



## Implementing the SEC's Disclosure Simplification and Update Rule for Forms 10-K and 10-Q (Updated as of October 18, 2018)

### Overview

This memorandum provides step-by-step detailed guidance to update Forms 10-K and 10-Q for the changes made by the SEC's August 19, 2018 Final Rule for [Disclosure Update and Simplification](#).

Sections addressed are:

#### **Form 10-K changes:**

1. [Form 10-K Item 1 – Changes to S-K Item 101](#)
2. [Form 10-K item 5 – Changes to S-K Item 201](#)
3. [The impact of the Rule on the Annual Report to Shareholders](#)
4. [The elimination of the earnings to fixed charges ratio](#)

#### **Form 10-Q changes:**

5. [Form 10-Q Item 1 – Changes to S-X Article 10 - Addition of changes in shareholders' equity information](#)
6. [Form 10-Q Item 1 – Changes to S-X Article 10 – Removal of contingency disclosure language](#)

### **Effective Date Considerations**

The Final Rule was published in the Federal Register on October 4, 2018, and is effective for reports filed on or after November 5, 2018. There is one exception to this effective date related to the requirement to provide changes in shareholders' equity information in Form 10-Q. Via a Compliance and Disclosure Interpretation the staff indicated it would not object if this new requirement was implemented in the first interim period beginning after the effective date of November 5, 2018. More details are included in [Section 5 of this memorandum](#).

### **Summary of Changes in the Final Rule**

Included in the many changes made by the rule are updates to:

Regulation S-X  
Regulation S-K  
The instructions to the Forms

The changes focus on:

- Removing redundant and duplicative requirements that are substantially similar to disclosures required by GAAP, International Financial Reporting Standards (IFRS), or other Commission disclosure requirements,
- Eliminating overlapping requirements, which are related to, but not the same as GAAP, IFRS, or other Commission disclosure requirements,
- Deleting outdated requirements which have become obsolete as a result of the passage of time or changes in the regulatory, business, or technological environment, and
- Updating and superseding requirements which are inconsistent with recent legislation, more recently updated Commission disclosure requirements, or more recently updated GAAP.

You can read the [Final Rule](#) here and find the related [press release here](#). In addition, the SEC published what they are calling a “[demonstration version](#)” which shows all of the changes to Regulations S-K, S-X, the Instructions to the Forms and other related guidance.

The locations at the SEC web page ([www.sec.gov](http://www.sec.gov)) of the documents mentioned above are:

The Final Rule:

[www.sec.gov/rules/final/2018/33-10532.pdf](http://www.sec.gov/rules/final/2018/33-10532.pdf)

The demonstration version:

[www.sec.gov/rules/proposed/2018/33-10532-demonstration.pdf](http://www.sec.gov/rules/proposed/2018/33-10532-demonstration.pdf)

The press release and fact sheet:

[www.sec.gov/news/press-release/2018-156](http://www.sec.gov/news/press-release/2018-156)

## Section 1 - Form 10-K Item 1 – Changes to S-K Item 101

The Final Rule, on page 224, makes these changes to S-K Item 101, the description of the business in Item 1 of Form 10-K:

“Amend § 229.101 by:

- Removing and reserving paragraphs (b), (c)(1)(xi) and (d);
- Revising paragraphs (e) introductory text and (e)(2) and (e)(3);
- Removing and reserving paragraph (h)(4)(x); and
- Revising paragraph (h)(5)(iii)”

To help you get started making changes for your next Form 10-K and 10-Q, here are the details:

1. First, by removing paragraph (b), the Final Rule **removes the requirement for segment disclosures in Item 1**. Most companies historically simply cross referenced to their financial statements for this requirement as it required the same information as GAAP. The SEC eliminated this duplicative disclosure in the Final Rule.
2. Along the same lines as paragraph (b), removing paragraph (d) **eliminates the requirement for geographical information in Item 1**. Most companies simply cross referenced to their financial statements for this requirement also, as it also required the same information as GAAP. The SEC also eliminated this duplicative disclosure in the Final Rule.
3. Paragraph (c)(1)(xi) is the requirement to disclose company sponsored and customer sponsored R&D expense. Since GAAP requires essentially the same disclosures, the **SEC eliminated this duplicative disclosure of R&D** in the Final Rule.
4. The changes in paragraphs (e), (e)(2) and (e)(3) are about the posting of website information. The only part of this change specifically attributable to Form 10-K is in the introductory paragraph (e) and in (e)(3). Before this change the requirement to disclose your webpage and information about posting SEC reports only applied to accelerated and large accelerated filers. **With this change, the requirement to disclose your webpage now applies to all filers**. This is the old language in paragraph e(3), which is struck-through to emphasize it is superseded:

