

A woman and a man in business attire are walking through a modern office hallway. The woman is wearing a white blouse and grey trousers, holding a coffee cup and a folder. The man is wearing a light blue shirt and grey trousers, holding a folder. They are both looking at the folder the man is holding. The hallway has a blue floor and a grey wall with a white light switch. A dark grey diagonal shape is on the left side of the image, and a red diagonal shape is on the bottom right.

2026 SEC Reporting Insights

OCTOBER 2026



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INTRODUCTION

The U.S. Securities and Exchange Commission (the Commission or the SEC) and its staff were particularly active in 2026 as they advanced a regulatory agenda under the leadership of Chairman Paul Atkins focused on capital formation, market efficiency, and reducing compliance burdens. A central theme of that agenda has been a renewed emphasis on materiality-based disclosure, with Chairman Atkins frequently advocating for a disclosure framework that prioritizes information that is important to investors while eliminating requirements that may be less decision-useful or impose disproportionate costs on issuers. Consistent with that philosophy, the Commission pursued a number of rulemaking initiatives intended to modernize the public company reporting framework, streamline disclosure obligations, and lower barriers to becoming and remaining a public company. Unlike 2025, when the Commission was largely establishing its policy direction, 2026 saw significant rulemaking activity, including proposals related to semiannual reporting, filer status simplification and enhancements to emerging growth company disclosure accommodations, shelf registration modernization, and other measures aimed at modernizing the regulatory framework for public companies and encouraging companies to go public.

This publication summarizes these developments and other significant SEC activities during 2026, particularly as they relate to SEC reporting by public companies. We also highlight disclosure and reporting reminders to assist companies as they prepare for the upcoming year-end reporting season, including artificial intelligence (AI) and tariff-related disclosures, and key areas of SEC staff comment letter focus. In light of increased capital markets activity,¹ we also provide reminders regarding the SEC's definition of a business and requests for relief under Rule 3-13 of Regulation S-X (S-X).

BDO INSIGHT 1: LOOKING AHEAD

The Commission shared its 2026 regulatory agenda² in July and significant SEC rulemaking activity is expected to continue over the coming year. In addition to considering public comments on the numerous proposals issued during 2026, the Commission is expected to continue pursuing initiatives designed to modernize the disclosure framework, reduce regulatory complexity, and enhance the attractiveness of the U.S. public markets. The SEC's executive compensation disclosure reform proposal to amend Item 402 of Regulation S-K and rationalize the related disclosure requirements is expected in the near future following completion of a review by the Office of Information and Regulatory Affairs. We believe other areas likely to remain in focus include a broader modernization of Regulation S-K, further evaluation of disclosure requirements through a materiality-based lens, and potential reforms to foreign private issuer (FPI) eligibility and reporting requirements stemming from the Commission's 2025 Concept Release.³ As the Commission continues to advance its capital formation agenda, public companies should closely monitor these developments and assess their potential impact on future reporting obligations.

1. PROPOSALS

1.1 Semiannual Reporting

The SEC proposed amendments in May that would allow registrants to elect semiannual rather than quarterly reporting.⁴ Quarterly reporting requirements for domestic SEC registrants have been in place since 1970. In 2018, the SEC sought public feedback on whether quarterly reporting encourages short-termism and detracts from long-term value creation, and whether the associated costs could be reduced while maintaining investor protections. Feedback was mixed, and no changes were adopted at that time. However, the SEC moved forward with the proposal in 2026 following a renewed call to action by President Trump to permit semiannual reporting.

Under the proposal, companies subject to reporting obligations under Sections 13(a) or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act") could elect to file semiannual reports on new Form 10-S instead of quarterly reports on Form 10-Q. A company filing its initial registration statement, such as an initial public offering (IPO), could also elect

¹ See [SEC Publishes Updated Market Statistics, Highlighting Increase in IPOs and Proceeds Raised](#).

² Link to the SEC's 2026 [Regulatory Agenda](#).

³ Link to the SEC's [Concept Release on Foreign Private Issuer Eligibility](#) and related [Fact Sheet](#).

⁴ Link to the SEC's [proposal](#) and related [fact sheet](#).

to report semiannually. The proposed amendments are intended to provide registrants with flexibility in determining the reporting frequency that best suits the company and its investors.

The proposal would also amend the S-X financial statement and age requirements in registration statements and other SEC filings to facilitate semiannual reporting. The proposed amendments would not significantly affect investment companies, other than business development companies and face-amount certificate companies.

1.1.1 Semiannual Reporting Requirements

Semiannual filers would be required to file one semiannual report on Form 10-S and one annual report on Form 10-K for each fiscal year. Except for the periods covered, the requirements of Form 10-S would generally be consistent with those of Form 10-Q, including:

- ▶ Financial information and related narrative disclosures: Form 10-S would address the semiannual period, whereas Form 10-Q addresses the quarterly period.
 - Semiannual filers would be permitted to voluntarily present quarterly financial information in addition to the semiannual financial information. Any quarterly financial information included in the financial statements would be required to be reviewed by an independent registered public accounting firm.
- ▶ Filing deadlines: Form 10-S would be due within 45 days after the end of the semiannual period for nonaccelerated filers and within 40 days for accelerated and large accelerated filers, like the Form 10-Q deadlines following the end of each fiscal quarter.
 - Following the effectiveness of a registrant's initial registration statement, the first Form 10-S would be due the later of 45 days following the effective date of the registration statement, or the date on which the Form 10-S would otherwise be due, consistent with the due date for a registrant's first Form 10-Q.

Semiannual filers would also be permitted to furnish quarterly financial information through earnings releases on Form 8-K. The proposal would not change existing Form 8-K reporting requirements for material events. Accordingly, semiannual filers would continue to disclose material events in Form 8-K.

In addition, the proposed amendments would modify the periods required to be presented by semiannual filers when supplementary financial information is disclosed in accordance with Item 302(a) of Regulation S-K (S-K).

1.1.2 Reporting Election

1.1.2.1 Form 10-K

Registrants would be required to elect whether to report quarterly or semiannually on an annual basis through a new checkbox on the cover page of Form 10-K. Semiannual filers would check the new box, while quarterly filers would leave the box unchecked. Once made, the election could not be changed until the registrant files its next annual report.

A registrant that inadvertently makes an incorrect election on its Form 10-K, either by checking the box when it intends to report quarterly or failing to check the box when it intends to report semiannually, could amend its Form 10-K to correct the error. Any such amendment would be required to be filed no later than the original due date of the registrant's first Form 10-Q.



TRANSITIONING FROM SEMIANNUAL TO QUARTERLY REPORTING

Registrants that transition from semiannual to quarterly reporting would be required to present the applicable comparative prior-period financial information in their Form 10-Qs. For example, a registrant that reports semiannually in fiscal 20X7 and elects quarterly reporting in fiscal 20X8 would be required to present comparative quarterly financial information for corresponding quarters of fiscal 20X7 in its fiscal 20X8 Form 10-Q filings, even though those quarterly periods were not previously reported on a standalone basis. As a result, the registrant may need to prepare quarterly financial information for periods that were not previously required. In addition, the comparative quarterly financial information would be required to be reviewed by an independent registered public accounting firm.

