

AN ALERT FROM THE BDO NATIONAL ASSURANCE PRACTICE

BDO FLASH REPORT

SEC MATTERS



SUBJECT

SEC PROPOSES TO ELIMINATE OUTDATED AND REDUNDANT DISCLOSURE REQUIREMENTS

DETAILS

Yesterday, the Securities and Exchange Commission proposed amendments to eliminate redundant and outdated disclosure requirements as part of its *Disclosure Effectiveness Initiative*, an ongoing broad-based staff review of the SEC's disclosure rules to consider ways to improve the requirements for companies and investors. The proposal follows the SEC's Request for Comment on the effectiveness of certain financial disclosure requirements of Regulation S-X published in September 2015¹ and the Concept Release on Regulation S-K published in April 2016.² The amendments were also proposed in response to a FAST Act mandate which requires the SEC to eliminate provisions of Regulation S-K that are duplicative, outdated, or unnecessary disclosures for all filers.

The proposal acknowledges that certain disclosure requirements in Regulations S-K and S-X have become outdated, redundant, overlapping or superseded in light of developments in U.S. GAAP, IFRS, other SEC disclosure requirements, and changes in the information environment. The changes are intended to simplify the overall compliance process, but not change the mix of information provided to investors. For example, some of these proposed changes include:

- ▶ Eliminating the income tax rate reconciliation disclosure requirement in S-X 4-08(h)(2) as such disclosure is required by ASC 740-10-50-12.
- ▶ Eliminating the requirement to provide a computation of earnings per share in S-K 601(b)(11) as such disclosure is required by ASC 260-10-50-1a.

¹ Further information regarding the Request for Comment can be found [here](#) in our Flash Report. Our comment letter can be found [here](#).

² Further information regarding the Concept Release can be found [here](#) in our Flash Report. Our comment letter will be submitted in July.

CONTACT

JEFFREY LENZ

National Director, SEC Practice
(312) 616-3944 / jlenz@bdo.com

PAULA HAMRIC

National Assurance Partner
(312) 616-3947 / phamric@bdo.com

- ▶ Deleting S-K 101(b) which requires disclosure of segment financial information, restatement of prior periods when reportable segments change, and discussion of segment performance that may not be indicative of current or future operations. Such disclosures are similar to those required by ASC 280 and S-K 303(b).
- ▶ Deleting S-K 201(d) which requires disclosure of the securities authorized for issuance under equity compensation plans. Although the U.S. GAAP requirements are not identical to those contained in S-K 201(d), they provide disclosures about the nature and terms of equity compensation arrangements which results in reasonably similar disclosures.
- ▶ Eliminating the requirement in S-K 503(d) and related forms to provide a ratio of earnings to fixed charges when an offering of debt securities is registered. The Commission believes this requirement is no longer relevant and useful.

The proposal also solicits comments on:

- ▶ Certain disclosure requirements which may overlap with U.S. GAAP but provide incremental information. The SEC plans to use the feedback received on these areas to determine whether to retain, modify, eliminate, or refer them to the FASB for potential incorporation into U.S. GAAP.
- ▶ Where disclosures appear in an SEC filing. The proposal would result in the relocation of certain disclosures within a filing. The SEC is seeking feedback on how the relocations may affect the prominence or context of certain disclosures.

The proposal can be found [here](#) on the SEC's website. Comments should be provided within 60 days following publication of the release in the Federal Register.

BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, advisory and consulting services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through more than 60 offices and over 500 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multi-national clients through a global network of 1,408 offices in 154 countries.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. For more information, please visit www.bdo.com.

Material discussed in this tax alert is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.