

# To the Point

## SEC proposes optional semiannual reporting in lieu of quarterly Form 10-Q reporting

The proposal is one step in a broader Commission effort to encourage more companies to go and remain public.

### What you need to know

- ▶ The SEC proposed allowing Exchange Act reporting companies to elect semiannual interim reporting on a new Form 10-S, instead of quarterly reporting on Form 10-Q.
- ▶ Reporting companies would elect their interim reporting frequency annually by checking a box on the cover page of Form 10-K. A company that elects semiannual reporting would file one semiannual report and one annual report for each fiscal year, instead of three quarterly reports and one annual report.
- ▶ Form 10-S would require the same information currently required by Form 10-Q for the covered six-month period, instead of a quarter.
- ▶ Comments are due 60 days after publication in the Federal Register.

### Overview

The Securities and Exchange Commission (SEC or Commission) **proposed** providing Securities Exchange Act of 1934 (Exchange Act) reporting companies with the option to file interim reports on a semiannual rather than quarterly basis. The proposal would amend Exchange Act Rules 13a-13 and 15d-13 and introduce new Form 10-S for semiannual filers. The proposed amendments would not affect certain investment companies, foreign private issuers and asset-backed issuers that are currently exempt from the quarterly reporting requirements in Exchange Act Rules 13a-13 and 15d-13.

The proposal is intended to provide flexibility in interim reporting frequency, while maintaining core investor protections. Companies would be able to select the reporting cadence that best suits their circumstances, such as their stage of development, cost of compliance and investor expectations.

The proposing release also includes amendments to Regulation S-X to facilitate semiannual reporting and to simplify and consolidate the rules related to the age of financial statements in registration statements and other filings. The Commission acknowledged that the adoption of the proposing release may require changes to the rules of securities exchanges or accounting or auditing standards to accommodate semiannual reporting. The SEC staff is expected to coordinate with accounting and auditing standard setters, securities exchanges and other market operators to facilitate such changes if needed.

For example, the Public Company Accounting Oversight Board (PCAOB) Auditing Standard 6101, *Letters for Underwriters and Certain Other Requesting Parties* (AS 6101), which addresses the requirements for auditors providing comfort letters in a securities offering (an important part of the offering process), is designed around the quarterly reporting framework.

## Key considerations

### Proposed annual election for optional semiannual reporting

The proposed amendments would add a check box to Form 10-K's cover page where a reporting company would indicate annually whether it selects a semiannual or quarterly reporting frequency (i.e., either by checking or not checking the semiannual box). Companies would not be permitted to change this election until their next Form 10-K is filed, unless they need to correct a check box error.

Under the proposal, a company electing semiannual reporting would file one semiannual report and one annual report each fiscal year. A company that does not make this election would continue to file three Form 10-Q quarterly reports and one annual report each fiscal year under the existing framework.

Companies electing to file semiannual reports would begin reporting on Form 10-S in the same fiscal year the election is made. For example, a calendar year-end company that checks off semiannual reporting on the cover page of its fiscal 2026 Form 10-K (filed in fiscal year 2027) would file its first Form 10-S for the first six months of the 2027 fiscal year.

Companies making an annual election to report quarterly after reporting semiannually would be required to present in the first quarter Form 10-Q after the election statements of comprehensive income, cash flows and changes in stockholders' equity for the prior-year comparable quarter, which would not have been required to be separately presented in their previously filed Form 10-S. As a result, a reporting company may need to take additional steps to prepare the financial statements for the prior-year comparable quarterly periods, including making sure reviews by an independent public accountant have been performed.

The proposed amendments would add a similar semiannual reporting election check box to the cover pages of Securities Act of 1933 registration statements, including Forms S-1, S-3, S-4 and S-11, as well as Exchange Act registration statements on Form 10.

Companies that have yet to file Exchange Act reports, such as private companies conducting initial public offerings, would make initial elections for semiannual reporting by checking the box on the cover page of the registration statement filed. Consistent with current timing rules for newly public companies' first quarterly reports under the Exchange Act, the initial Form 10-S

Reporting companies would make an annual election on Form 10-K for semiannual reporting.

would typically be due the later of 45 days after the registration statement becomes effective or the date the Form 10-S would otherwise have been due if the company were already subject to Exchange Act reporting requirements.

The proposal would also allow companies to correct inadvertent check box errors by filing an amended Form 10-K as soon as practicable after discovering the error but no later than the deadline for filing the company's first Form 10-Q for the fiscal year in which the initial Form 10-K containing the error was filed.