1.1.2.2 Registration Statements

The proposed amendments would also add a checkbox to the cover page of registration statements on Forms S-1, S-3, S-4, and 10. Registrants that are not yet subject to Exchange Act reporting requirements, such as those conducting an IPO, would make their election to report quarterly or semiannually using the checkbox on the cover page of their initial registration statement.

For registrants that are already subject to Exchange Act reporting requirements, the election reflected in the registration statement would be required to be consistent with the election disclosed in the registrant's most recent Form 10-K. If the registrant has not yet filed a Form 10-K, the election would be required to be consistent with the election made in its initial registration statement.

1.1.3 Age of Financial Statements in Registration Statements

The proposed amendments to Regulation S-X would simplify and revise the financial statement age requirements in registration statements. Semiannual filers would be required to include semiannual financial statements in a registration statement no later than the due date for the related Form 10-S. Similarly, quarterly filers would be required to include interim financial statements in a registration statement no later than the required due date of the related Form 10-Q.

The proposal would not change the age requirements applicable to annual financial statements included in a registration statement. However, the registered offering reform proposal, discussed in Section 1.3, includes amendments that would update those requirements.

BDO INSIGHT 2: SEMIANNUAL REPORTING IMPLICATIONS

The semiannual reporting proposal has generated substantial stakeholder feedback, reflecting significant interest in the potential effects of reducing interim reporting frequency. In BDO's [comment letter](#), we highlight several observations on the proposed semiannual reporting framework. We believe registrants considering semiannual reporting should evaluate several practical implications:

- ▶ **Capital raising activities:** Underwriters and investors may continue to demand quarterly financial information in connection with securities offerings. Under PCAOB Auditing Standard 6101, *Letters for Underwriters and Certain Other Requesting Parties*, accountants generally may not provide customary negative assurance in comfort letters on changes in financial statement line items as of a date 135 days or more after the end of the latest audited or reviewed period, which generally aligns with quarterly reporting. Because a review under PCAOB Auditing Standard 4105, *Reviews of Interim Financial Information*, generally requires U.S. GAAP-compliant interim financial statements, including the required footnote disclosures, semiannual filers may need to prepare full quarterly financial statements and have them reviewed by their auditor to support comfort letters and related due diligence activities.
- ▶ **Control deficiency remediation:** Fewer reporting cycles may delay the identification, evaluation, and remediation of control deficiencies. Semiannual reporting may also extend the time required to demonstrate that remediated controls are operating effectively on a sustained basis, particularly for deficiencies related to the financial reporting process.
- ▶ **Debt and other agreements:** Registrants should consider whether debt agreements or other arrangements require quarterly financial information and whether that information must be reviewed by an independent registered public accounting firm in accordance with applicable auditing standards.

As a result, some registrants may find that capital markets activities, internal control considerations, and debt or other agreements require them to maintain many of the processes associated with quarterly reporting despite electing a semiannual reporting model.

1.2 Filer Status and Disclosure Accommodations

In May, the SEC proposed amendments that would significantly simplify the filer status framework and expand the availability of scaled disclosure and reporting accommodations.⁵ Under the proposal, registrants would be classified into two primary filer categories, large accelerated filers (LAFs) and non-accelerated filers (NAFs). The accelerated filer (AF) and smaller reporting company (SRC) categories would be eliminated. Registrants that do not meet the revised LAF definition would qualify as NAFs and would be eligible to follow scaled disclosure and reporting accommodations currently available to SRCs and emerging growth companies (EGCs).

These proposed changes build on the SEC's 2020 amendments to the AF and LAF definitions, which excluded certain registrants eligible to apply the requirements for SRCs under the revenue test. Although the 2020 amendments increased the number of registrants qualifying as NAFs, the current framework continues to include overlapping filer and reporting status categories with different eligibility criteria, thresholds and assessment dates. A registrant's status as an SRC, NAF, AF, LAF, EGC or FPI can significantly affect its filing deadlines, disclosure obligations and the requirement to obtain an auditor's attestation on internal control over financial reporting (ICFR). The proposed amendments are intended to reduce this complexity and related compliance costs while preserving the full reporting requirements applicable to the largest seasoned registrants.

1.2.1 Large Accelerated Filer Definition

The proposal would revise the LAF definition by:

- ▶ Increasing the public float threshold from \$700 million to \$2 billion and requiring a registrant to meet the \$2 billion threshold for two consecutive fiscal years to qualify as an LAF.
- ▶ Extending the required reporting history under Sections 13(a) or 15(d) of the Exchange Act from 12 months to 60 consecutive calendar months.

Accordingly, a registrant would qualify as an LAF only if it has public float of at least \$2 billion for two consecutive fiscal years and has been subject to Exchange Act reporting requirements for at least 60 consecutive calendar months. LAFs would remain subject to the existing filing deadlines and full disclosure requirements, including the requirement to obtain an auditor's attestation on ICFR.

Registrants that do not meet the definition of an LAF would qualify as NAFs.

1.2.2 Public Float Measurement and Changes in Filer Status

The proposal would modify the measurement of public float. Rather than using the stock price on the last day of the second fiscal quarter, a registrant would use its average stock price over the last 10 trading days of that quarter. The registrant would multiply that average price by the aggregate worldwide number of shares of voting and non-voting common equity held by non-affiliates as of the last day of the second fiscal quarter.

The proposal would also establish a two-year transition requirement. A registrant would enter LAF status only after its public float, as determined on the applicable measurement date, is at least \$2 billion for two consecutive fiscal years. It would exit LAF status and become an NAF only if its public float, as of the applicable measurement date, is below \$2 billion for two consecutive fiscal years. By contrast, current rules allow registrants to move annually among LAF, AF, and NAF status based on different thresholds.

Together, the proposed changes to the public float measurement and transition framework are intended to reduce the effects of short-term stock price volatility and provide registrants with additional time to prepare for changes in filer status.

⁵ Link to the SEC's [proposal](#) and related [fact sheet](#).

1.2.3 Reporting Accommodations for Non-Accelerated Filers

NAFs would be exempt from obtaining an auditor's attestation on ICFR. In addition, certain disclosure and reporting accommodations under Regulations S-X and S-K that are currently only available to SRCs and EGCs would be extended to all NAFs, including:

- ▶ The ability to prepare financial statements in accordance with S-X Article 8, which contains less prescriptive disclosure requirements, including the presentation of two, rather than three, years of audited financial statements.
 - Investment companies, business development companies (BDCs), and face-amount certificate companies would not be permitted to rely on S-X Article 8. However, BDCs and face-amount certificate companies would have similar accommodations under the proposed amendments to S-X Rule 3-19.
- ▶ Less stringent age requirements related to financial statements included in registration statements.
- ▶ Scaled executive compensation disclosures.
- ▶ Omission of certain other disclosures, such as qualitative and quantitative disclosures about market risk.

