



## **SEC Staff Publishes C&DI Clarifying Effectiveness of Recently Issued Disclosure Simplification Rules**

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### **Effective Date**

The Disclosure Simplification Rules were published in the Federal Register on October 4, 2018 with an effective date of November 5, 2018. However, uncertainty existed as to whether the additional requirements would apply to all filings made after the effective date or solely to filings that cover time periods starting after the effective date.

### **Clarification on Effectiveness**

The SEC Staff issued C&DI 105.09 to clarify the effectiveness of the Disclosure Simplification Rules as they relate to the changes in shareholders' equity. Specifically, C&DI 105.09 explains that the SEC Staff will allow a company to defer inclusion of information regarding changes in shareholders' equity until the company files its quarterly report covering the period that begins after the effective date of the Disclosure Simplification Rules.

### **Examples**

Given that the Disclosure Simplification Rules will become effective November 5, 2018, a company with a June 30 fiscal year-end is not required to include shareholders' equity information in the quarterly reports on Form 10-Q for the three months ended September 30, 2018 or December 31, 2018. This information, however, will need to be included in the quarterly report on Form 10-Q for the three months ended March 31, 2019.

For a company with a December 31 fiscal year-end, the requirement to include shareholders' equity information is not applicable to the quarterly report on Form 10-Q for the three

months ended September 30, 2018. This information, however, will need to be included in the quarterly report on Form 10-Q for the three months ended March 31, 2019. In accordance with existing rules, this information will also need to be included in the registrant's annual report on Form 10-K for the year ended December 31, 2018.

## **Complete Text of CD&I 105.09**

For reference, below is the complete text of C&DI 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).

## **Categories**

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