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LETTER OF COMMENT RE PROPOSED AMENDMENTS TO EXCHANGE ACT RULES 13A-
13 AND 15D-13—OPTIONAL SEMI-ANNUAL REPORTING
IN LIEU OF QUARTERLY REPORTS ON FORM 10-Q

By

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WILLIAM D. WARREN DISTINGUISHED PROFESSOR OF LAW

Stephen M. Bainbridge

Paul S. Atkins, Chairman
c/o Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: File S7-2026-15
Proposed Amendments to Exchange Act Rules 13a-13 and 15d-13—Optional Semi-annual
Reporting in Lieu of Quarterly Reports on Form 10-Q

Dear Chairman Atkins:

I am the William D. Warren Distinguished Professor of Law at the University of California, Los Angeles School of Law. I provide my title and employment information solely for purposes of identification. I write in my individual capacity and nothing said herein should be attributed to UCLA or the School of Law.

I submit these comments in response to the Commission's proposed amendments to Exchange Act Rules 13a-13 and 15d-13, which would permit Exchange Act reporting companies to elect to file semi-annual reports on new Form 10-S in lieu of quarterly reports on Form 10-Q. I write as a scholar who has studied corporate governance, securities regulation, and the mandatory disclosure system for several decades,¹ and who has recently published an extended analysis of the quarterly reporting debate.² I support the Commission's proposal and write to explain the theoretical and empirical bases for my support.

I. The Proposal

The proposing release sets out a number of major changes in the periodic disclosure system, including:

- Public corporations may opt to switch from quarterly to semi-annual reporting. In order to participate in this alternative reporting program, corporations will replace the 3 quarterly reports they now file (on Form 10-Q) with one Form 10-S filed in the middle of the year.
 - The option would not be restricted to smaller or newly public companies, but would be available to all Exchange Act reporting companies currently subject to Form 10-Q requirements.
 - Those companies that do not opt into the new system will continue to use the existing quarterly format.

¹ See, e.g., Stephen M. Bainbridge, [Mandatory Disclosure: A Behavioral Analysis](#), 68 University of Cincinnati Law Review 1023 (2000).

² See Stephen M. Bainbridge, [Should We Eliminate Quarterly Earnings Reports \(Or, At Least, Make Them Optional\)? Part 1](#), BainbridgeOnCorporations.com (Sept. 16, 2025); Stephen M. Bainbridge, [Should We Eliminate Quarterly Earnings Reports \(Or, At Least, Make Them Optional\)? Part 2](#), BainbridgeOnCorporations.com (Sept. 17, 2025); Stephen M. Bainbridge, [Should We Eliminate Quarterly Earnings Reports \(Or, At Least, Make Them Optional\)? Part 3](#), BainbridgeOnCorporations.com (Sept. 18, 2025).

- Form 10-K and Form 8-K will continue to be used in substantially the same manner as today.
- The Form 10-S will contain substantially the same information and will have the same level of detail as the Form 10-Q. Because it will be filed once a year, at the mid-point of that year, instead of at the end of each quarter, there will need to be adjustments made to the reporting requirements.
 - The financial statements contained in the Form 10-S will be based on U.S. Generally Accepted Accounting Principles (GAAP).
 - The financial statements contained within the Form 10S will be reviewed (but not audited) by the company's independent auditor; and will include XBRL tagging in-line with other XBRL filings.
- All reporting requirements pertaining to disclosure controls, internal control over financial reporting, executive certifications, and so on will remain unchanged.
- Companies would make the election by checking a box on the cover page of their Form 10-K or certain Securities Act or Exchange Act registration statements. Once made, the election would govern the company's reporting schedule for the entire fiscal year and could not be changed mid-year except to correct an inadvertent error through a timely amendment.

II. Situating the Quarterly Reporting Requirement in the Larger Mandatory Disclosure Debate

The Commission asked (question 1):

The proposed amendments would allow Exchange Act reporting companies to elect to file interim reports on a semi-annual basis in lieu of quarterly reports on Form 10-Q. Should companies have this option, or should all companies continue to be required to file Form 10-Q?³

In this section, I offer an affirmative answer by situating the quarterly reporting requirement within the larger debate over mandatory disclosure.

³ The Commission also asked (question 2): "Should we instead require all companies to file semi-annual reports? What would be the benefits and costs of such a mandatory approach?" I believe the Commission's rule should give the company the option of switching to semi-annual reports or retaining quarterly reports. A rule requiring all companies to file only semi-annual reports would disadvantage companies whose investors genuinely demand quarterly information or that have other reasons for remaining on a quarterly disclosure schedule.

