Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549–1090

July 6, 2026

Re: Semiannual Reporting (File No. S7-2026-15)

Dear Secretary Countryman:

The undersigned 24 investors, labor unions, and public interest organizations write to urge the Securities and Exchange Commission (SEC) to refrain from allowing companies to opt into filing semiannual reports in lieu of mandatory quarterly reports. Contrary to the SEC's contentions, finalizing this proposed rule would not result in more companies going public or encourage more focus on long-term strategy. Instead, the proposed reforms would impose unwarranted significant new costs on investors and make markets less transparent and less efficient, thereby undermining capital formation.

Allowing Companies to Opt Into Semiannual Reporting Would Not Further The SEC's Stated Goals

While the stated justification of this proposal is the SEC's goal of increasing the number of companies that go public each year, **the central reason for the decline in initial public offerings has been the deregulation of private markets, not the costs associated with public company disclosure requirements**. Over the years, both the SEC and Congress have expanded the number of investors eligible to purchase securities in unregistered transactions, the number shareholders a company can have while remaining private, liberalized the methods private companies can use to solicit investors, and eased restrictions on the ability of investors in private companies to resell their securities in unregistered transactions.[1] These changes in law and regulations have allowed many private companies to meet their capital and liquidity needs without accessing the public markets for longer periods of time.

Meanwhile, the role of regulatory costs in the decline of initial public offerings is minimal. Indeed, a 2021 study found that "[r]emoving all estimated regulatory costs increases the average IPO likelihood after 2000 from 0.95% to 1.4%, which explains only 7.4% of the decline in IPO likelihood

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[1] Jones, Renee M. Boston College Law School. "[Congressional Testimony: Examining Private Market Exemptions as a Barrier to IPOs and Retail Investment]." September 11, 2019; Renee M. Jones, Untamed Unicorns: Why Startup Finance is Broken and How to Fix It. Harvard University Press. August 4, 2026.

from pre-2000 to post-2000."[2] Additionally, changes in Europe and the UK allowing companies to file semiannual instead of quarterly reports have not increased the number of public companies in those jurisdictions. Moreover, the approach ignores what is likely the single most significant cost impeding public offerings, the commission imposed by investment banks, a charge that falls disproportionately on smaller issuers.[3] Lastly, while quarterly reporting may become optional after this proposed rule takes effect, an issuer's duty to disclose is not. Issuers still have an obligation to accurately and fully report material information under the federal securities laws, necessitating additional disclosures and filings. Therefore, the elimination of quarterly reporting is very unlikely to have a real impact on costs for issuers.

The SEC also contends that allowing companies to opt to file semiannual instead of quarterly reports would encourage corporate managers to focus more on long-term strategy. While we believe it is important for companies to focus on the long term, **this proposal would not address the real drivers of short-termism**, which include incentives baked into executive pay packages and the threat of becoming a target of an activist hedge fund seeking to extract short-term value from a company. Indeed, a study of the effects of changes in reporting frequency requirements on UK companies concluded that "moving from quarterly to semiannual reporting is not an effective remedy for undue corporate emphasis on short-termism."[4]

Allowing Companies to Opt Into Semiannual Reporting Would Harm Investors

While allowing companies to report semiannually would not likely result in the benefits that the SEC has predicted, the proposed changes would **harm investors** in numerous ways. The proposed reforms would impose additional costs on investors. Optional quarterly reporting will not reduce investors' need for the information contained in current quarterly reports. Instead, the proposed rules would shift the costs of producing such information from the issuers who have easy access to the required information to investors who will be forced to purchase such information from private data providers. Such information will be less complete and less reliable than SEC-mandated disclosures.

The quality of any quarterly financial information voluntarily provided will also be impaired. Where issuers opt into semiannual reporting but choose to voluntarily provide quarterly earnings, as a number are likely to do,[5] the information will be less reliable. Earnings releases will only need to be

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[2] Ewens, Michael, Kairong Xiao, and Ting Xu. "Regulatory Costs of Being Public: Evidence from Bunching Estimation." National Bureau of Economic Research. August 2021 at 5.
[3] Busaba,Walid Y. and Felipe Restrepo. The "7% solution" and IPO (under)pricing. 144 J. of Financial Economics 953. ("In our 1996 to 2018 sample, the 7% spread is charged in 94% of IPOs with gross proceeds between $20 million and $100 million.").
[4] Pozen, Robert, Suresh Nallareddy, and Shivaram Rajgopal. "Impact of Reporting Frequency on UK Companies." CFA Institute. March 2017 at 16.
[5] Bornemann, Tobias, Anna-Lena Mossmann, and Zoltan Novotny-Farkas. The Consequences of Abandoning the Quarterly Reporting Mandate in the Prime Market Segment. 34 European Accounting Rev. 89. 2023. (study of certain companies listed on the Austrian stock exchange; noting that "only a handful of firms terminated quarterly reporting entirely").