~~(3) You are encouraged to give your Internet address, if available, except that if you are an accelerated filer or a large accelerated filer filing your annual report on Form 10-K, you must disclose your Internet address, if you have one.~~

The new language in paragraph (e)(3) is, which with the change in paragraph (e) now applies to all filers is:

- (3) Disclose your Internet address, if you have one.

**Paragraph e(4), which still only applies to accelerated and large accelerated filers and is not changed**, is the requirement to make disclosures about website availability of your 34 Act periodic and current reports.

There is one other change worth noting in this section. The old language in paragraph (e)(2), which applies to registration statements under the 33 Act, has finally been updated. It used to read:

(2) That the public may read and copy any materials you file with the SEC at the SEC's Public Reference Room at 100 F Street, NE., Washington, DC 20549. State that the public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. If you are an electronic filer, state that the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC and state the address of that site (<http://www.sec.gov>).

It is now updated to read: (Finally!)

(2) State that the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC and state the address of that site (<http://www.sec.gov>).

**Many companies have historically included this language in Form 10-K, so if you do you can update it.**

5. Paragraphs (h)(4)(x) and (h)(5)(iii) make the changes to eliminate the R&D disclosure and update the website information disclosure for smaller reporting companies.

## **Section 2 - Form 10-K item 5 – Changes to S-K Item 201**

The Final Rule makes the following changes to S-K Item 201, which is included in Item 5 of Form 10-K.

Amend § 229.201 by:

- a. Revising paragraph (a)(1)(i);
- b. Removing paragraph (a)(1)(ii), redesignating paragraph (a)(1)(iii) as paragraph (a)(1)(ii), revising newly redesignated paragraph (a)(1)(ii) and adding new paragraph (a)(1)(iii);
- c. Removing paragraphs (a)(1)(iv) and (v);
- d. Removing and reserving paragraphs (a)(2)(i) and (c)(1) and Instruction 1 to the Instructions to Item 201;
- e. Redesignating Instructions 1 through 5 to Item 201 consecutively as Instruction 1 to Item 201, Instruction 2 to Item 201, Instruction 3 to Item 201, Instruction 4 to Item 201 and Instruction 5 to Item 201; and
- f. Revising newly redesignated Instruction 2 to Item 201.

To help you get started making changes for your next Form 10-K and 10-Q, here are the details:

**1. For the first change, paragraph (a)(1)(i), which requires information about stock trading, will now read:**

(i) Identify the principal United States market(s) and the corresponding trading symbol(s) for each class of the registrant's common equity. In the case of foreign registrants, also identify the principal foreign public trading market(s), if any, and the corresponding trading symbol(s) for each class of the registrant's common equity.

**The changes in this paragraph are:**

- 1. The addition of disclosure of your ticker symbol**
- 2. The removal of a requirement to make disclosures where there is no established trading market, which has been moved to new (a)(2)(ii)**

**2. The paragraph that has been deleted, (a)(1)(ii), was the requirement to disclose stock price information by quarter for the last two years:**

~~(ii) If the principal United States market for such common equity is an exchange, state the high and low sales prices for the equity for each full quarterly period within the two most recent fiscal years and any subsequent interim period for which financial statements are included, or are required to be included by Article 3-01 through 3-04 of Regulation S-X (§210.3-01 through 3-04 of this chapter), or Article 8-02 through 8-03 of Regulation S-X (§210.8-02 through 8-03 of this chapter) in the case of smaller reporting companies, as reported in the consolidated transaction reporting system or, if not so reported, as reported on the principal exchange market for such equity.~~

**The change here is that disclosure of stock price by quarter for the last two years is no longer required.**

**3. The new paragraph (a)(1)(ii) now reads:**

(ii) If the principal United States market for such common equity is not an exchange, indicate, as applicable, that any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

**The change here is that disclosure of stock price, or absent a market, bid price information for the last two years by quarter is no longer required, similar to the change in number 2 above.**

**4. The new paragraph (a)(1)(iii) now reads:**

(iii) Where there is no established public trading market for a class of common equity, furnish a statement to that effect and, if applicable, state the range of high and low bid information for each full quarterly period within the two most recent fiscal years and any subsequent interim period for which financial statements are included, or are required to be included by 17 CFR 210.3-01 through 210.3-20 (Article 3 of Regulation S-X), indicating the source of such quotations. Reference to quotations shall be qualified by appropriate explanation. For purposes of this Item the existence of limited or sporadic quotations should not of itself be deemed to constitute an “established public trading market.”