### **Information requirements on new Form 10-S**

Companies that elect semiannual reporting would file a Form 10-S covering the first six months of the fiscal year. The second semiannual period would only appear as part of the annual period subsequently reported in Form 10-K and not be presented separately. The SEC said Form 10-S would require the same information currently required in Form 10-Q, but for the covered six-month period instead of a quarter.

The financial statements for the covered semiannual period would be required to be reviewed by an independent public accountant. The financial statements would also be subject to inline XBRL tagging. Current disclosure and certification requirements for disclosure controls and procedures and internal control over financial reporting would also apply to Form 10-S. Non-GAAP financial measures presented in Form 10-S would also be subject to the current requirements of Regulation G and Item 10(e) of Regulation S-K.

The filing deadline for Form 10-S would be 40 or 45 days after the end of the semiannual period (depending on the registrant's filer status), consistent with Form 10-Q's fiscal quarter-end deadline, which would remain unchanged.

### **Considerations for electing semiannual reporting**

In the proposing release, the SEC identified various considerations that may influence whether an Exchange Act reporting company decides to elect semiannual reporting or continue with quarterly reporting. It noted that the optimal interim reporting frequency may vary by company based on a number of factors, including size, business model and investor base, and a uniform interim reporting requirement may not be appropriate for all companies.

The SEC also noted that quarterly reporting can involve significant time and cost, including internal resources devoted to preparing quarterly reports, independent public accountant reviews of quarterly financial statements and related voluntary investor communications, such as earnings releases and conference calls. It said the flexibility to select the interim reporting frequency most appropriate for the company and its investors may be especially valuable to emerging growth companies and smaller reporting companies. The SEC also suggested in the proposing release that reduced interim reporting compliance costs may result in more private companies deciding to go and remain public.

For some companies, investor focus may be driven more by product development milestones, regulatory developments or long-term strategy than by short-term financial results, which the SEC said could make semiannual reporting a better fit. At the same time, the SEC acknowledged that other companies may continue to prefer quarterly reporting due to investor expectations, analyst coverage, industry practices or other considerations.

In discussing investor protections, the SEC said material information would continue to be disclosed throughout the year through other mechanisms, including Form 8-K and Regulation FD. It also observed that while Form 8-K requirements elicit disclosures about material events on a more timely basis than quarterly reports on Form 10-Q, financial information included in

earnings releases furnished under Item 2.02 of Form 8-K differs from Form 10-Q financial information because it does not need to be provided in the form of financial statements. In addition, the information does not need to be reviewed by an independent public accountant and is not subject to certain certification and data-tagging requirements. The SEC also recognized that if a company switches to semiannual reporting and ceases to report quarterly earnings or conduct quarterly earnings conference calls, the disclosures under Item 2.02 of Form 8-K would no longer be available.

The proposed amendments would not change the regulatory requirements governing earnings releases or earnings guidance practices. Federal securities laws do not require Exchange Act reporting companies to announce or publish earnings, conduct earnings calls, or issue earnings guidance. In its proposing release, the Commission asked for feedback on whether less-frequent interim reporting raises any investor protection concerns.

### How we see it

Under the proposed rule, semiannual reporting would be optional. Companies would need to evaluate their own facts and circumstances annually to determine whether to elect quarterly or semiannual reporting for the next annual reporting cycle. We expect that those charged with governance, including the audit committee, would be involved in this evaluation.

## Proposed amendments to Regulation S-X

### *Streamlining the age of financial statements requirements*

The proposal would also amend Regulation S-X to simplify and consolidate the rules governing the age of financial statements in registration and proxy statements by consolidating the requirements of Rules 3-12 and 3-01 and eliminating Rule 3-12. Additionally, it would amend Rule 8-08 for smaller reporting companies to conform to proposed Rule 3-01.

### *Determining the age of interim financial statements*

In determining whether interim financial statements would be required in registration and proxy statements, a registrant would include interim financial statements as of the end of the most recently completed interim period that has been filed, or is required to be filed, in a Form 10-Q or Form 10-S.

The SEC said this approach would replace the current day-count methodology (i.e., the requirement to determine whether the balance sheet falls within 130 or 135 days, as applicable). The proposed framework would apply consistently to quarterly and semiannual filers and be reflected in parallel amendments to Rule 8-08 for smaller reporting companies.

Additionally, Rules 10-01 and 8-03 would be amended to clarify how “interim” is defined for quarterly filers compared to semiannual filers.

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