amendments may impact reporting for the quarter ended September 30, 2018.

The full text of the final rule may be accessed [here](#), and the demonstration version reflecting the changes may be accessed [here](#).

The following table summarizes certain of the more significant amendments to Regulation S-K:

Topic	Amendment
<b>Description of Business (Item 101 of Regulation S-K)</b>	
Segment Information  Item 101(b) of Regulation S-K	Segment financial information, restatement of prior periods when reportable segments change, and discussion of interim segment performance that may not be indicative of current or future operations are no longer required, as such information is already required pursuant to U.S. generally accepted accounting principles (“ <b>GAAP</b> ”).
Research and Development  Items 101(c)(1)(xi) and 101(h)(4)(x) of Regulation S-K	The requirement to disclose amounts spent on research and development activities in a discussion on business is deleted because similar disclosure is already required pursuant to GAAP.
Geographic Area	The requirement to disclose financial information by geographic area is deleted because similar disclosure is already required under GAAP.

Item 101(d) of  
Regulation S-K

## MD&A (Item 303 of Regulation S-K)

Geographic Area Discussion of trends and uncertainties is amended to require disclosure by geographic area.

Item 303(a) of  
Regulation S-K

Seasonality A discussion of the seasonal aspects to the business that materially affected the business is no longer

Instruction 5 to Item 303(b) of Regulation S-K required in interim reports due to overlap with GAAP and other items of Regulation S-K.

## Market Information Concerning Common Equity (Item 201 of Regulation S-K)

Market Pricing Issuers must disclose the trading symbol for their common equity and their principal trading market.  
Item 201(a)(1) of Regulation S-K Issuers with an established trading market for their common equity are no longer required to provide certain public market price disclosures due to the readily available nature of such information.

Warrants, Rights, and Convertible Instruments Disclosure of the amount of common equity subject to outstanding options warrants or convertible securities is no longer required because similar disclosure is already required under GAAP.  
Item 201(a)(2)(i) of Regulation S-K

Dividends Disclosure of the frequency and amount of cash dividends declared is no longer required due to duplicative requirements under Regulation S-X.  
Item 201(c)(1) of Regulation S-K  
Disclosure of restrictions that materially limit the ability to pay dividends is no longer required under Regulation S-K and is now required under Regulation S-X.

## Certain Other Items

Ratio of Earnings to Fixed Charges

Item 503(d) of Regulation S-K

The requirement for certain issuers, including those with registered debt securities and preference equity securities, to disclose historical and pro forma ratios of earnings to fixed charges and preference dividends to earnings is deleted because such information is generally available to investors through other means and similar disclosure concerning an offering's effect on certain fixed charges is already required under Item 504 of Regulation S-K.

Where You Can Find More Information and Website

Item 101(e)(2) and (e)(3) of Regulation S-K and Certain Forms

The requirement to identify the Public Reference Room and its address and phone number is deleted, but issuers are required to disclose their website address, if available.

## Exhibits (Item 601 of Regulation S-K)

Item 601(b) of Regulation S-K

The following exhibits are no longer required:

- Item 601(b)(11) – Statement re: computation of per share earnings
- Item 601(b)(12) – Statement re: computation of ratios
- Item 601(b)(19) – Report furnished to security holders
- Item 601(b)(22) – Published report regarding matters submitted to vote of security holders
- Item 601(b)(26) – Invitations for competitive bids

The final rules also make numerous changes to financial reporting requirements in Regulation S-X to delete or amend certain disclosure requirements, in large part due to redundancy in combination with GAAP, and will require the presentation of changes in shareholders' equity in interim financial statements. The SEC also referred a number of disclosure requirements to the Financial Accounting Standards Board for potential incorporation into GAAP.

According to [guidance](#) from the SEC staff, the amendments will become effective for all filings made on or after November 5, 2018. Issuers should determine in advance when they plan to file their quarterly reports on Form 10-Q for the quarter ended September 30, 2018. Issuers filing on or after November 5, 2018, should update their quarterly reports on Form 10-Q for the disclosure simplification amendments and, per the staff's guidance, may consider deferring presentation of changes in shareholders' equity in their interim financial statements until their next Form 10-Q.

For additional information, including other changes to reporting requirements mandated by the final rule, please contact any member of Haynes Boone's [Capital Markets and Securities Practice Group](#).