**This new paragraph essentially continues the old disclosure requirements for situations where a company’s stock does not have an “established public trading market”**

**5. The next change is the removal of these two paragraphs, (a)(1)(iv) and (a)(1)(iv):**

~~(iv) Where a foreign registrant has identified a principal established foreign trading market for its common equity pursuant to paragraph (a)(1) of this Item, also provide market price information comparable, to the extent practicable, to that required for the principal United States market, including the source of such information. Such prices shall be stated in the currency in which they are quoted. The registrant may translate such prices into United States currency at the currency exchange rate in effect on the date the price disclosed was reported on the foreign exchange. If the primary United States market for the registrant's common equity trades using American Depositary Receipts, the United States prices disclosed shall be on that basis.~~

~~(v) If the information called for by this Item is being presented in a registration statement filed pursuant to the Securities Act or a proxy or information statement filed pursuant to the Exchange Act, the document also shall include price information as of the latest practicable date, and, in the case of securities to be issued in connection with an acquisition, business combination or other reorganization, as of the date immediately prior to the public announcement of such transaction.~~

**This change removes the requirement for stock price information for companies whose stock trades on a non-US exchange, similar to the change for stock traded on US exchanges, as well as certain stock price information in registration statements.**

**6. The next paragraph removed, (a)(2)(i), is part of a 33Act registration statement requirement for disclosures about shares subject to option when a company in registration does not have a currently active public market. Company's in this situation had to disclose the amount of shares:**

~~(i) That is subject to outstanding options or warrants to purchase, or securities convertible into, common equity of the registrant;~~

**Since this information is readily available in the financial statements, the S-K disclosure is removed.**

**7. The next paragraph removed, (c)(1), is information about dividends, which is available in the financial statements, hence the elimination of this paragraph:**

~~(1) State the frequency and amount of any cash dividends declared on each class of its common equity by the registrant for the two most recent fiscal years and any subsequent interim period for which financial statements are required to be presented by §210.3 of Regulation S-X. Where there are restrictions (including, where appropriate, restrictions on the ability of registrant's subsidiaries to transfer funds to the registrant in the form of cash dividends, loans or advances) that currently materially limit the registrant's ability to pay such dividends or that the registrant reasonably believes are likely to limit materially the future payment of dividends on the common equity so state~~

and either (i) describe briefly (where appropriate quantify) such restrictions, or (ii) cross reference to the specific discussion of such restrictions in the Management's Discussion and Analysis of financial condition and operating results prescribed by Item 303 of Regulation S-K (§229.303) and the description of such restrictions required by Regulation S-X in the registrant's financial statements.

**8. The last changes made for S-K Item 201 are some adjustments to the instructions. First, Instruction 1 is removed as it is no longer relevant:**

~~Registrants, the common equity of which is listed for trading on more than one securities exchange registered under the Exchange Act, are required to indicate each such exchange pursuant to paragraph (a)(1)(i) of this Item; such registrants, however, need only report one set of price quotations pursuant to paragraph (a)(1)(ii) of this Item; where available, these shall be the prices as reported in the consolidated transaction reporting system and, where the prices are not so reported, the prices on the most significant (in terms of volume) securities exchange for such shares~~

Next, Instruction 2 is revised to reference bid information:

~~Market prices and dividends~~ Bid information reported pursuant to this Item shall be adjusted to give retroactive effect to material changes resulting from stock dividends, stock splits and reverse stock splits.

### Section 3 - The impact of the Rule on the Annual Report to Shareholders

The **annual report to shareholders (ARS)** is a formal requirement in the Proxy Rules. [Rule 14a-3\(b\)](#) states, that when a company is soliciting proxies for a meeting (or process in lieu of a meeting), which will include the election of directors:

(b) \*\*\*\* each proxy statement furnished pursuant to paragraph (a) of this section shall be accompanied or preceded by an annual report to security holders\*\*\*

The [rule](#) then goes on to enumerate what must be included in the ARS, including S-X financial statements, selected financial data, MD&A and more. **Almost all the requirements for the ARS encompass information that is also required in Form 10-K.** This is why many companies use the economical strategy of meeting this requirement with a **“10-K wrap”**.