The amendments would also:

- ▶ Codify the current guidance applicable to SRCs related to financial information of significant equity method investees (EMIs) into S-X Article 8.
- ▶ Remove S-K Item 404(d), which contains more rigorous reporting requirements applicable to SRCs for the disclosure of related party transactions.
- ▶ Require disclosure of unresolved staff comments on Forms 10-K or 20-F, a requirement that does not currently apply to NAFs.

NAFs could voluntarily comply with any otherwise applicable non-scaled disclosure and reporting requirements.

1.2.3.1 Newly Public Companies

The proposed LAF definition would require a registrant to have been subject to Exchange Act reporting requirements for at least 60 consecutive calendar months. Accordingly, newly public companies would qualify as NAFs for at least the first five years after their IPOs. By contrast, under the current rules, newly public companies may qualify as AFs or LAFs as early as their second annual report on Form 10-K. In addition, newly public companies would be permitted to elect to adopt new or revised accounting standards using the effective dates applicable to nonpublic entities for up to five years after their IPO. Currently, this election is available only to EGCs. Consistent with existing rules, any election to opt out of deferred compliance with new accounting standards would be irrevocable. As a result, the benefits previously only available to EGCs would be extended to all newly public companies for a period of five years after their IPO.

1.2.3.2 Small Non-Accelerated Filers

The proposed rules would establish a new subcategory of NAFs, small non-accelerated filers (SNFs). An NAF would qualify as an SNF if it has no more than \$35 million of total assets as of the end of its two most recent second fiscal quarters. SNFs would have:

- ▶ Thirty additional days to file Form 10-K, extending the annual report deadline from 90 to 120 days after fiscal year-end.
- ▶ Five additional days to file Form 10-Q, extending the quarterly report deadline from 45 to 50 days after fiscal quarter-end.

SNF status would be determined annually, as of the last day of the registrant's fiscal year. Once a registrant qualifies as an SNF, it would remain an SNF until its total assets as of the end of its two most recent second fiscal quarters are more than \$35 million.

A company conducting its IPO would determine its SNF status in its initial registration statement using total assets as of the end of its two most recent fiscal years, rather than as of the end of its two most recent second fiscal quarters.

1.2.4 Proposed Implementation and Transition Period

Existing registrants would initially determine their LAF or NAF status using the new criteria as of the end of their fiscal year immediately prior to the effective date of the rules. The assessment would be completed any time between the effective date of the rule and one day before the end of its fiscal year. For example, if the proposed rules were effective on February 3, 2027, a calendar year-end registrant would determine its filer status as of December 31, 2026 using:

- ▶ Its public float as of June 30, 2026 and 2025
- ▶ Its total assets as of June 30, 2026 and 2025
- ▶ The number of years the registrant has been subject to the requirements of Sections 13(a) or 15(d) of the Exchange Act

This assessment would be completed any time between February 3, 2027 and December 30, 2027. Registrants could reflect a change in filer status when the assessment is complete. Using the same scenario, a registrant that no longer qualifies as an LAF could assess its filer status as early as February 3, 2027 and comply with the scaled disclosures applicable to NAFs in its next filing. A registrant that does not complete its assessment within the required timeframe would be an LAF if it was an LAF under prior rules, or NAF if it was not an LAF under prior rules (however, such registrant would not be deemed to be a SNF, even if it otherwise met the requirements).

1.2.5 Other Filers

Asset-backed issuers and certain FPIs are excluded from the proposed amendments to LAF and NAF status.

1.2.5.1 Foreign Private Issuers

FPIs that elect to comply with the rules and forms applicable to FPIs would be excluded from the proposed LAF and NAF definitions. Accordingly, FPIs that file on Forms 20-F or 40-F would not be eligible to use the scaled disclosure requirements available to NAFs. Further, the proposed rules would revise Form 20-F such that FPIs would continue to be required to obtain an auditor's attestation on ICFR if the company does not qualify as an EGC and has public float of at least \$75 million. Under the amended Form 20-F, FPIs would measure public float under existing rules, and the proposed amendments applicable to LAFs and NAFs would not apply.

The proposing release indicates that the amendments were not extended to FPIs that file on foreign forms, as the SEC is evaluating the definition of an FPI in connection with its 2025 Concept Release on FPI eligibility.

BDO INSIGHT 3: FOREIGN PRIVATE ISSUER ELIGIBILITY REFORM

The exclusion of FPIs from the filer status and registered offering proposal (see Section 1.3) proposal reflects the SEC's separate consideration of the FPI regulatory framework. In its 2025 Concept Release,³ the SEC solicited public feedback on whether the FPI definition should be revised so it better represents the issuers that the SEC intended to benefit from the FPI reporting accommodations while continuing to protect investors and promote capital formation. The SEC also sought feedback on potential alternatives, including revisions to the existing eligibility criteria and additional conditions based on foreign listing, trading volume, or home-country regulation.

Potential amendments related to FPI eligibility are included on the SEC's 2026 regulatory agenda,² although the timing and scope of any rulemaking remain uncertain. Any proposed changes could affect which foreign issuers qualify for the reporting accommodations available to FPIs. FPIs and other foreign issuers accessing the U.S. capital markets should monitor these developments and evaluate the potential effects on their SEC reporting obligations and capital-raising activities.

1.2.5.2 Business Development Companies

BDCs and face-amount certificate companies that are NAFs would not be eligible to use the scaled disclosures requirements in S-X Article 8. However, proposed S-X Rule 3-19 would allow these companies to:

- ▶ Present two, rather than three, years of audited statements of operations and cash flows
- ▶ Adopt new or revised accounting standards using the effective dates applicable to nonpublic entities for a period of five years following their IPO

Additionally, SNFs would have more time to file periodic reports.

1.2.6 Other Amendments

The proposal includes other technical amendments including removing duplicative disclosure requirements, such as:

- ▶ S-X Rule 4-08(h), which requires certain income tax disclosures that are now required in accordance with Accounting Standards Update (ASU) No. 2023-09, *Improvements to Income Tax Disclosures*. See [BDO Knows ASC 740: New Income Tax Disclosures](#).
- ▶ S-X disclosures that would overlap with the disclosures proposed in ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, which would become effective upon the SEC's adoption of the amendments.

BDO INSIGHT 4: SIMPLIFYING THE FILER STATUS FRAMEWORK

In BDO's [comment letter](#), we expressed support for the Commission's efforts to modernize and simplify the filer status framework and acknowledged that periodic reassessment of longstanding thresholds may be appropriate. We also support the proposed simplification of the transition provisions. However, we believe further analysis is warranted before significantly reducing the population of issuers subject to accelerated filing deadlines, auditor attestation of ICFR, and certain disclosure requirements. We therefore encouraged the Commission to further consider whether the proposed framework appropriately balances the goals of simplification and capital formation with the continued promotion of investor protection and high-quality financial reporting in today's capital markets.

