



SEC Proposes Amendments to Update and Simplify Certain Disclosure Requirements

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The proposed amendments would impact various provisions under Regulation S-X, Regulation S-K, certain rules and regulations adopted under the Securities Act of 1933 (the Securities Act), and the Securities Exchange Act of 1934 (the Exchange Act), and various forms under the Securities Act and the Exchange Act. The SEC is seeking comments for 60 days following the publication of the proposal in the Federal Register.

The following summarizes the proposed categories of changes:

Redundant or Duplicative Requirements

The proposal identifies numerous disclosure requirements that require substantially the same disclosures as U.S. GAAP, IFRS or other SEC disclosure requirements. The SEC is proposing to eliminate these redundant or duplicative disclosure requirements to simplify issuer compliance efforts while providing the same information to investors. The redundant or duplicative provisions include provisions related to:

- foreign currency disclosures
- consolidation requirements
- changes in amount of debt obligations
- income tax rate disclosures
- terms of warrants, right and convertible instruments
- related-party transactions
- material contingencies

- earnings per share presentations
- insurance company investment activities
- bank holding company investment activities
- reasons for changes in accounting principles
- examples of interim financial statement adjustments
- interim financial statements—common control transactions
- interim financial statements—effects of discontinued operations
- incorporation by reference of report furnished to security holders

Overlapping Requirements

The proposal identifies numerous disclosure requirements that are related to, but not the same as, U.S. GAAP, IFRS or other SEC disclosure requirements. The SEC is proposing to either: (1) delete certain disclosure requirements that convey reasonably similar information or that require incrementally different disclosure that may no longer be useful to investors; or (2) integrate certain disclosure requirements that overlap, but require additional incremental information. Alternatively, the SEC is soliciting comments on certain SEC disclosure requirements that overlap with, but require information incremental to, U.S. GAAP to determine whether to retain, modify, eliminate or refer them to the Financial Accounting Standards Board (FASB) for potential incorporation in U.S. GAAP.

The proposed deletions include provisions related to:

- Real Estate Investment Trust (REIT) disclosures
- consolidation of subsidiaries with different fiscal periods
- repurchase and reverse repurchase agreements
- derivative accounting policies
- distributable earnings for registered investment companies
- insurance company liability assumptions and reinsurance transactions
- interim financial statements – material events subsequent to the end of the most recent fiscal year
- interim financial statements – changes in accounting principles
- interim financial statements – pro forma business combination information
- interim financial statements – dispositions and discontinued operations reporting
- segment reporting

- geographic area financial information and risks
- seasonality
- research and development activities
- common equity underlying warrants, rights and convertible instruments
- dividends
- equity compensation plans
- ratio of earnings to fixed charges
- invitations for competitive bids

The proposed integrations include provisions related to:

- foreign currency restrictions
- restrictions on dividends and related items
- certain financial information related to geographic areas

The proposed modifications, eliminations, or FASB referrals include provisions related to:

- REIT disclosures – tax status of distributions
- consolidation – material changes in consolidated entities
- discount on shares
- assets subject to lien
- obligations – uncured defaults and covenant breaches, post-balance sheet debt issuances and amounts and terms of financings
- preferred share liquidation preferences
- income tax disclosures
- related-party transaction disclosures and location
- repurchase and reverse purchase agreements
- interim financial statements – computation of earnings per share
- interim financial statements – retroactive prior period adjustments
- interim financial statements – common control combination transactions
- products and services revenue disclosures and location
- major customer disclosures and location
- legal proceeding and loss contingencies
- oil and gas producing activities

Outdated Requirements

The proposal identifies numerous disclosure requirements that have become obsolete as a result of the passage of time or changes in the regulatory, business or technological environment. The SEC is proposing to amend these outdated requirements with the intent of simplifying issuer compliance efforts. The identified outdated provisions include provisions related to:

- stale transition dates
- income tax disclosures
- available information – SEC public reference room availability, physical address and phone number
- market price and trading market disclosures
- exchange rate data for foreign private issuers
- foreign private issuer initial public offering – age of financial statements waivers.

Superseded Requirements

The proposed amendments include certain updates to SEC disclosure requirements to reflect recent legislation, updated SEC disclosure requirements and updated U.S. GAAP provisions.

The identified amendments include provisions related to:

- references to Generally Accepted Auditing Standards rather than Public Company Accounting Oversight Board standards
- references to changes in financial position rather than cash flows
- gain or loss on sale of properties by REITs
- consolidation inconsistencies between Regulation S-X and U.S. GAAP
- development-stage entity financial disclosures under Regulation S-X
- insurance company disclosures related to statutory accounting, reinsurance recoverable on paid losses and separate account assets
- bank holding company disclosures related to federal funds and goodwill
- references to discontinued segments rather than discontinued operations
- references to pooling-of-interests accounting
- references to income statement rather than statement of comprehensive income
- references to extraordinary items
- references to cumulative effect of changes in accounting principles

- references to published report regarding matters submitted to vote of security holders
- presenting U.S. GAAP selected financial data for foreign private issuers that report under IFRS
- references to Canadian Regulation A issuers that report under IFRS need to comply with Regulation S-X
- references to nonexistent disclosure requirements or incorrect references

Categories

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