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SEC PROPOSES TO ELIMINATE OUTDATED AND REDUNDANT DISCLOSURE REQUIREMENTS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Yesterday, the Securities and Exchange Commission proposed amendments to eliminate redundant and outdated disclosure requirements as part of its Disclosure Effectiveness Initiative, an ongoing broad-based staff review of the SEC’s disclosure rules to consider ways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response to a FAST Act mandate which requires the SEC to eliminate provisions of Regulation S-K that are duplicative, outdated, or unnecessary disclosures for all filers.

The proposal acknowledges that certain disclosure requirements in Regulations S-K and S-X have become outdated, redundant, overlapping or superseded in light of developments in U.S. GAAP, IFRS, other SEC disclosure requirements, and changes in the information environment.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.
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.