1.3 Registered Offerings

The SEC proposed other amendments in May to certain rules and forms under the Securities Act of 1933 ("Securities Act") that are intended to reduce costs, provide greater flexibility in determining the structure and timing of registered offerings, and facilitate capital formation.⁶ The amendments would expand registrants' access to registered offerings by relaxing Form S-3 eligibility, extending certain communication and offering flexibilities beyond companies classified as well-known seasoned issuers ("WKSIs"), and modernizing Form S-1 to allow greater incorporation by reference, among other changes.

BDCs and registered closed-end funds (CEFs) would benefit from similar changes in the proposed amendments.

1.3.1 Form S-3 Eligibility Criteria

The proposed amendments to the Form S-3 eligibility requirements would:

- ▶ Allow registrants to use Form S-3 immediately upon becoming subject to Sections 12 or 15(d) of the Exchange Act, rather than waiting twelve calendar months (including registrants that complete a de-SPAC transaction).
- ▶ Eliminate the \$75 million public float requirement and "baby shelf" rule, allowing registrants with less than \$75 million in public float to conduct primary offerings on Form S-3 without limiting the securities sold based on their public float.

Registrants would still be required to have timely filed all Exchange Act reports during the last twelve calendar months (the "lookback period"). However, registrants would remain eligible to use Form S-3 despite an untimely filing so long as the registrant only made one untimely filing during the lookback period, and the untimely filing was made within seven calendar days of the original due date.

The proposed amendments would limit securities sold under an at-the-market (ATM) offering to those listed and traded on a national securities exchange, or other market designated by the SEC.

Under the proposal, FPIs would not be eligible to use Form S-3.

⁶ Link to the SEC's [proposal](#) and related [fact sheet](#).

1.3.2 Extending Certain Benefits of WKSIs to a Larger Set of Issuers

The proposed amendments would expand the benefits currently available to WKSIs to a larger set of issuers and create two new issuer categories:

- ▶ Eligible listed issuers (ELIs) - registrants that are eligible to use Form S-3 and have one or more common equity securities listed on a national exchange
- ▶ Seasoned eligible listed issuers (SELIs) - ELIs that have been subject to Exchange Act reporting requirements for at least twelve calendar months

The available benefits would vary based on whether a registrant is Form S-3 eligible and qualifies as an ELI or SELI. Only SELIs would be eligible to use automatic shelf registration statements (ASRs).

FPIs would continue to assess WSKI status under existing rules because the amendments would not apply to them.

1.3.3 Revisions to Form S-1

Form S-1 would be amended to:

- ▶ Expand the ability of registrants that do not qualify as SRCs to incorporate information by reference after the registration statement becomes effective (i.e., forward incorporate by reference). Currently, only SRCs may forward incorporate information by reference.
- ▶ Allow registrants to incorporate information by reference in a registration statement filed after year-end, even when the financial statements for that year-end have not yet been filed. Currently, registrants must have filed their Form 10-K for their most recently completed fiscal year-end to be eligible to incorporate information by reference.

Under the proposal, FPIs would not be eligible to use Form S-1.

1.3.4 Other Considerations

The proposed amendments would also:

- ▶ Allow SRCs up to 90 days after year-end, and non-SRC registrants up to the Form 10-K due date, to file registration statements without including updated audited annual financial statements. Currently, this practice is limited to registrants that satisfy the income-based eligibility criteria in S-X Rules 3-01(c) and 8-08(b).
- ▶ Eliminate the delaying amendment language on the cover page of registration statements and instead require registrants that do not intend to delay effectiveness to affirmatively state their reliance on Section 8(a) on the cover page.

1.4 Climate Rules

In May, the SEC proposed to rescind the climate-related disclosure rules (the “climate rules” or “final rules”) in their entirety, concluding that the rules exceeded the scope of the SEC’s statutory authority.⁷ The final rules, adopted March 2024, required registrants to disclose information regarding greenhouse gas emissions, climate-related risks, and climate-related financial metrics in registration statements and annual reports. Following the adoption of the final rules, several petitions for review were filed in the U.S. Court of Appeals challenging their validity. The SEC subsequently stayed the final rules and, in March 2025, voted to stop defending them. In September 2025, the U.S. Court of Appeals held the legal challenges in abeyance pending the SEC’s determination whether to modify, repeal, or rescind the final rules.

⁷ Link to the SEC’s [proposal](#) and related [fact sheet](#).

1.5 Regulation Crypto Assets

In August, the SEC proposed Regulation Crypto Assets,⁸ a new regulatory framework that would establish a tailored offering regime for certain investment contracts involving crypto assets (“covered investment contracts”). The proposed rules are intended to complement the SEC’s March 2026 interpretive release,⁹ and to facilitate capital formation and innovation in the crypto asset market while maintaining investor protections.

For covered investment contracts, the proposed rules would:

- ▶ Provide two exemptions from the registration requirements of the Securities Act:
 - Startup exemption: a one-time exemption for offerings up to \$5 million over four years.
 - Fundraising exemption: a two-tier exemption for offerings up to \$75 million each 12-month period.
- ▶ Establish a conditional safe harbor from the “investment contract” term in the definitions of a “security” under the Securities Act and Exchange Act.
- ▶ Newly define a “qualified purchaser” under the Securities Act, preempting certain state securities law requirements.

1.5.1 Startup Exemption

The one-time startup exemption from Securities Act registration requirements would allow eligible issuers to conduct offerings of covered investment contracts of up to \$5 million during a period of up to four years. Issuers relying on this exemption would be required to disclose material information about the covered investment contract, crypto asset, and offering using a principles-based framework. This information would be required on a website accessible to the public and free of charge. Under the startup exemption, issuers would be required to:

- ▶ File a notice of reliance on this exemption on new Form NOR, which would be subsequently amended for any material changes to the information or material misstatement of facts or errors.
- ▶ File a transition report on new Form TR no later than four years after Form NOR is filed to notify investors and others that they are no longer relying on this exemption.

1.5.2 Fundraising Exemption

The fundraising exemption is a two-tier exemption from Securities Act registration requirements that would allow eligible issuers to conduct offerings of covered investment contracts of up to \$75 million during each 12-month period as follows:

- ▶ Tier 1: offerings of up to \$20 million during a 12-month period, including up to \$6 million by affiliated selling securityholders.
- ▶ Tier 2: offerings of up to \$75 million during a 12-month period, including up to \$22.5 million by affiliated selling securityholders.

Among other criteria, only entities organized in the United States would be eligible to rely on the fundraising exemption.

⁸ Link to the SEC’s [proposal](#) and related [fact sheet](#).

⁹ The SEC’s [interpretive release](#), *Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets*, addressed how the definition of a “security” applies to certain crypto assets and clarified when a non-security crypto asset may become subject to, or cease to be subject to, an investment contract.