In addition, I discuss below the Adyen case, in which the issuer adopted semi-annual reporting but was forced back to quarterly updates by investor pressure. That case illustrates that companies whose investors genuinely want frequent reporting will provide it voluntarily. A universal semi-annual mandate would override that market signal, forcing companies like Adyen to withhold information that their investors demonstrably value and are willing to discipline management to obtain. As such, it would result in a straightforward investor welfare loss with no offsetting benefit.

Having said that, however, I acknowledge that there is an argument to be made in favor of mandated exclusively semi-annual reporting; namely, that a universal semi-annual mandate rather than an optional system would eliminate a potential signaling problem. In an optional system, investors might come to perceive adoption of semi-annual disclosure as a negative signal. For example, investors might perceive electing semi-annual rather than quarterly reporting as suggesting management wants to conceal bad news between reporting periods. If so, companies might face market penalties for electing semi-annual reporting even when it would otherwise be efficient for them. This adverse selection concern is real but not decisive. The international evidence I discuss shows that semi-annual reporting has not carried that stigma in European markets (where it is common). In addition, the adverse selection dynamic would itself be valuable information for the Commission to observe as part of the natural experiment discussed below. Accordingly, the possible signaling effect is insufficient to cause me to favor a universal mandate of semi-annual reporting over an optionality regime.

A. The Theoretical Foundation for Mandatory Quarterly Reporting Is Weak

The quarterly earnings reporting requirement traces its origins to the SEC's 1970 overhaul of the periodic disclosure system, itself a product of the Wheat Report's dissatisfaction with the then-existing Exchange Act disclosure regime. That regime rests on the broader mandatory disclosure system enacted in the Securities Exchange Act of 1934, premised on Congress's view that "[t]here cannot be honest markets without honest publicity."⁴

No one disputes that investors benefit from a steady flow of accurate information. The question is whether that flow requires a government mandate or whether market forces would produce adequate voluntary disclosure. This is the central question in the longstanding academic debate over mandatory disclosure, of course, but it is directly relevant to evaluating the quarterly reporting requirement.

The standard justification for mandatory disclosure rests on the identification of a market failure—some reason why competitive market pressures would lead firms to disclose sub-optimally in the absence of a legal mandate. Three categories of market failure have been advanced in defense of the mandatory disclosure system in general and the periodic disclosure reporting system in particular: (1) information is a public good, (ii) externalities, and (iii) the information asymmetry between issuers and investors.

Each of these alleged market failures remains highly contested in this connection. In order for it to make sense, for example, the public goods argument requires not merely that information have public goods characteristics, but also both that firms will in fact fail to disclose optimally and that government mandates will produce efficient disclosure levels. None of those propositions are self-evident. As for the whether information—especially securities data and research—is a public good, information is not subject to non-rivalrous consumption in the securities markets. Because US capital markets are efficient, at least in the weak- and semi-strong forms, information is consumed by investors trading in response to it as soon as it is disclosed, thereby impounding it into the market price, and thereby becoming less valuable—indeed worthless—to those that fail to immediately trade upon it. T

The externalities argument posits that “because the issuer does not share in the benefits of the externalities conferred on third parties and actually may suffer losses (e.g., by enlightening a competitor that is suddenly better able to compete), marginal private benefits from disclosure will fall short of its marginal social benefits and therefore issuer disclosure is likely to be sub-optimal.”⁵ But this line of argument proves too much, as it would justify mandating disclosures far beyond what the current system requires.

Admittedly, the information asymmetry argument is intuitively powerful. Insiders obviously possess considerably greater information than outsider investors. But this line of argument fails to take into account an issuer management's strong incentives to voluntarily disclose information. Issuer management frequently holds a substantial portion of their monetary net worth in issuer stock. Insiders also have made considerable investments in non-diversifiable, firm-specific human capital. Providing levels of disclosure demanded by investors thus benefits insiders by lowering the issuer's cost of capital—making firm failure less likely—and raising the value of the issuer's stock.

Turning from theory to empirical data, there is indirect evidence that there is no persistent market failure in US capital markets. Issuers making private placements—free from the mandatory disclosure regime—routinely provide disclosures comparable to those in registered public offerings, in response to investor demand and the pressure of reputational intermediaries such as underwriters.⁶ Many foreign

⁴ H.R. Rep. No. 1383, 73d Cong., 2d Sess., 11 (1934).

⁵ Joseph A. Franco, *Why Antifraud Prohibitions Are Not Enough: The Significance of Opportunism, Candor and Signaling in the Economic Case for Mandatory Securities Disclosure*, 2002 Colum. Bus. L. Rev. 223, 345 (2002).

