



Defining Issues[®]

The SEC solicits input about quarterly reporting requirements to improve efficiency

December 21, 2018

KPMG reports on the SEC's request for comment¹ on the nature and timing of disclosures required in Form 10-Q.

Applicability

Public companies with quarterly reporting requirements.

Key facts and impacts

On December 18, 2018, the SEC issued a request for comment on the nature, content and frequency of periodic reporting, and the relationship, if any, between Form 10-Q and interim earnings releases.

While there has been ongoing debate about how quarterly reporting causes companies to focus on short-term results, the SEC issued this request for comment following remarks made by President Donald Trump. The President asked the SEC to consider replacing quarterly reporting with semiannual reporting in order to avoid "short-termism." However, the SEC began evaluating this issue in April 2016 in a concept release on the business and financial disclosure requirements of Regulation S-K.²

The SEC also requested input about promoting efficiency and flexibility in the existing periodic reporting system, and inquired about the effect that current requirements have on corporate decision making and strategic planning.

SEC Chairman Jay Clayton believes "it is important to consider ways to encourage long-term investment in our country." He has acknowledged the prevalence of optional quarterly guidance and the debate on whether the current reporting process drives a short-term focus.

Clayton asked "all market participants to share their views to let [the SEC] know if there are other aspects of [SEC] regulations that drive short-termism."³

The future of periodic reporting

The 46 questions asked by the SEC focus on four key themes.

Information from quarterly reporting

Form 10-Q information is highly standardized and comparable across companies. Information in earnings releases is not standardized and is presented differently. Sometimes information may appear in either the earnings release or the Form 10-Q, but not both. The SEC wants to know whether an earnings release provides beneficial information to investors in addition to the information disclosed in Form 10-Q. The SEC also wants to know which document investors use as their primary source of information.

¹ SEC Release No. 33-10588, [Request for Comment on Earnings Releases and Quarterly Reports](#), December 18, 2018

² SEC Release No. 33-10064, [Business and Financial Disclosures Required by Regulation S-K](#), April 13, 2016

³ [SEC Rulemaking Over the Past Year, the Road Ahead and Challenges Posed by Brexit, LIBOR Transition and Cybersecurity Risks](#), Jay Clayton, December 6, 2018

Timing of quarterly reporting

Some reporting companies issue an earnings release in conjunction with filing their Form 10-Q, while others issue one earlier. The SEC seeks to understand what drives the timing of information released to the public and how that timing affects investors and other market participants.

Earnings release as a core quarterly disclosure

The SEC asked for comments about whether earnings releases can satisfy the core financial disclosure requirements of Form 10-Q to alleviate quarterly reporting burdens. The SEC asked whether this approach can maintain investor protection while avoiding duplication of efforts.

The SEC seeks to understand the overlap that may exist between quarterly reports filed on Form 10-Q and quarterly earnings releases

voluntarily provided to the public. Once the SEC understands what overlapping information exists, it can evaluate what effect changes might have on capital formation and investor protection, and whether the reporting process could be streamlined.

Reporting frequency

The SEC wants to better understand how reporting frequency affects the benefits and costs to investors, companies and other stakeholders and compare the differences between quarterly and semiannual reporting.

The SEC also asked whether the frequency of reporting should be different depending on the size of the company.

Comments are due within 90 days of publication in the Federal Register.

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KPMG's Financial Reporting View

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