1.5.2.1 Offering Statement

Issuers relying on the fundraising exemption would conduct their offerings by filing a new Form 1-CRYPTO (the “offering statement”). The offering statement would include principles-based narrative disclosures, a discussion of the issuer’s financial condition, and financial statements, prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). Financial statements required in the offering statement would include:

- ▶ Annual financial statements for the two most recent fiscal years, including balance sheets, and statements of comprehensive income, cash flows, and changes in stockholders’ equity.
- ▶ Interim financial statements covering the first six months of the fiscal year and corresponding prior interim period. These may be condensed consistent with S-X Rule 8-03(a).

Financial statements included in the offering statement would be required to be no more than nine months old. Annual financial statements for the most recent fiscal year-end would be required when the offering is more than three months after fiscal year-end. Interim financial statements would be required when the offering is more than nine months after fiscal year-end.

Additionally, issuers would be permitted to:

- ▶ Submit draft offering statements for non-public review and would be required to publicly file the offering statement at least 15 calendar days prior to qualification.
- ▶ Elect an extended transition period to adopt new or revised U.S. GAAP accounting standards, deferring adoption until the date such standards become effective for private companies (provided the standards also apply to non-issuer entities). An election not to use the extended transition period would be irrevocable.

1.5.2.2 Periodic Reporting

Issuers with a qualified offering statement would be required to file periodic reports, including:

- ▶ Annual reports on new Form 1-KC within 120 calendar days of fiscal year-end
- ▶ Semiannual reports on new Form 1-SC within 90 calendar days of the end of the semiannual period
- ▶ Current reports on new Form 1-UC within four business days after the occurrence of specified events (unless previously reported on Form 1-KC or Form 1-SC)

1.5.2.3 Assurance Requirements

A key difference between Tier 1 and Tier 2 offerings under the fundraising exemption is the financial statement assurance requirements.

- ▶ Tier 2 offerings would require audited annual financial statements in the offering statement and in subsequent annual reports. The audit would be required to be performed in accordance with either U.S. Generally Accepted Auditing Standards (U.S. GAAS) or Public Company Accounting Oversight Board (PCAOB) standards.
 - The report and qualifications of the independent accountant would also be required to comply with S-X Article 2.
 - The financial statements would be subject to the requirements of S-X Article 8.
- ▶ Tier 1 offerings would not require audited annual financial statements in the offering statements or in subsequent annual reports. Unaudited financial statements would be labeled as such. Additionally, the financial statements would not be required to comply with Regulation S-X.
 - However, if an issuer conducting a Tier 1 offering or filing an annual report has obtained an audit of the financial statements by an independent public accountant in accordance with U.S. GAAS or the standards of the PCAOB, the issuer would be required to file the audited financial statements and report.

For both Tier 1 and Tier 2 offerings, interim financial statements included in the offering statement and semiannual reports would not be subject to any assurance requirements.

1.5.3 Safe Harbor

The proposed rules would establish a conditional safe harbor from the term “investment contract” in the definitions of a “security” under the Securities Act and the Exchange Act. As proposed, a covered investment contract would effectively cease to exist, and the underlying crypto assets would not meet the definition of a “security”, provided the following conditions are satisfied:

- ▶ The issuer must have completed or permanently ceased all essential managerial efforts previously promised under the investment contract, and must not make or intend to make any new commitments to undertake such efforts with respect to the crypto asset.
- ▶ The issuer must file a transition report on Form TR.

1.5.4 Preemption of State Registration and Qualification Requirements

The proposed rules would preempt state registration and qualification requirements by adding a new definition of “qualified purchaser” under the Securities Act with respect to offers and sales of certain covered investment contracts. The preemption would apply to:

- ▶ Primary offers and sales of covered investment contracts conducted pursuant to an exemption under the proposed rules.
- ▶ Secondary market transactions in those covered investment contracts by persons other than the issuer, underwriter, or dealer.

1.6 Other Proposals

1.6.1 Rescission of Shareholder Proposal Rule and Proxy Solicitation Modernization

In September, the SEC proposed significant changes to the proxy process.¹⁰ First, the SEC proposed rescinding Rule 14a-8, the rule that currently requires public companies to include certain shareholder proposals in their proxy materials, and instead leaves these matters largely to state law and company governing documents. The SEC stated that this approach would reduce federal involvement in areas traditionally governed by state corporate law and provide companies and shareholders with greater flexibility in determining how shareholder proposals are addressed. Related amendments to Rule 14a-4(c) would provide companies with greater flexibility in how they handle shareholder proposals that are presented at shareholder meetings but are not included in the company's proxy materials. Separately, the SEC proposed a number of changes to modernize the proxy solicitation process, including eliminating certain filing and delivery requirements that the SEC views as outdated and shortening procedural timelines to better align with current technology and market practices. These changes are intended to reduce compliance costs and administrative burdens while preserving investor protections. Comments on both proposals are due on November 20, 2026.

2. REPORTING REMINDERS

2.1 Artificial Intelligence Disclosures

Artificial intelligence (AI)¹¹ remains a significant focus area as advances in AI capabilities and broader adoption across industries continues to accelerate. The SEC staff noted that references to AI in SEC filings have increased substantially in recent years but observed that many disclosures continue to be generic or boilerplate in nature. As a result, the SEC staff has reiterated the importance of providing disclosures that are tailored to a registrant's specific facts and circumstances, including how AI is being used within the business and the material risks and opportunities associated with that use.

Registrants should consider whether AI-related disclosures are warranted in areas such as risk factors, management's discussion and analysis (MD&A), and business disclosures. Relevant considerations may include operational and competitive impacts, cybersecurity and data privacy concerns, intellectual property issues, discrimination and bias

¹⁰ Link to the SEC's [proposal](#) and related [fact sheet](#) on the Rescission of Rule 14a-8's Federal Regulation of Shareholder Proposals and Amendments to Rule 14a-4. Link to the SEC's [proposal](#) and related [fact sheet](#) on Proxy Solicitation Modernization.

¹¹ Link to BDO's [AI insights and resources](#)

risks, litigation exposure, consumer protection considerations, compliance costs associated with evolving federal and state AI regulations, and potential effects on the workforce. The SEC staff has also highlighted the importance of discussing AI governance and risk management practices, when material. Consistent with broader SEC disclosure principles, registrants should avoid generic statements and instead provide company-specific disclosures that reflect their stage of AI adoption, use cases, and risk profile. The staff has further encouraged registrants to disclose the basis for any claims regarding AI's impact on results of operations, financial condition, productivity, or future growth opportunities.

2.2 Tariff Disclosures

Although much of the discussion surrounding tariffs in 2025 focused on the uncertainty created by new and evolving tariff policies, the focus in 2026 shifted to the financial reporting and disclosure implications of those policies. In particular, following the U.S. Supreme Court's February 2026 decision invalidating certain global tariffs imposed during 2025 under the International Emergency Economic Powers Act (IEEPA), many registrants became eligible to seek refunds of tariffs previously paid. As a result, registrants have been required to evaluate the accounting and disclosure implications of potential tariff recoveries, including the effects on liquidity, results of operations, cash flows, and critical accounting estimates.

