



CLIENT MEMO:

The SEC's Proposal on Semiannual Reporting is Easier Said than Done

MAY 13, 2026

The SEC wants to “make IPOs great again,” and it believes that one path to doing so is easing reporting requirements for publicly listed companies. Last week, the SEC made official its much-anticipated proposal to permit public companies to report earnings semiannually. If adopted, companies will effectively have the option to trade three Form 10-Qs for a single semiannual Form 10-S.

For companies, this isn't only about filing fewer earnings reports. It's also about the impact on the proactive investor relations strategy, and what happens between filings: managing market expectations and establishing equity story narratives, maintaining analyst credibility and sustaining investor engagement, handling material nonpublic information (MNPI), and navigating insider trading windows.

The proposal, if approved, could create more volatility in an issuer's share price, force investors to find alternative sources of information, and may not be the panacea some policymakers and corporate chieftains hope.

We game out three likely paths and their implications below.

PATH 1: GO SEMIANNUAL

Companies that choose semiannual reporting will likely frame it as a move toward long-term strategic execution over short-term earnings management. Smaller-cap companies, controlled companies, pre-revenue tech, pharma and biotech firms, and businesses with multi-year project cycles, such as emerging mining companies, seem like the most natural fit as quarterly GAAP financials may not explain the full equity story.

However, semiannual filing doesn't mean semiannual disclosure (or less work). The Form 10-S would still require a robust, six-month MD&A, and while audit procedures shift to review-level assurance, the disclosure burden doesn't disappear.

One investor we spoke with expressed this view, saying even with fewer updates, companies would still need to be careful in evaluating material interim developments through Form 8-K and Reg FD lenses. The MNPI question becomes trickier, too, when you have quarterly internal data that isn't publicly filed and longer durations of quiet periods to manage.

Other Considerations:

- **A More Volatile Stock**: Volatility has already been increasing in recent years. If companies report twice a year, with fewer opportunities to provide business updates, the equity markets will have less frequent data to calibrate expectations. When companies then report, there's a greater likelihood of increased volatility in either direction.
- **Losing Control of the Narrative**: Investors say they will find new ways to use third-party data and other market “checks” to determine the performance of a company in between six-month disclosures. This means companies may risk losing control of the narrative if investors are seeking external data as a window into performance.
- **Implications for Roadshows and Conferences**: Normal-course engagement – sell-side conferences, investor 1-1s, and routine shareholder outreach – becomes complicated under a semiannual model. Will companies maintain their current conference and roadshow schedule, or scale back? And will issuers rely more on Form 8-Ks and ad hoc disclosures?
- **Risk of Activism**: Fewer investor touchpoints could invite greater scrutiny from those who may equate disclosure frequency with transparency. Activist investors would have an easy attack vector criticizing semiannual reporters for lack of transparency.

There is also a possibility of unintended consequences: two earnings reports per year could lead to *more* management distraction when earnings planning comes around and to a greater temptation to manage for earnings if results aren't favorable.

Beyond these operational challenges, there are practical considerations. For instance, credit agreements in loans and bonds often require quarterly financials, meaning companies will still be obligated to report quarterly unless they can renegotiate or refinance their debt. Additionally, if reporting cadences differ across peer sets, analysts may struggle to compare performances, making companies harder to value. Companies should therefore expect continued pressure to provide at least some quarterly information voluntarily, potentially undermining some of the intended relief.

PATH 2: THE HYBRID PLAY

Over time, companies may adopt semiannual SEC reporting while continuing to provide select interim disclosures voluntarily – similar to a UK-style approach.

According to Freshfields Partner Jenny Hochenberg, “half-year reporting could have the benefit of encouraging companies to be thoughtful about the quality and materiality of information in a less routinized system, as well as bring the US in line with the EU, UK, and Australia, and align domestic companies with FPI reporting obligations.”

A hybrid model adopts the compliance relief while maintaining regular engagement with investors and analysts. It would likely be attractive for growth companies as well as for established firms with sophisticated investor relations functions.

But this path carries pitfalls, too. Voluntary disclosure without the rigor of a Form 10-Q can become a form of shadow reporting – inconsistent, hard to control, and potentially material if a quarterly update contradicts later filings. A company’s disclosure controls would need to tighten significantly for this to work.

Furthermore, many companies have already begun to reimagine earnings entirely, evolving from scripted analyst calls to broadcast-style investor events. Under a semiannual model, these moments become even higher stakes and raise the question of whether companies’ IR capabilities can manage a six-month narrative silence followed by a major, market-facing production.

PATH 3: STAY QUARTERLY

For many large-cap issuers, quarterly reporting is a tolerable burden that keeps them visible, covered, and liquid. The earnings calendar aligns with a rhythm that the buy- and sell-side have become accustomed to, with debt covenant requirements, and with a carefully constructed ecosystem in many industries. Switching to semiannual reporting would require a narrative pivot that would be hard to execute, and choosing to be an early mover would carry risk that boards and management teams may not want to own.

On the other hand, maintaining quarterly reporting preserves the pressures of frequent earnings cycles, the compliance burden of Form 10-Q preparation, and the short-termism that the SEC’s proposal is intended, in part, to address. Companies that maintain quarterly reporting may view the benefits of transparency, liquidity, and predictability as outweighing the operational relief under a semiannual model.

THE BOTTOM LINE

If the proposal is adopted, company boards and management teams will need to weigh the trade-offs and ask themselves: would our investors continue to expect quarterly visibility even if a Form 10-Q is no longer required?

Largely speaking, we believe large-cap companies will continue to stay the course but could see a scenario where whole sectors move together. The signaling cost of being a first mover is high.

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