Rule 14a-3 was not changed by the SEC’s Disclosure Update and Simplification Rule. That said, the rule does include these requirements:

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(7) The report shall contain information relating to the registrant's industry segments, classes of similar products or services, foreign and domestic operations and exports sales required by paragraphs (b), (c)(1)(i) and (d) of Item 101 of Regulation S-K (§229.101 of this chapter).

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(9) The report shall contain the market price of and dividends on the registrant's common equity and related security holder matters required by Items 201(a), (b) and (c) of Regulation S-K (§229.201(a), (b) and (c) of this chapter). If the report precedes or accompanies a proxy statement or information statement relating to an annual meeting of security holders at which directors are to be elected (or special meeting or written consents in lieu of such meeting), furnish the performance graph required by Item 201(e) (§229.201(e) of this chapter).

Both S-K Item 101 and 201 were changed by the Disclosure Update and Simplification rule. Among the changes were the elimination of the segment and foreign operations disclosures in Item 101 and the market price information in Item 201.

**What does this mean for the ARS requirements? Do companies still need to provide this information in the ARS even though it is no longer required in the Form 10-K?**

A first reading of the two paragraphs above might leave that question a bit up in the air, but a very literal reading would be that since S-K Items 101 and 201 no longer require information about segments and stock prices, the information is no longer required in the ARS.

But, perhaps more appropriately, the rationale for these changes in the [Final Rule](#) (check out page 101 of the Final Rule for an example) clearly also apply to the ARS. So, a common sense reading also would say that even though Rule 14a-3 still refers to this information, the elimination of this information in Form 10-K means it is also eliminated in the ARS.

Lastly, as a bit of ARS trivia, and a reminder to never read these rules too literally (and also to make sure you look for related guidance), the same proxy rule has this requirement in paragraph c:

(c) Seven copies of the report sent to security holders pursuant to this rule shall be mailed to the Commission, solely for its information, not later than the date on which such report is first sent or given to security holders or the date on which preliminary copies, or definitive copies, if preliminary filing was not required, of solicitation material are filed with the Commission pursuant to Rule 14a-6, whichever date is later. The report is not deemed to be “soliciting material” or to be “filed” with the Commission or subject to this regulation otherwise than as provided in this Rule, or to the liabilities of section 18 of the Act, except to the extent that the registrant specifically requests that it be treated as a part of the proxy soliciting material or incorporates it in the proxy statement or other filed report by reference.

If you stopped reading here, you might think this is still a requirement. As we [blogged about a while back](#), an important source of information is the Compliance and Disclosure Interpretations, in which this [Corp Fin statement](#) provides relief from the requirement to submit seven copies:

### **Proxy Rules and Schedule 14A (Regarding Submission of Annual Reports to SEC under Rules 14a-3(c) and 14c-3(b))**

**Last Update: November 2, 2016**

**Question:** Exchange Act Rule 14a-3(c) and Rule 14c-3(b) require registrants to mail seven copies of the annual report sent to security holders to the Commission “solely for its information.” A similar provision in Form 10-K requires certain Section 15(d) registrants to furnish to the Commission “for its information” four copies of any annual report to security holders. Can a registrant satisfy these requirements by means other than physical delivery or electronic delivery pursuant to Rule 101(b)(1) of Regulation S-T?

**Answer:** Yes. The Division will not object if a company posts an electronic version of its annual report to its corporate web site by the dates specified in Rule 14a-3(c), Rule 14c-3(b) and Form 10-K respectively, in lieu of mailing paper copies or submitting it on EDGAR. If the report remains accessible for at least one year after posting, the staff will consider it available for its information. [November 2, 2016]

## Section 4 - The elimination of the earnings to fixed charges ratio

The SEC's required disclosure of the ratio of earnings to fixed charges has been a sometimes overly complex disclosure of questionable use. And, as the SEC noted on page 57 of the [Disclosure Simplification and Update Final Rule](#):

“Other ratios that accomplish similar objectives include other variations of the ratio of earnings to fixed charges, the interest coverage ratio, and the debt-service coverage ratio, which can be calculated based on information readily available in the financial statements. “

The [Disclosure Update and Simplification Rule](#) eliminated this disclosure.