With respect to the accounting for potential tariff refunds, the SEC staff recently observed that registrants have applied different approaches in determining when a receivable should be recognized, including models based on loss recoveries, gain contingencies, and legal claims. Given these varying approaches, registrants should carefully evaluate the facts and circumstances supporting their accounting conclusions and provide transparent disclosures regarding the accounting model applied, including the significant judgments and assumptions made in applying that model and the related uncertainties. Such disclosures are intended to help investors understand the potential financial statement impact of tariff refund claims and the risks associated with their ultimate resolution.

More broadly, tariff-related risks, trends, and uncertainties may continue to affect multiple areas of a registrant's SEC filings, including risk factors, MD&A, and the financial statements. Registrants should continue to assess whether tariffs and related developments have materially affected, or are reasonably likely to materially affect, product costs, pricing strategies, supply chain arrangements, customer demand, margins, liquidity, or overall operating results. As in prior periods, registrants should avoid generic disclosures and instead provide company-specific information that explains how tariffs have affected, or are expected to affect, the business, including the impact of any mitigation strategies and the risks associated with those actions.

For more information about key accounting, SEC reporting and auditing considerations related to tariffs, see BDO's publication, [Financial Reporting Considerations for Tariffs](#).

2.3 Transactional Filing and Reporting Matters

The significant capital markets activity in 2026, including IPOs, de-SPAC transactions, acquisitions, and other strategic transactions, has increased focus on the financial statement requirements applicable to the related SEC filings. As registrants evaluate the financial information required for these filings, questions frequently arise regarding whether an acquired or transferred set of operations constitutes a business for SEC reporting purposes and, if so, the financial statements required under Regulation S-X. Complex or unusual transactions may also raise questions about whether relief from certain financial statement requirements may be appropriate under Rule 3-13 of Regulation S-X ("Rule 3-13"). The SEC staff recently shared observations on both the application of the SEC's definition of a business and considerations for seeking Rule 3-13 relief, including recommendations intended to facilitate timely consultations with the SEC staff.

2.3.1 Definition of a Business

Whether an acquisition constitutes a business under Rule 11-01(d) of Regulation S-X ("Rule 11-01(d)") is a key consideration because it determines whether the registrant may be required to provide financial statements of the acquired business in connection with the filing. The SEC's definition of a business differs from the definition under ASC 805, *Business Combinations* (ASC 805), and is based on the specific facts and circumstances. The primary consideration is whether sufficient continuity exists between the acquired operations before and after the transaction such that prior financial information is material to understanding future operations.

The SEC staff highlighted¹² the following considerations:

- ▶ The accounting treatment under ASC 805 does not influence whether a business has been acquired for SEC reporting purposes.
- ▶ The guidance in Rule 11-01(d) is not intended to be applied inflexibly. The assessment should consider all relevant facts and circumstances, including the continuity of the acquired operations.
- ▶ For operations that are or were dormant, or that will only continue for a short period following an acquisition, registrants should consider the length, nature, and extent of the dormancy or continuity. Relevant considerations include whether the operations were dormant throughout the historical periods that would be presented or only for a short period.
- ▶ The guidance in section 2910.2 of the Division of Corporation Finance's Financial Reporting Manual (FRM) identifies factors that commonly accompany an acquisition, such as new asset carrying values and changes in financing, management, or operating procedures following the acquisition. Generally, these factors are not persuasive evidence that an acquisition is not a business.
- ▶ The presumption in Rule 11-01(d) that an acquired entity, subsidiary, or division is a business may be overcome only in limited circumstances and depends heavily on the specific facts and circumstances. For example, the SEC staff indicated that the existence of a legal entity may not be determinative when the entity is a holding company formed solely to effect a transaction and for tax purposes.
- ▶ A business previously acquired, or to be acquired, by an acquirer generally is not within the scope of Rule 3-05 of Regulation S-X ("Rule 3-05"). However, registrants should consider whether omitting the financial statements of the business would render the acquirer's financial statements misleading or substantially incomplete.¹³ This does not apply when the acquirer acquired its predecessor. In that circumstance, predecessor financial statements are required to the extent necessary to cover all periods required by Rule 3-05.

Given the fact-specific nature of determining whether an acquisition constitutes a business under Rule 11-01(d), the SEC staff encourages registrants to request a pre-filing consultation or submit an interpretive request, as appropriate.

2.3.2 Rule 3-13 Waiver Requests

Rule 3-13 permits the SEC staff to waive or modify financial statement requirements when doing so is consistent with investor protection. Registrants may engage with the SEC staff through the waiver and interpretive request process as well as through informal consultations. The SEC staff noted that it continues to receive a high volume of waiver and interpretive requests and welcomes early engagement, particularly for complex or unusual transactions. However, a formal written request is necessary for the SEC staff to grant relief. The SEC staff also reminded registrants that certain matters are outside its delegated authority and therefore cannot be addressed through a waiver request, including Form 10-K or Form 8-K filing deadlines and the application of GAAP.

In evaluating a waiver request involving the financial statements of an acquired business or real estate operation, the SEC staff considers the total mix of information available to investors regarding the registrant and the transaction, including the relative size of the acquisition, both components of the income test, and other relevant financial and operating metrics. Although waiver requests declined following the amendments to Rule 3-05, acquired business financial statements continue to generate a significant number of waiver requests and interpretive questions, particularly those involving:

- ▶ Anomalous significance test results for an acquired business.
- ▶ Requests to use abbreviated financial statements in transactions that do not qualify for relief under S-X Rule 3-05(e).
- ▶ Whether an acquired entity meets the definition of a business under Rule 11-01(d).

¹² See Topic III.A of the June 2026 Center for Audit Quality (CAQ) [SEC Regulations Committee Meeting Highlights](#).

¹³ See FRM 2905.05.

To facilitate an efficient review process, the SEC staff recommended that registrants:

- ▶ Submit a complete initial request that clearly explains the transaction background and structure, the acquired operations and assets, and the anticipated impact on the registrant.
- ▶ Include all significance test results (including both components of the income test) and underlying calculations, and an explanation of any anomalous results.
- ▶ Describe the disclosures that would be provided to investors in lieu of the required financial statements.
- ▶ Consider alternative forms of relief, where appropriate, such as providing abbreviated financial information in lieu of the full waiver request.
- ▶ Describe any expected material changes to the acquired business following the transaction that may affect the relevance of its historical financial information, such as the termination of significant customer contracts or discontinuation of business lines.
- ▶ Include the expected accounting treatment when it is relevant to the SEC staff's analysis of a waiver or interpretive request. For example, an interpretive request involving a predecessor determination should identify the accounting acquirer as part of the transaction background.
- ▶ Involve key stakeholders, including the external auditor and, where appropriate, the auditor's National Office, in preparing the request.
- ▶ Designate a primary contact who is familiar with both the transaction facts and the applicable SEC reporting and accounting requirements.