⁶ See Stephen J. Choi, *Company Registration: Toward A Status-Based Antifraud Regime*, 64 U. Chi. L. Rev. 567, 644 (1997) (“Companies issuing securities under a private placement need not assemble a formal registration statement, although many will voluntarily provide similar information to attract investors.”); see also Stephen J. Choi, *Law, Finance, and Path Dependence: Developing Strong Securities Markets*, 80 Tex. L. Rev. 1657, 1722 (2002)

issuers have voluntarily adopted U.S.-style accounting standards that promote transparency, even when not legally required to do so.⁷ It is thus plausible that investor demand and the threat of ex post liability for fraud would generate optimal disclosure even if the mandatory regime were to be repealed in whole or in part.

If the mandatory disclosure regime as a whole rests on contestable foundations, mandatory quarterly reporting—one component of that regime—is entitled to no greater deference. The Commission is correct to consider making it optional.

B. As With the Mandatory Disclosure System in General, the Quarterly Reporting Requirement Functions Like an Ill-Calibrated Price Control

A particularly trenchant objection to the current regime is that mandatory disclosure functions in ways not unlike price controls. A regulatory mandate is unlikely to peg required disclosure at the equilibrium point at which marginal cost equals marginal benefit. As with any legal rule, the quarterly reporting mandate is likely to be both under- and over-inclusive. Under-inclusive disclosure rules harm investors by denying them needed information; over-inclusive rules harm investors by requiring firms to spend money on unnecessary disclosures—costs that ultimately come out of shareholders' pockets. Investors do not want management spending a dollar on disclosure unless that expenditure produces at least a dollar's worth of benefit.

Different firms achieve disclosure equilibrium at different levels, and a uniform quarterly cadence is by definition over-inclusive for firms whose investors would be adequately served by semi-annual reporting and under-inclusive for firms whose investors might benefit from more frequent updates. The Commission's proposed optional system would allow companies and their investors to self-select into the reporting frequency that best reflects their particular circumstances. Under a voluntary regime, management has an incentive to provide disclosure until it achieves an efficient trade-off between lowering the cost of capital and the costs of disclosure preparation. The government has no comparable incentive and, accordingly, a mandatory quarterly rule cannot be calibrated to the efficient level for each company.

III. The Arguments Against Mandatory Quarterly Disclosure Are Compelling

Having situated the reporting frequency question in the broader context of the debate over mandatory disclosure in the preceding section, in this section I turn to the question specific arguments in favor of replacing the mandatory quarterly reporting system with an optional one.

A. Encouraging IPOs and Discouraging Going Dark

In the Washington Post, George Mason law professor Todd Zywicki recently took note of the steady drop in the number of publicly traded companies in the United States.

(citing a survey in which “interviewees stated that the quality of the (voluntary) disclosures under the European private placements is generally higher than the formal disclosure requirements of EU member countries, following U.S. disclosures for private placements”).

⁷ See Weitseng Chen, Institutional Arbitrage: China's Economic Power Projection and International Capital Markets, 26 Colum. J. Asian L. 347, 370 (2013) (stating that “many Chinese firms voluntarily follow U.S. disclosure practices when executing private placements of their securities for commercial reasons—to approach U.S. investors easily and to keep the option for U.S. market open”). Conversely, “[t]he fact that the international unregulated private placement market does not always demand U.S. public market documentation reveals that the level of disclosure required by the United States is not optimal.” Hal S. Scott, Internationalization of Primary Public Securities Markets, 63 L. & Contemp. Probs. 71, 73 (Summer 2000).

Since the late 1990s, the number of publicly traded companies has fallen by more than half. Initial public offerings, once a reliable engine of economic dynamism that let ordinary Americans invest in tomorrow's great companies, have plummeted.⁸

Zywicki went on to note that:

[T]his decline in public offerings limits Americans' access to investment opportunities and shifts capital formation toward private markets that are largely inaccessible to ordinary investors. ...

Innovative and new companies—artificial intelligence companies, in particular—have become the latest cash cow for securities lawyers. In turn, economists have found that innovation and economic growth are being impeded by this rising threat of litigation.

I concur.

The dramatic decline in publicly traded U.S. corporations has had serious consequences for the American economy's dynamism and efficiency. Public equity markets have historically served as the primary mechanism for allocating capital to its most productive uses, with competitive pricing of shares reflecting the dispersed information and judgment of millions of investors. When companies remain private or are absorbed through M&A rather than going public, this price discovery function is impaired. Capital gets channeled instead through private equity and venture capital, which are accessible only to institutional investors and the ultra-wealthy, meaning that investment decisions affecting large swaths of the economy are made by a far narrower set of actors with less informational diversity. The result is a less efficient deployment of the nation's capital stock and a greater concentration of economic decision-making power.

The consequences for ordinary Americans are equally troubling. Historically, the public equity markets were a vehicle through which middle-class households could accumulate wealth by owning stakes in growing companies. As firms stay private longer—or never go public at all—the wealth generated during the high-growth phases of corporate development accrues almost exclusively to venture capitalists, private equity funds, and their wealthy limited partners. By the time a company does reach public markets (if it ever does), much of the appreciation has already occurred. This dynamic has contributed to widening wealth inequality, since participation in private markets is largely limited to accredited investors who already meet high income or net-worth thresholds. The shrinkage of the public markets thus represents not just an economic efficiency loss but a structural barrier that prevents ordinary Americans from sharing in the gains of entrepreneurial capitalism.