furnished to the SEC, not filed, will not be required to be reviewed by independent auditors, and will not be subject to certification by the CEO and CFO.[6]

Elimination of quarterly reports will result in a reduction in the detection of errors in earnings releases and eliminate the common mechanisms for correcting such errors. Earnings releases issued before financial statements are filed with the SEC sometimes contain material errors.[7] Presumably these errors in some cases are identified by the outside auditor during the review of the financial statements and corrected when the quarterly report is filed.[8] Elimination of quarterly reports and the required auditor reviews will likely reduce both the discovery of errors and the most common means of correcting the errors.

Voluntary disclosure of earnings will also reduce comparability of financial performance across companies. Unlike quarterly financial statements, the contents of earnings releases are largely unregulated.[9] Managers decide on the contents of these releases, which can vary widely from company to company and quarter to quarter. Nor must the financial statements included in earnings releases conform with GAAP.

Allowing Companies to Opt Into Semiannual Reporting Would Harm Market Integrity and Undermine Capital Formation

Semiannual reporting will have grave impacts on market integrity, as the current proposal would weaken corporate accountability. Eliminating quarterly reporting means there will be fewer checkpoints and reduced discipline on management. The proposal would also limit investors' ability to monitor performance and strategy execution as a check on management.

Semiannual reporting would also **make markets less transparent, and less efficient, thereby undermining capital formation**. Extended periods of time without full financial reporting will increase the value of material nonpublic information about a company's performance and the potential for its misuse. This change would tilt the playing field in favor of corporate insiders and others with access to material nonpublic information through business or personal relationships, at the expense of retail and index fund investors. Semiannual reporting would also likely increase

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[6] This can impair the quality of the releases and reporting quality. *See* Cicone, Nicholas, W. Robert Knechel, and Hyun Jong Park. Do Reviews Improve Interim Financial Reporting Quality? March 2026. (suggesting that "interim reviews can enhance the reliability of interim financial reporting by constraining managerial overconfidence or manipulation" and can "improve[] quarterly financial reporting quality.").

[7] Bronson, S., C. Hogan, M. Johnson, and K. Ramesh. 2011. The unintended consequences of PCAOB Auditing Standards Nos. 2 and 3 on the reliability of preliminary earnings releases. *Journal of Accounting and Economics* 51 (1–2): 95–114 (analyzing revisions in 544 preliminary earnings announcements).

[8] The method of correcting errors in earnings announcements is not regulated. In some cases, issuers make the revisions in an amended 8-K. In other instances, revisions are presumably included in the quarterly financial statements. *See* Hills, Robert, Matthew Kubic and Mikhail Sterin. Do Managers Transparently Disclose Earnings Announcement Revisions? May 2025. ("Regarding disclosure practices, 46.9% of firms transparently disclose revisions by filing an amended 8-K . . . The remaining 53.1% . . . do not issue a separate 8-K for the revision.").

[9] *See* Item 2.02, Regulation FD.

volatility, decrease liquidity, and make markets less efficient because markets would be less able to price in reliable financial information in a timely manner. Additionally, a decrease in reporting frequency leads to less informed investment decisions, greater market mispricing, and misallocation of capital across the economy. This is because less frequent disclosures reduce the timeliness and comparability of information, weakening valuation decisions and leading to less efficient allocation of capital across companies and sectors.

Lastly, semiannual reporting could also **undermine capital formation**, as reduced transparency may result in investors seeking a higher risk premium or avoiding investments in companies that opt for semiannual reporting. Transparency is critical to forming and maintaining investments. The reduced visibility from the significant decrease in reporting frequency elevates risk and widens information gaps, which can deter long-term institutional capital investment. Additionally, a study of UK companies found that those that opted into semiannual reporting tended to see a decline in analyst coverage,[10] which can result in an increase in the cost of capital.