BDO INSIGHT 5: PLAN EARLY FOR REPORTING ISSUES

Given the level of capital markets activity in 2026, we encourage registrants to identify potential financial statement requirements and reporting issues early in the transaction process and involve SEC reporting advisers, auditors, and legal counsel, as appropriate. For complex or unusual fact patterns, early engagement with the SEC staff through an informal consultation, followed by a formal request when relief is sought, can help identify issues early and facilitate a more efficient review process.

3. SEC STAFF COMMENT LETTER TOPICS

The SEC's regulatory priorities continue to evolve in response to changes in the capital markets, emerging business practices, and broader policy objectives. Areas of focus are often reflected in the Commission's rulemaking agenda, public statements, and enforcement activities. Analysis of comment letter trends issued by the SEC's Division of Corporation Finance ("Corp Fin") can also provide valuable insight into the SEC's areas of focus and evolving disclosure expectations.

The SEC staff is required to review each registrant's filings at least once every three years but may conduct reviews more frequently at its discretion.¹⁴ The scope of a review may vary from a comprehensive review of the filing for compliance with applicable rules and regulations to a review focused on the financial statements or specific disclosures in the footnotes or MD&A. Factors that may lead to more frequent review include a material restatement, significant stock-price volatility relative to peers, or a significant business combination, among others. Following a review, the SEC staff may issue a comment letter requesting clarification, supplemental information, or enhanced disclosure. However, a registrant generally is not notified when the review does not result in comments.

¹⁴ Section 408 of the Sarbanes-Oxley Act of 2002 requires the review of disclosures made by registrants that report under the Exchange Act. Section 408 also details criteria the SEC staff considers when selecting reviews.



DELAY IN POSTING COMMENT LETTERS

The government shutdown in the fall of 2025 disrupted the SEC staff’s filing review activities and, together with staffing reductions, delayed the completion and public release of related comment letter correspondence. In June 2026, the SEC staff indicated that postings were delayed by approximately five to six months, but that progress was being made to reduce the delays.¹⁵ Accordingly, recently posted correspondence may not yet reflect the staff’s most current areas of focus and the apparent decrease in the volume of recently posted comment letters may be attributable, at least in part, to these delays rather than a decline in SEC staff review activity. The areas discussed in this section generally represent recurring themes in SEC staff comments year after year.

3.1 Management’s Discussion & Analysis

MD&A is intended to provide investors with management’s perspective on the registrant’s financial condition, results of operations, liquidity and cash flows. Consistent with the objective of Item 303 of Regulation S-K, MD&A should focus on material trends, events, and uncertainties that have affected or are reasonably likely to affect the registrant’s future performance and financial condition. SEC staff comment letters focus on whether disclosures provide investors with material information necessary to understand the registrant’s financial condition, results of operations, and known trends and uncertainties, with continued emphasis on transparency. MD&A comment letter themes include:

SIGNIFICANT THEMES	SEC STAFF COMMENTS
Results of operations ▶ Inadequate quantification and/or explanation of factors contributing to material changes in operating results, including offsetting factors. ▶ Boilerplate disclosure regarding material economic developments, market conditions, and unusual or infrequent events that contributed to changes.	Request registrants to quantify and analyze the factors contributing to material changes in operating results, including the effects of significant drivers, underlying causes, and any offsetting factors. The SEC staff may also request company-specific information explaining how material economic developments, market conditions, and unusual or infrequent events affected operating results. For example, when recent macroeconomic events such as inflation, interest-rate changes, tariffs, or supply-chain disruptions materially affected results, the discussion should explain the specific effects on revenues, costs, margins, customer demand, or other relevant measures. Tabular disclosures or relevant operating metrics may be appropriate when they provide greater transparency into the changes.
Critical accounting estimates ▶ Discussion duplicates accounting policy disclosures included elsewhere in the filing. ▶ Missing quantitative and qualitative information about significant judgements and sensitivity to changes in key assumptions.	Remind registrants that critical accounting estimate disclosures should supplement, not repeat, the critical accounting policy disclosures. The SEC staff often requests additional disclosure regarding the sensitivity of critical accounting estimates to changes in key assumptions, the likelihood that reasonably possible changes in assumptions could result in materially different reported amounts, the degree of estimation uncertainty associated with the estimates, and the potential impact of alternative assumptions on future results of operations and financial condition.

¹⁵ See Topic II in the June 2026 CAQ’s [SEC Regulations Committee Highlights](#).

SIGNIFICANT THEMES	SEC STAFF COMMENTS
Liquidity and capital resources ▶ Discussion of operating cash flows merely repeats information presented in the statement of cash flows with little to no explanation of the underlying drivers of period-to-period changes.	Request supplemental disclosures describing the factors contributing to material changes in operating cash flows, including significant fluctuations in working capital accounts and the underlying operational or economic factors that caused those changes. The SEC staff often requests discussion explaining why cash flows changed from period to period, rather than merely describing the changes in account balances.
Known trends and uncertainties ▶ Insufficient or vague disclosures to address known trends, uncertainties, or other factors that have affected, or are reasonably likely to affect, operating results, liquidity, or financial condition.	Request additional information regarding the underlying causes of significant developments and their expected future impact on operating results. For example, the SEC staff may request enhanced disclosure regarding the loss of significant customers, material changes in backlog, or changes in customer concentration trends.

3.2 Segments

Segment disclosures are intended to provide investors and other financial statement users with information about different business activities in which a registrant engages and the economic environments in which it operates. ASC 280, *Segment Reporting* (ASC 280) adopts a "management approach" under which operating segments are identified based on the internal financial information regularly reviewed by the chief operating decision maker (CODM) for purposes of assessing performance and allocating resources. Accordingly, segment disclosures are intended to reflect the manner in which management organizes, evaluates, and manages the business.

Segment reporting has become an increasingly significant area of comment following the adoption of ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. Recurring significant themes include:

SIGNIFICANT THEMES	SEC STAFF COMMENTS
Identification of operating segments ▶ Operating segments are not consistent with other publicly available information. ▶ Recent restructurings, acquisitions, dispositions, or other significant changes in the business with no corresponding change to operating segments.	Request additional information regarding the registrant's process for identifying operating segments, including: ▶ Management's evaluation of whether additional operating segments exist. ▶ The factors considered in determining operating segments. ▶ The nature of the financial and operating information regularly provided to the CODM. The SEC staff often seeks to understand how the registrant's operating segment conclusions align with its internal management reporting structure and decision-making processes, particularly in periods of change. The SEC staff may also request additional information regarding how recent restructurings, acquisitions, dispositions, or other significant organizational changes were considered in reassessing the registrant's operating segment conclusions.