Zywicki lays the blame at the feet of trial lawyers, especially securities class action plaintiff lawyers. I concur that excessive litigation is part of the problem. But there are other factors.

In my paper, *Corporate Governance and U.S. Capital Market Competitiveness*,⁹ I observed that:

According to the Paulson Commission,¹⁰ "one important factor contributing to this trend is the growth of U.S. regulatory compliance costs and liability risks compared other developed and respected market centers."

As I documented therein, the costs imposed by statutes like the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act of 2010 and the rules thereunder—to cite but two examples—are disproportionately

⁸ Todd J. Zywicki, What's Behind the Staggering Drop In U.S. Public Companies, Wash. Post (April 13, 2026).

⁹ Stephen M. Bainbridge, [Corporate Governance and U.S. Capital Market Competitiveness](#) (October 22, 2010), published as How American Corporate and Securities Law Drives Business Offshore, in *The American Illness: Essays on the Rule of Law 381* (Yale University Press; F.H. Buckley ed. 2013).

¹⁰ Comm. on Capital Mkts. Reg., Interim Report of the Committee on Capital Markets Regulation (2006). The Committee on Capital markets regulation—or, as it is better known—the Paulson Committee subsequently issued a follow up report identifying thirteen competitive measures that the Committee tracks on a quarterly basis. Comm. on Capital Mkts. Regulation, *The Competitive Position of the U.S. Public Equity Market* (2007) [hereinafter the Paulson Committee Report].

borne by smaller companies. As such, those costs discouraged companies from going public and encouraged smaller public corporations to go dark.

Preparing a Form 10-Q is not costless. Companies incur accounting, legal, internal controls, management, board, investor-relations, and auditor-review costs. As with the costs of SOX and Dodd-Frank compliance, those costs likely are especially significant for smaller reporting companies, newly public companies, firms with thin finance teams, or firms operating in complex regulatory environments.

A semi-annual system would reduce recurring compliance burdens. Even if larger issuers continue quarterly reporting voluntarily, the reform could provide meaningful relief to companies for which the marginal benefit of quarterly reports is low.

B. Promoting the Quality of Disclosure

The Commission notes (at 114) that “[r]educed reporting frequency may also affect . . . reporting quality.” In fact, the impact may be positive rather than negative. Quarterly reports can become repetitive, boilerplate, and compliance-driven. Risk factors, MD&A, legal proceedings, and controls language may change little from quarter to quarter. A semiannual cadence might allow companies to provide more thoughtful analysis of trends rather than mechanically updating marginal changes every three months.

Put another way, more frequent disclosure is not always better disclosure. Fewer mandatory reports could lead to reports that are more substantive, better integrated with management’s actual view of the business, and less focused on immaterial quarter-to-quarter fluctuations.

IV. The Arguments In Favor of Retaining Quarterly Disclosures Are Weak

A. More Frequent Reporting Improves Market Efficiency and Price Accuracy

Some argue that quarterly 10-Qs help securities prices more quickly reflect issuer-specific information. In turn, or so they argue, improved pricing improves capital allocation, reduces adverse selection, and may lower issuers’ cost of capital.

This argument ignores the multiple ways in which information is conveyed to the marketplace. It also ignores the risk that quarterly data can also add noise. Three-month periods may be too short to evaluate strategy, cyclicity, seasonality, investment payoffs, or one-time events. In addition, markets may overreact to small quarterly deviations, especially earnings misses, producing short-term volatility rather than better valuation.

B. Assisting Investors with Trading Decisions

According to a May 5, 2026, Bloomberg report, “[a]dvocates of quarterly reporting say transparency helps investors make crucial buy-and-sell decisions.”¹¹ If that consideration deserved much weight, however, it would argue for increasing the frequency of corporate reporting. After all, investors routinely make intra-quarterly trading decisions. If assisting with trading decisions matters as much as the advocates of the current system claim, the SEC should mandate daily reporting. But the SEC wisely has concluded that the costs of more frequent disclosure outweigh the claimed benefits.