The starting point for the change is in Regulation S-K Item 503, where paragraph (d) and all the related instructions were eliminated:

~~(d) Ratio of earnings to fixed charges. If you register debt securities, show a ratio of earnings to fixed charges. If you register preference equity securities, show the ratio of combined fixed charges and preference dividends to earnings. Present the ratio for each of the last five fiscal years and the latest interim period for which financial statements are presented in the document. If you will use the proceeds from the sale of debt or preference securities to repay any of your outstanding debt or to retire other securities and the change in the ratio would be ten percent or greater, you must include a ratio showing the application of the proceeds, commonly referred to as the pro forma ratio.~~

The title of S-K Item 503 was also changed:

**(Item 503) Prospectus summary, and risk factors, ~~and ratio of earnings to fixed charges.~~**

Along with these changes the SEC made other adjustments to eliminate this disclosure from the Exhibits in S-K Item 601 and from all the related forms (particularly Form 20-F) which had included this ratio.

## **Section 5 - Form 10-Q Item 1 – Changes to S-X Article 10 - Addition of changes in shareholders' equity information**

The SEC's Disclosure Update and Simplification rule adds a requirement to provide information about changes in shareholders' equity to Form 10-Q.

**In S-X Article 10**, the source of the financial statement requirements in Form 10-Q, before this change, **there was no requirement to provide information about changes in shareholders' equity**. Many companies voluntarily provided this information, but it was not actually required.

**There was a requirement to include this information with annual financial statements**. The source for this requirement was, and continues to be, Regulation S-X Rule 3-04, which after a minor update to include "comprehensive income" is:

### **§210.3-04 Changes in stockholders' equity and noncontrolling interests.**

An analysis of the changes in each caption of stockholders' equity and noncontrolling interests presented in the balance sheets shall be given in a note or separate statement. This analysis shall be presented in the form of a reconciliation of the beginning balance to the ending balance for each period for which a statement of comprehensive income is required to be filed with all significant reconciling items described by appropriate captions with contributions from and distributions to owners shown separately. Also, state separately the adjustments to the balance at the beginning of the earliest period presented for items which were retroactively applied to periods prior to that period. **With respect to any dividends, state the amount per share** and in the aggregate for each class of shares. Provide a separate schedule in the notes to the financial statements that shows the effects of any changes in the registrant's ownership interest in a subsidiary on the equity attributable to the registrant.

In the Disclosure Update and Simplification Final Rule, the SEC made a subtle, almost sneaky change. When updating and simplifying Regulation S-X, **they added this short requirement to S-X Rule 10-01:**

(7) Provide the information required by §210.3-04 for the current and comparative year-to-date periods, with subtotals for each interim period.

**And, with that addition, we now have to include changes in shareholders' equity information in Form 10-Q for the current quarter, the year to date and comparative prior year periods.**

**The information can be in a separate statement or a note. As a side note, changes in non-controlling interest would be included also, just as they are in a full fiscal year presentation.**

As a quick follow-up, the same requirement was added to S-X Article 8, the financial statement requirements for Smaller Reporting Companies, so **SRC's will also have to provide this information.**

As discussed in the Overview above the Final Rule was published in the Federal Register on October 4, 2018 and is effective for filings made on or after November 5, 2018. This technically means that if a company were to file their Form 10-Q for the quarter ended September 30, 2018 on or after November 5, 2018 the new changes in shareholders' equity disclosures would be required. To reduce any confusion that could be created by the timing of this new requirement the staff issued a very helpful C&DI on September 25, 2018. It says:

Question 105.09

**Question:** On August 17, 2018, the SEC adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10532, Disclosure Update and Simplification. The amendments will become effective 30 days after publication in the Federal Register. Among the amendments is the requirement to present the changes in shareholders' equity in the interim financial statements (either in a separate statement or footnote) in quarterly reports on Form 10-Q. Refer to Rules 8-03(a)(5) and 10-01(a)(7) of Regulation S-X. When are filers expected to comply with this new requirement?

