

Weighing Trade-Offs Of SEC's Semiannual Reporting Proposal

By **Keith Billotti and Walter Van Dorn** (June 10, 2026)

The U.S. Securities and Exchange Commission's May 5 proposal to permit public companies to replace quarterly reporting on Form 10-Q with a semiannual reporting regime centered on a new Form 10-S is a significant potential shift in U.S. public company disclosure.

While framed as a deregulatory measure designed to reduce compliance costs and encourage capital formation, the proposal raises fundamental questions about market transparency, investor protection and the efficiency of modern capital markets.

At its core, the proposal reflects a tension between reducing burdens on issuers and preserving the steady flow of information that underpins market confidence. Although the flexibility offered by the rule has clear advantages, particularly for smaller issuers and companies with stable revenue profiles, the broader implications suggest that widespread adoption could introduce greater market volatility, complicate capital raising and fragment disclosure standards in ways that ultimately disadvantage both issuers and investors.

Potential Advantages of the Semiannual Reporting

One of the most compelling arguments in favor of the proposal is the reduction in compliance costs. Quarterly reporting imposes substantial burdens on public companies, including internal accounting costs, legal and audit expenses, and significant management time devoted to preparing and reviewing filings. By allowing companies to report semiannually, the SEC seeks to free up resources that could be deployed toward growth initiatives, operational improvements or strategic investment.

This benefit is particularly salient for smaller companies, which often face disproportionate compliance burdens relative to their size and revenue base. For these issuers, the ability to eliminate two quarterly filings per year could represent meaningful cost savings and potentially make the public markets more attractive as a source of capital.

Beyond cost savings, the proposal may also encourage more companies to go or remain public.

In recent years, policymakers have expressed concern about the shrinking number of publicly listed companies and the migration of capital formation to private markets. By lowering ongoing compliance costs, a semiannual reporting option could help reverse that trend and broaden investor access to such growth companies. Additionally, if more companies become public, there is an argument for a higher degree of investor protection, as more companies would become subject to SEC regulation and disclosure.

In this respect, the proposal aligns with the SEC's broader mission to facilitate capital formation while maintaining fair and orderly markets.

The benefits are particularly pronounced for companies with highly predictable or recurring



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revenue streams. Businesses such as utilities, subscription-based software companies or infrastructure operators often exhibit stable, easily forecastable financial performance. For these issuers, quarterly fluctuations may provide limited incremental insight to investors, and the cost of producing frequent reports may outweigh the informational benefits. Semiannual reporting may therefore better align disclosure frequency with the underlying economics of such businesses, reducing noise without materially impairing transparency.

Potential Risks and Drawbacks

However, these advantages must be weighed against meaningful risks, particularly the potential for increased market volatility.

Financial markets rely heavily on periodic and frequent information flows to anchor expectations and facilitate price discovery. Quarterly reporting provides investors with regular, structured updates that reduce uncertainty and help smooth market reactions to new information.

A shift to semiannual reporting could create longer periods of informational silence punctuated by larger disclosures, increasing the likelihood of sharp price movements when new data is released. Earnings announcements would likely become more event-driven, amplifying volatility as market participants react to a greater accumulation of information at once.

The proposal may also exacerbate information asymmetry between more sophisticated investors and retail investors. Institutional investors often have access to alternative data sources, management access and analytical resources that enable them to assess company performance between reporting periods. Retail investors, by contrast, rely more heavily on formal disclosures. Reducing the frequency of those disclosures could widen the information gap and undermine market fairness, a concern explicitly acknowledged in the SEC's own analysis.

Although Form 8-K and Regulation FD would continue to require timely disclosure of material events, these mechanisms are not true substitutes for the comprehensive and standardized information provided in periodic reports.

Another drawback relates to the comparability of financial information across companies.

If some issuers elect semiannual reporting while others remain quarterly filers, investors may face challenges in comparing performance across companies and sectors. Differences in reporting frequency could distort valuation metrics, complicate peer analysis and reduce the overall coherence of public market data. This fragmentation could be particularly problematic for index providers, analysts and investors who rely on consistent reporting frameworks to make allocation decisions.

The proposal also has important implications for companies with irregular or volatile revenue streams, for whom quarterly reporting serves as a critical signaling function.

Cyclical businesses, such as those in shipping, commodities, construction or retail, often experience significant intrayear fluctuations in performance. For these companies, quarterly disclosures provide essential visibility into trends, turning points and operational risks. Eliminating interim reporting could obscure these dynamics, making it more difficult for investors to assess performance and potentially increasing the cost of capital. In these sectors, semiannual reporting could reduce transparency precisely when it is most needed.

Capital raising and transactional activity present another area of concern. Companies that frequently access the capital markets or engage in mergers and acquisitions rely on up-to-date financial statements for registration statements, proxy materials and due diligence processes.

Under a semiannual regime, financial statements may over time need updating for material information, necessitating supplemental disclosures or interim financial preparation outside the normal reporting cycle. This would offset the intended cost savings and introduce complexity for every deal team. In this sense, the proposal may create friction in the capital markets even as it seeks to reduce regulatory burden.

An additional concern is the potential impact on corporate governance and accountability. Quarterly reporting imposes discipline on management teams, requiring regular evaluation and disclosure of performance. This fosters engagement between management, boards and investors, and provides opportunities to identify and address issues early.

Reducing the frequency of reporting could weaken this discipline, allowing problems to develop over longer periods before becoming visible to the market. Although some argue that quarterly reporting promotes short-termism, others contend that it enhances transparency and accountability, both of which are essential to well-functioning markets.

The proposal's effect on insider trading dynamics also merits attention. With fewer formal reporting windows, companies may face longer blackout periods for insiders or, alternatively, more complex policies governing trading activity. Either outcome could affect liquidity and employee incentives, particularly for companies that rely on equity-based compensation.

Flexibility and the Future of Public Market Standards

Despite these concerns, the proposal's flexibility is a mitigating factor. Companies would not be required to adopt semiannual reporting; rather, they would have the option to do so based on their specific circumstances.

Large, widely followed companies with active capital markets programs would be likely to continue reporting quarterly to meet investor expectations and maintain better access to financing. Smaller, less active or more stable companies could opt for semiannual reporting, creating a segmented market in which disclosure frequency reflects issuer characteristics.

Nevertheless, this bifurcation raises broader questions about the future of public market standards. A move toward optional reporting frequency could signal a shift away from uniform disclosure requirements toward a more market-driven system. While this flexibility may be efficient in some respects, it risks undermining the comparability and predictability that have long been hallmarks of the U.S. capital markets.

The proposal underscores the evolving nature of disclosure in an era of rapid technological change and shifting capital market dynamics. While modernization of reporting requirements is both necessary and desirable, it must be approached with caution to preserve the core principles of transparency and investor protection. The proposal represents a thoughtful but ultimately complex trade-off between efficiency and transparency.

The potential benefits of reduced costs, increased flexibility and improved access to public

markets are meaningful; however, the drawbacks, including increased market volatility, reduced comparability, heightened information asymmetry and complications in capital raising, suggest that the proposal could introduce new challenges for both issuers and investors.

The likely outcome is a divided but niche market, in which reporting frequency becomes a strategic choice. While optional semiannual reporting may serve a useful and cost-effective role for some as an alternative, quarterly reporting still may remain as a valuable component of U.S. public company disclosure for larger, more established companies.

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