In addition, nothing in the SEC proposal contemplates eliminating intra-quarterly disclosures on Form 8-K. Companies will still be required to inform investors of critical news in real-time disclosures. If experience with semi-annual reporting proves that there are some categories of information investors do

¹¹ Nicola M. White & Lydia Beyoud, [End Quarterly Earnings Reports? Here’s the Debate: Explainer](https://www.bloomberglaw.com/insights/articlesvolumes/2026/05/end-quarterly-earnings-reports-here-s-the-debate-explainer), Bloomberglaw.com (May 5, 2026).

need more frequently for trading purposes, the SEC can simply expand the scope of Form 8-K triggering events.¹²

Regulation FD further ensures that selective disclosure to some investors will not prejudice other investors. Companies will still be obliged to comply with Reg FD's requirement that they make publicly available any price-sensitive information they release—whether intentionally or inadvertently—to stock analysts or other investors.

C. Protecting Retail Investors

I expect that proxy advisory firms and self-appointed shareholder advocates will argue that quarterly reporting is especially important to protect small retail investors who lack the access to issuers that some institutional investors possess. If so, however, that argument is wholly specious. First, as noted above, Reg FD ensures that information provided to large institutions must be made publicly available. Second, retail investors should be encouraged to invest in passively managed index funds rather than individual stocks. The evidence is clear that indexing is the superior strategy over the long-term for individual investors. Third, retail investors get their news from headlines, social media, or analyst summaries, not from the Form 10-Q

C. Preventing Insider Trading

The May 5th Bloomberg report posited that:

Less frequent reports could also increase the risk of insider trading, as it would lengthen the time insiders could hold on to confidential information and potentially make illicit stock trades.

This concern is reflected in Question 32 of the SEC proposing release:

Would there be an increased risk of insider trading at companies that elect to report on a semiannual basis?¹³

I do not believe that a shift from mandatory to optional quarterly reporting would significantly affect insider trading incentives. We can get at this issue by considering the argument that we need to regulate insider trading so as to prevent insiders from delaying disclosure of corporate information. As I have observed previously:

[U]nwarranted delays in disclosing corporate information result in social costs. Despite the strong bias in the federal securities laws towards prompt disclosure of material developments, there are many circumstances in which the firm is permitted to delay disclosure, such as when it could be preempted by competitors or otherwise would be unable to take advantage of the development. This type of delay reduces market efficiency, but is justified because prompt disclosure in such circumstances would reduce the firm's incentive to produce socially valuable information. The resulting loss of market efficiency, however, requires that the delay be no longer than necessary for the firm to capture the development's value.

While insider trading poses some risk of causing this sort of delay, the risk is undoubtedly quite minimal. The available empirical evidence suggests that measurable

¹² In Question 14, the SEC asks whether there are “any disclosure items, such as mine safety violations, in proposed Form 10-S that should be required instead to be disclosed in other forms, such as Form 10-K, Form 8-K, or Form SD?” Consistent with my comment in the text, my answer is that the Commission should take a wait-and-see approach. Experience will teach whether there is information that should be added to the Form 8-K triggers and, conversely, whether there is information that can be delayed to the annual report.

¹³ The Commission separately notes (at 66) that The Commission notes (at 66) that reducing “the frequency of interim reporting could result in delayed disclosure of material information . . .” For the reasons discussed in this section, I do not regard that as a serious concern.

delay attributable to insider trading is rare. This *finding is not particularly surprising. Given the rapidity with which securities transactions can be conducted in modern secondary trading markets, an insider need at most delay disclosure long enough for a five-minute telephone conversation with his stockbroker. Even if the insider wished to cover his tracks by trading through an elaborate network of offshore shell corporations, very little delay is entailed once the network is up and running. Delay also often will be readily detectable by the insider's supervisors.

In fact, insider trading seems more likely to create incentives for insiders to prematurely disclose information than to delay its disclosure.¹⁴

Preserving quarterly disclosure so as to prevent insider trading is thus an entirely specious argument.

D. Promoting Comparability

The Commission notes (at 66) that switching to semi-annual reporting “could result,” *inter alia*, in “reduced comparability.” But semi-annual reporting would still permit year-over-year and first-half-to-first-half comparisons. Companies that benefit from providing quarterly information could voluntarily continue doing so. Investors could punish firms that withhold useful interim data.

In any event, what really drives comparability is standardization. To be sure, standardized disclosures have their own concerns. They tend towards boilerplate and discourage innovative presentations, to cite but two.

Nevertheless, if insuring comparability across firms and across time periods is a concern what matters is the form of disclosure not its frequency. Comparability is assured by requiring financial statements to be prepared in accord with GAAP. It is ensured by requiring all firms to disclose the same basic package of information. It is ensured by providing templates within which disclosures are made.

E. Promoting Liquidity

There is no doubt that markets are more liquid when traders trust that public information is reasonably current. But liquidity benefits likely are concentrated in larger firms where analyst coverage and market data already exist. For smaller issuers, compliance costs likely outweigh any liquidity gain. And, in any case, investors can demand a liquidity discount from companies that voluntarily choose less frequent disclosure.