**Answer:** The amendments are effective for all filings made 30 days after publication in the Federal Register. In light of the anticipated timing of effectiveness of the amendments and expected proximity of effectiveness to the filing date for most filers' quarterly reports, the staff would not object if the filer's first presentation of the changes in shareholders' equity is included in its Form 10-Q for the quarter that begins after the effective date of the amendments. For example, assuming an effective date of October 25, a December 31 fiscal year-end filer could omit this disclosure from its September 30, 2018 Form 10-Q. Likewise, a June 30 fiscal year-end filer could omit this disclosure from its September 30, 2018 and December 31, 2018 Forms 10-Q; however, the staff would object if it did not provide the disclosures in its March 31, 2019 Form 10-Q. (Sept. 25, 2018)

## Section 6 - Form 10-Q Item 1 – Changes to S-X Article 10 – Removal of contingency disclosure language

Contingency disclosures have historically been specifically addressed in the SEC's interim financial statement requirements. Regulation S-X Article 10's interim financial statement disclosure requirements included this language:

(a)

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(5) The interim financial information shall include disclosures either on the face of the financial statements or in accompanying footnotes sufficient so as to make the interim information presented not misleading. **Registrants may presume that users of the interim financial information have read or have access to the audited financial statements for the preceding fiscal year and that the adequacy of additional disclosure needed for a fair presentation, except in regard to material contingencies,** may be determined in that context. Accordingly, footnote disclosure which would substantially duplicate the disclosure contained in the most recent annual report to security holders or latest audited financial statements, such as a statement of significant accounting policies and practices, details of accounts which have not changed significantly in amount or composition since the end of the most recently completed fiscal year, and detailed disclosures prescribed by Rule 4-08 of this Regulation, may be omitted. However, disclosure shall be provided where events subsequent to the end of the most recent fiscal year have occurred which have a material impact on the registrant. Disclosures should encompass for example, significant changes since the end of the most recently completed fiscal year in such items as: accounting principles and practices; estimates inherent in the preparation of financial statements; status of long-term contracts; capitalization including significant new borrowings or modification of existing financing arrangements; and the reporting entity resulting from business combinations or dispositions. **Notwithstanding the above, where material contingencies exist, disclosure of such matters shall be provided even though a significant change since year end may not have occurred.**

Interestingly, essentially duplicating this disclosure requirement for contingencies from the SEC, US GAAP (ASC 270-10-50-6) requires disclosure in interim financial statements of material information about contingencies:

### 50-6

Contingencies and other uncertainties that could be expected to affect the fairness of presentation of financial data at an interim date shall be disclosed in interim reports in the same manner required for annual reports. Such disclosures shall be repeated in interim and annual reports until the contingencies have been removed, resolved, or have become immaterial. The significance of a contingency or uncertainty should be judged in relation to annual financial statements. Disclosures of such items shall include,

but not be limited to, those matters that form the basis of a qualification of an independent auditor's report.

Because this requirement is part of US GAAP, the SEC decided to remove this requirement from S-X Article 10 in their Disclosure Update and Simplification Rule. The marked version of paragraph 5 from the [demonstration version](#) (page A-59) shows this deletion:

(5) The interim financial information shall include disclosures either on the face of the financial statements or in accompanying footnotes sufficient so as to make the interim information presented not misleading. Registrants may presume that users of the interim financial information have read or have access to the audited financial statements for the preceding fiscal year and that the adequacy of additional disclosure needed for a fair presentation, ~~except in regard to material contingencies,~~ may be determined in that context. Accordingly, footnote disclosure which would substantially duplicate the disclosure contained in the most recent annual report to security holders or latest audited financial statements, such as a statement of significant accounting policies and practices, details of accounts which have not changed significantly in amount or composition since the end of the most recently completed fiscal year, and detailed disclosures prescribed by Rule §4-08 of this Regulation, may be omitted. ~~However, disclosure shall be provided where events subsequent to the end of the most recent fiscal year have occurred which have a material impact on the registrant. Disclosures should encompass for example, significant changes since the end of the most recently completed fiscal year in such items as: accounting principles and practices; estimates inherent in the preparation of financial statements; status of long-term contracts; capitalization including significant new borrowings or modification of existing financing arrangements; and the reporting entity resulting from business combinations or dispositions. Notwithstanding the above, where material contingencies exist, disclosure of such matters shall be provided even though a significant change since year end may not have occurred.~~

This is a great example of a simplification that is more perhaps a “clean-up” in the SEC’s rules where an issue is already addressed by GAAP.

**And, the key issue here is that even though the SEC’s rules have changed for disclosures about contingencies in interim financial statements, the disclosure requirements have not changed!**

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