The proposal to allow for semiannual reporting is fundamentally inconsistent with the Commission's mission under the federal securities laws. While the SEC often describes its mission as three part,[11] investor protection remains preeminent.[12] The SEC's proposal clearly benefits issuers by transferring to management the discretion over the disclosure of highly material information, an approach that permits opportunistic behavior.[13] The proposal just as clearly harms investors by reducing the information needed to make informed investment decisions and monitor management. While the

[10] Pozen, Robert, Suresh Nallareddy, and Shivaram Rajgopal. "Impact of Reporting Frequency on UK Companies." CFA Institute. March 2017.

[11] *See* Securities and Exchange Commission. Mission. Accessed on June 23, 2026.

[12] In 1996, Congress required the SEC to consider competition, efficiency and capital formation when engaging in rulemaking. 15 U.S.C. 78c(f). In doing so, however, Congress made absolutely clear that the "foremost mission" was investor protection.. H. Rept. 104-622. 104th Congress. 1996. ("For 62 years, the foremost mission of the Commission has been investor protection, and this section does not alter the Commission's mission. In considering efficiency, competition, and capital formation, the Commission shall analyze the potential costs and benefits of any rulemaking initiative, including, whenever practicable, specific analysis of such costs and benefits.").

[13] *See* Ebert, Michael, Dirk Simons, and Jack D. Stecher. Discretionary Aggregation. 92 The Accounting Review 73. 2017. (discussing the opportunistic use of aggregation by management "as a way of hiding information").

SEC has set out some purported benefits, they are highly speculative and largely unsupported.[14] This is not enough to offset the obvious harm.

We are further concerned that the Commission has chosen to move forward with a reduction in material disclosure at a time when developments in technology have facilitated the ability of investors to analyze larger volumes of information in an efficient and cost-effective manner. Finally, we are also concerned that the Commission has proposed these changes at a time when the agency lacks the political balance mandated by the Securities Exchange Act of 1934 and has not met the statutory requirement that appointments to the Commission alternate by party.[15]

We see no middle ground with respect to this proposal. We ask the Commission to refrain from adopting the proposals in their entirety and maintain the current system of mandatory quarterly reporting for all reporting companies.

Thank you for the opportunity to comment on this proposal. For further discussion, please contact Natalia Renta at natalia@ourfinancialsecurity.org.

Sincerely,

Adasina Social Capital
AFL-CIO
AJL Foundation
American Association for Justice (AAJ)
Americans for Financial Reform Education Fund
Better Markets
Ceres
Chevedden Corporate Governance

[14] In quantifying the savings to issuers, the release relies on questionable data. For example, for the costs associated with conforming to quarterly reports, the SEC discussed a 2019 survey by NASDAQ that involved answers from what appear to be 187 random listed issuers. The information is selective and dated. Moreover, the SEC adjusted the amounts upward for inflation, something that ignored technological changes that likely reduce the costs associated with periodic reporting. Thus, the SEC adjusted upward the costs associated with XBRL and data tagging despite indications that these costs are declining, particularly for smaller public companies. In other parts of the analysis, the SEC estimated that each quarterly report engendered average compliance costs of $110,000. *See* note 260. The calculation appears arbitrary, does not break out the purported cost savings for smaller and mid-size companies, the companies most likely to be cost sensitive with respect to public offerings, and does not take into account compliance costs that will continue because the issuer continues to determine earnings on a quarterly basis and issues earnings releases. Thus, companies not filing quarterly reports will incur some savings such as the elimination of costs associated with XBRL compliance. With respect to other costs, however, the savings are far less clear. Issuers will still need to expend internal resources on determining the content of the earnings release, including time spent by employees and board members, will need to incur the expenses associated with a quarterly closing, and will incur the distraction and opportunity costs that come with the disclosure. Moreover, issuers issuing earnings releases may still seek auditor review and consult with outside counsel, a common cost when public companies file reports with the SEC.

[15] 15 U.S.C. 78d(a) (providing that no more than three commissioners shall be members of the same political party and that "in making appointments members of different political parties shall be appointed alternately as nearly as may be practicable").

Clean Yield Asset Management
Dominican Sisters of Springfield, IL
Food & Water Watch
Interfaith Center on Corporate Responsibility
Open MIC (Open Media and Information Companies Initiative)
Praxis Investment Management
Public Citizen
School Sisters of Notre Dame Collective Investment Fund
Service Employees International Union (SEIU)
Shareholder Rights Group
Sisters of Mary Reparatrix
Sisters of the Humility of Mary
SOC Investment Group
The Academy of Financial Education
Weissberg Foundation
Zevin Asset Management