V. What Companies Are Most Likely to Elect Semi-annual Reporting?

In this section, I turn to the question (number 1) posed by the Commission:

What types of companies are likely to elect the option to file semi-annual reports? Are companies in certain industries more likely than those in other industries to elect to file semi-annual reports?

A closely related question (17) asks:

Would market forces or demands on a company's business—such as contractual obligations, investor expectations, and potential for shareholder activism—encourage semiannual filers to: (1) voluntarily disclose more information than required, (2) disclose information more frequently than is required, or (3) opt not to become semiannual filers at all?

I see these question as related because I believe that some firms are more likely to face—and respond affirmatively—to such pressures than others.

¹⁴ Stephen M. Bainbridge, Incorporating State Law Fiduciary Duties into the Federal Insider Trading Prohibition, 52 Wash. & Lee L. Rev. 1189, 1236–37 (1995).

A. The Status Quo Bias Will Constrain Adoption

Before addressing the types of companies likely to elect semi-annual reporting, it is important to note a structural feature of the proposed system that is likely to significantly shape adoption patterns at least initially. Managers of U.S. public companies have lived under mandatory quarterly reporting long enough to embed it in their customs, habits, and institutional norms. The so-called status quo bias posits a systematic decision-making tendency pursuant to which actors favor maintaining the status quo rather than switching to some alternative state, even when that stickiness cannot be explained on efficiency grounds.¹⁵ The Commission therefore should not interpret low initial take up as evidence that semi-annual reporting is undesirable. Rather, if take up of semi-annual reporting is slow initially, that fact will simply reflect the well-documented tendency of institutional actors to favor familiar practice over efficient adjustment.

B. Smaller Companies with Higher Compliance Costs

The most natural candidates for electing semi-annual reporting are smaller reporting companies for whom the compliance burden of quarterly reporting is highest relative to the informational benefit investors derive from it. As noted above, the quarterly preparation of Form 10-Q—including financial statement preparation, auditor review, MD&A drafting, and officer certification—imposes fixed costs that fall disproportionately on companies with smaller finance and legal functions. For such companies, the marginal cost of quarterly disclosure likely exceeds its marginal benefit to investors, and the optional semi-annual system would permit them to reach the efficient equilibrium that the current mandatory regime prevents:

Quarterly reporting can be burdensome, especially for smaller firms. For public companies that aren't yet generating significant revenue, time-consuming 10-Qs provide limited new information to investors. As such, capital-constrained firms must divert scarce resources to preparing reports investors are likely to ignore. Directing those resources toward managing business operations or capital investments would better serve these firms and their investors.¹⁶

Put another way, mandatory quarterly reporting imposes a one-size-fits-all disclosure cadence. Optional quarterly reporting would introduce some issuer-level tailoring.

C. Companies with Longer-Horizon Investor Bases

Companies whose investor bases have longer investment horizons are also more likely to elect semi-annual reporting successfully. Companies with significant founder or family ownership, companies backed by patient institutional capital, and companies in industries where current-period earnings are poor proxies for long-run value are natural candidates.

Conversely, companies with large active institutional ownership bases—pension funds, hedge funds, and other sophisticated investors who routinely demand more information rather than less—will face the strongest market pressure to remain on a quarterly schedule regardless of what the Commission's rules permit.

Research by Andrew Call and colleagues also suggests that fear of market penalties produces what might be called "reluctant" or involuntary voluntary disclosure, driving voluntary earnings guidance

¹⁵ See Russell Korobkin, *Inertia and Preference in Contract Negotiation: The Psychological Power of Default Rules and Form Terms*, 51 Vand. L. Rev. 1583, 1584 (1998) ("The consequence [of the status quo bias] is that completely alienable legal entitlements will be 'sticky'—that is, tend not to be traded—even when such stickiness cannot be explained by [high] transaction costs.").

¹⁶ See Carly Burd & Robert Whited, [Do We Need Mandatory Quarterly Reporting?](#) (Sept. 25, 2025)(

even among companies that would prefer not to issue it.¹⁷ The same dynamic is likely to keep many companies on a quarterly schedule through market pressure rather than legal compulsion.

The international evidence confirms this:

Despite Europe and the U.K. doing away with quarterly reporting requirements in 2013 and 2014, respectively, many companies there still choose to report four times a year. The Amsterdam-based fintech firm Adyen for years only reported financial results twice annually. But it began releasing quarterly business updates after its half-year earnings report in 2023 disappointed investors and sent its stock tumbling.¹⁸

D. Industry Considerations

Certain industries present a natural fit for semi-annual reporting. Companies engaged in long-gestation projects—biotech and pharmaceutical firms awaiting regulatory approvals, capital-intensive infrastructure and energy companies, and early-stage technology firms where current losses are priced against multi-year growth expectations—may find that quarterly disclosures add little decision-relevant information for investors already pricing future cash flows over extended horizons. The IPO evidence discussed above supports this intuition: investors in such companies are demonstrably capable of thinking far beyond the current quarter.

Conversely, industries in which quarterly results are highly material to market valuations—financial services firms, retailers with pronounced seasonal patterns, and cyclical businesses whose financial condition can change materially within a three-month window—are least likely to elect semi-annual reporting because investor demand for frequent updates in those sectors is strongest.

VI. The Empirical Evidence Does Not Support the Claim That the Frequency of Reporting Impacts Management Decision-Making Timelines

As the SEC notes at several points, there is a debate about the extent to which the frequency of periodic disclosure reporting promotes or discourages managers to make decisions that maximize short-term performance at the expense of long-term performance. This debate seemingly drives the inquiry in Question 17:

What impact would the proposed option to file semiannual reports on Form 10-S have on Exchange Act reporting companies' ability to focus on: (1) business operations, (2) growth, or (3) long-term business strategies?

This question and the commentary in the report appears to assume that a short-term bias on the part of managers is inherently undesirable, which is a contestable proposition.¹⁹ More importantly, it also assumes that changing the frequency of reporting would change management incentives. I am skeptical of this argument for several reasons.

First, the conventional wisdom that quarterly reporting drives short-termism is empirically contested. Economists Sanjai Bhagat and Glenn Hubbard have documented a considerable body of finance research consistent with managers and investors focusing on long-term shareholder value. Their observation that more than 80 percent of U.S. IPOs have negative earnings in the twelve months prior to going public—yet are valued at hundreds of millions or even billions of dollars—is powerful evidence that

¹⁷ Andrew Call et al., [Do Firms Get “Stuck” Issuing Quarterly Earnings Guidance?](#) (Nov. 2024).

¹⁸ Corrie Driebusch, [Why Trump's Bid to End Quarterly Earnings Is No Sure Bet](#), Wall St. J. (Sept. 16, 2025).

¹⁹ See Stephen M. Bainbridge, Long-Term Bias and Director Primacy, 2020 Colum. Bus. L. Rev. 801, 807-08 (2020) (arguing that “a long-term focus is not always optimal” and that “managers often exhibit a bias towards the long term, rather than the short term assumed by conventional wisdom”).

markets routinely price future cash flows over extended horizons.²⁰ If quarterly myopia were as pervasive as critics claim, such valuations would be difficult to explain.

Second, and more directly, the U.K. natural experiment provides a useful reality check. The United Kingdom introduced mandatory quarterly reporting in 2008 and then eliminated it in 2015 in favor of voluntary semi-annual reporting. A careful study by Nallareddy and colleagues found that neither change had a statistically significant impact on corporate investment decisions, as proxied by capital expenditure, levels of plant, property, and equipment, research and development expenditures, and intangible assets. The authors concluded that a three-month change in reporting frequency is unlikely to cause a substantial change in the investment decisions of company executives.²¹ Accordingly, the proposed SEC rule extending the reporting period from three to six months should not significantly affect executive time horizons—in either direction—absent other major changes.

Third, while there are behavioral economics arguments—most notably the endowment effect—that might support the view that shorter reporting periods exacerbate short-term biases, these arguments counsel for flexibility rather than a uniform mandate. Companies and investors differ in their susceptibility to such biases. A voluntary system would permit market participants to self-select into the reporting frequency that best serves their needs.

Finally, to the extent managerial short-termism is a genuine problem, its sources likely run deeper than quarterly disclosure requirements. Executive compensation structures, activist investor pressures, and the fundamental mismatch between managerial career horizons and corporate lifespans are more plausible causal factors.

Accordingly, the SEC should not let concerns about management time horizons drive the decision either in favor of retaining the current quarterly reporting mandate or making quarterly reporting optional. Instead, that decision should rest on other considerations.

VII. Miscellaneous Comments

A. The Form 10-K Check-the-Box Approach

As proposed, the new rules contemplate that companies choosing semi-annual would opt into that cadence by checking a box on the cover page of their annual Form 10-K. Having done so, that election applies to the following fiscal year and cannot be changed except to correct an inadvertent error.

This approach poses several issues:

1. Companies will need to re-select the option annually. This seems unobjectionable.
2. For a non-accelerated filer Form 10-K can be filed as few as 40 days before the first quarterly report would be due. A company that previously used quarterly reporting thus could switch to semi-annual reporting to avoid disclosing poor first-quarter results.
 - a. A company could further game the system by claiming that its failure to check the box was an inadvertent omission when in fact the switch to semi-annual reporting is intended to delay disclosure of bad news.
3. Investors may perceive a switch from quarterly to semi-annual reporting as an attempt delay disclosure of bad news.

At a minimum, the SEC should require a company to issue a press release announcing a switch from quarterly to semi-annual reporting and explaining why it is making that switch. The press release should be filed with a Form 8-K. If the company claims that it inadvertently failed to check the box and now seeks

²⁰ See Sanjai Bhagat & Robert Glenn Hubbard, Should the Modern Corporation Maximize Shareholder Value? (March 3, 2020), <https://ssrn.com/abstract=3548293>.

²¹ Suresh Nallareddy et al., Consequences of Mandatory Quarterly Reporting: The U.K. Experience (March 1, 2017), <https://ssrn.com/abstract=2817120>.

to correct that and switch to semi-annual reporting, it should also be required to issue a press release explaining how the mistake was made. Again, that press release should be filed with a Form 8-K.

B. The Real Problem is Not the Cadence of Reporting But the Accompanying Requirements

At least for larger established companies, the costs of quarterly reporting likely do not consist primarily of collecting the requisite financial data. Many companies are continuously collecting financial data in real time. Automation and AI agents will continue to enhance their ability to have real time data readily available.

Instead, the bulk of the cost of periodic disclosure likely is incurred in the formal compliance process that accompanies each filing. It is the need for SOX certifications, obtaining review of draft disclosures by counsel, obtaining independent auditor reviews, holding disclosure committee meetings, and audit committee and board of director time reviewing the drafts. Going from three Form 10-Qs to one Form 10-S eliminates two full cycles of that process. Yet, the SEC should not stop there. The SEC should consider not just the frequency of disclosure, but also whether all of the compliance rigamarole that accompanies periodic disclosure is necessary.

VIII. The Optional System Presents a Valuable Natural Experiment

The proposed optional system would, if adopted, constitute a valuable natural experiment in the economics of voluntary disclosure. If companies given the option to report semi-annually nonetheless continue to report quarterly—whether in response to investor demand, institutional norms, or status quo bias—that evidence would tend to confirm that market forces are sufficient to produce optimal disclosure without a quarterly mandate, strengthening the case for reconsidering the mandatory disclosure regime more broadly.

Conversely, if companies migrate to semi-annual reporting in significant numbers, the Commission and researchers would be able to observe whether investor welfare is adversely affected and whether analyst forecast accuracy declines. The U.K. experience suggests it would not: when the U.K. shifted to voluntary semi-annual reporting, analyst coverage declined modestly but forecast accuracy did not change significantly, suggesting that information continued to reach the market through alternative channels. The Commission should monitor these outcomes carefully and use the resulting evidence to inform any future consideration of the periodic reporting system.

Conclusion

For the foregoing reasons, I support the Commission's proposed amendments permitting companies to elect semi-annual reporting in lieu of quarterly reports on Form 10-Q. The theoretical foundation for mandatory quarterly reporting is weaker than is commonly assumed. The empirical evidence that quarterly reporting prevents managerial short-termism is not compelling. Market forces are likely to produce adequate disclosure in a voluntary system.

Mandatory quarterly reporting imposes a uniform disclosure cadence on firms with different business cycles, investor bases, and information needs. That cadence may increase compliance costs, amplify short-term market pressure, encourage earnings management, and focus investors on noisy three-month results. A semiannual reporting requirement, paired with an option to continue quarterly reporting, would preserve a mandatory public disclosure floor while allowing firms and investors to determine whether quarterly reporting is valuable in particular cases. Firms that benefit from quarterly transparency could continue it. Firms for which quarterly reporting is costly, repetitive, or misleading could shift to a less burdensome semiannual model, subject to market discipline and continuing event-based disclosure obligations.

Chairman Atkins has correctly noted that the SEC has drifted away from its core mission of ensuring that issuers disclose material information. In recent years, the SEC has expanded or proposed expanding the scope of information required to include such matters as ESG factors (such as GHG emissions) that are of doubtful materiality to the typical investor. Observing what information firms supply

in the interval between the semi-annual reports via Form 8-K filings and so on should help the SEC assess what information investors truly need. (I note in passing that the continually growing bulk of proxy statements is a related problem the SEC should evaluate.)

Lastly, the optional system will also generate valuable empirical evidence about the merits of mandatory disclosure that the Commission could use to evaluate the periodic reporting regime more broadly. The Commission should avail itself of this opportunity to evaluate not just the optimal cadence of periodic disclosure, but also the content of the required disclosures. The current one-size-fits-all disclosure template has the advantage of promoting cross-firm and cross-time comparability. Yet, it seems likely that the burden of preparing periodic disclosure reports and the related compliance obligations falls more heavily on emerging growth companies, newly public companies, and micro- and nano-cap non-accelerated filers. Observing how those companies respond to the change may give the Commission new insight into whether those firms would benefit from further regulatory relief.

Sincerely,

A handwritten signature in dark ink, appearing to read 'SMB', with a long horizontal flourish extending to the right.

Stephen M. Bainbridge