SIGNIFICANT THEMES	SEC STAFF COMMENTS
Aggregation of operating segments ▶ Basis for aggregating multiple operating segments into a single reportable segment is not clearly supported by the disclosures or other available information.	Request additional information regarding the registrant's application of the ASC 280 aggregation criteria, including: ▶ The analysis supporting management's conclusion that the operating segments have similar economic characteristics. ▶ The metrics used to evaluate economic similarity. ▶ The basis for concluding that the operating segments have similar future economic prospects.
Performance measure used by the CODM ▶ The measure of segment profit or loss disclosed under ASC 280 is not consistent with the information regularly reviewed by the CODM or with other segment disclosures that appear to indicate that a different measure is used to assess operating results. ▶ Inappropriate presentation of a combined segment measure presented outside the financial statements that results in the presentation of a non-GAAP measure. ▶ Insufficient disclosure regarding how the CODM uses each reported measure of segment profit or loss to assess performance and allocate resources.	Request additional information regarding whether the disclosed measure of segment profit or loss is consistent with the information regularly reviewed by the CODM, such as in situations in which a non-GAAP measure is identified as the segment performance measure, but other disclosures suggest that a different measure may be used to assess performance. For example, if a registrant identifies adjusted EBITDA (a non-GAAP measure) as the segment measure of profit or loss, but other disclosures suggest that the CODM regularly reviews gross profit or operating income (GAAP measures). The SEC staff also frequently comments on missing disclosures regarding how the CODM uses each reported measure of profit or loss to evaluate segment performance and allocate resources.
Reconciliations ▶ Incomplete, incorrect or omitted required reconciliations. ▶ Reconciliation does not begin with a combined total for all reportable segments.	Request inclusion of all required reconciliations, compliance with the format prescribed by ASC 280 (including beginning the reconciliation with a combined total for all reportable segments and separately identifying and describing amounts attributable to the "all other" category), and additional disclosure to clarify the relationship between segment measures and the corresponding consolidated amounts.
Entity-wide disclosures ▶ Omission of required entity-wide information, including revenues from external customers by product and service group, and geographic information regarding revenues and long-lived assets, with separate disclosure for individually material foreign countries.	Request additional information when disclosures are omitted, incomplete, or do not provide sufficient detail to satisfy the entity-wide disclosure requirements, or when the basis for determining the level of disaggregation is unclear.

SIGNIFICANT THEMES	SEC STAFF COMMENTS
Significant segment expenses ▶ Significant segment expenses do not comply with U.S. GAAP, and the disclosures do not clearly explain the nature or composition of those amounts. ▶ The significant segment expense caption is not clearly understood. ▶ Significant segment expenses are not clearly distinguished from other segment items.	Request that registrants amend disclosures to clearly identify and label significant segment expenses, including the nature of the measures that differ from U.S. GAAP. The SEC staff may request supplemental disclosure when the presentation does not provide investors with a clear understanding of the composition of segment results or how significant segment expenses affect the reported measure of segment profit or loss.

For more information about segment reporting, see BDO's Blueprint, [Segment Reporting Under ASC 280](#).

3.3 Non-GAAP Measures

The SEC's requirements for the disclosure of non-GAAP financial measures are set forth in Regulation G and Item 10(e) of Regulation S-K. The SEC staff's Corporation Finance Interpretations (CFIs)¹⁶ also provide guidance on the application of those requirements and are frequently referenced in SEC staff comment letters. The SEC staff often seeks to understand the nature of a non-GAAP measure, the information management intends to convey to investors, and whether the measure complies with the SEC's non-GAAP guidance. The SEC staff has emphasized that enhanced disclosure cannot cure a misleading non-GAAP measure. Accordingly, if a measure is determined to be misleading, registrants may be required to remove or revise it in future filings. Significant comment letter themes include:

SIGNIFICANT THEMES	SEC STAFF COMMENTS
Nature of adjustments and normal, recurring cash operating expenses ▶ Adjustments appear to exclude normal, recurring cash operating expenses. ▶ Inconsistent application or presentation of adjustments, such as excluding non-recurring or infrequent expenses while retaining comparable gains or inconsistent treatment of items across reporting periods.	Request additional explanation as to why certain expenses, such as cash expenses, are excluded from the non-GAAP measure and the registrant does not consider those expenses to be a normal, recurring cash expense in the context of its operations, strategy, industry, and regulatory environment. Adjustments to exclude legal, litigation, or restructuring expenses, as well as inventory or receivable reserves and write-downs, are often questioned. The SEC staff has also clarified that an operating expense that is normal, recurring, or cash, may be considered a normal, recurring, cash operating expense (that is, the operating expense does not need to possess all three characteristics).¹⁷ Examples include losses on purchase commitments, lease expense when leased assets are integral to operations, and cash compensation, including bonuses. Additionally, the SEC staff comments request registrants to explain the basis for excluding expenses while including comparable gains, or otherwise applying adjustments inconsistently across periods, and how such presentation complies with the SEC's non-GAAP CFIs.

¹⁶ See [Non-GAAP Financial Measures](#) CFIs.

¹⁷ These views were shared by the SEC staff at the 2024 AICPA & CIMA Conference on Current SEC and PCAOB Developments.

SIGNIFICANT THEMES	SEC STAFF COMMENTS
Individually tailored accounting principles ▶ Misleading adjustments to revenue and expenses that modify the recognition or measurement principles required by U.S. GAAP.	Request the registrant remove adjustments that result in an individually tailored accounting principle from the non-GAAP measure. Examples include: ▶ Adjusting revenue to recognize it at a point in time when GAAP requires the registrant to recognize revenue over time, and vice versa. ▶ Presenting revenue on a gross basis when net presentation is required by U.S. GAAP, and vice versa. ▶ Changing the basis of accounting for revenue or expenses from accrual basis to cash basis. ▶ Adjusting inventory to an internal basis of accounting inconsistent with U.S. GAAP. ▶ Adjusting the accounting for a lease from a sales-type lease to an operating lease. ▶ Excluding accelerated depreciation from measures other than EBITDA. ▶ Reversing the effects of purchase accounting after the acquisition date. ▶ Consolidating the results of an entity that does not qualify for consolidation or excluding an entity that does qualify for consolidation. ▶ Adjusting for parts, but not all, of an accounting concept, such as excluding amortization of some, but not all, intangibles.
Prominence ▶ Presentation of non-GAAP financial measures more prominently than the most directly comparable GAAP measures.	Request registrants to update their presentation so as not to give the non-GAAP measure undue prominence. Examples include: ▶ Reconciling the non-GAAP measure to a measure that is not the most directly comparable GAAP measure (for example, reconciling an adjusted gross profit measure to net income rather than a fully loaded GAAP gross profit). ▶ Discussing the non-GAAP measure before the GAAP measure. ▶ Presenting the non-GAAP measure in bold, underlined, larger font, or other formatting that gives the non-GAAP measure undue prominence.
Labelling ▶ Adjustments are vague, generic, or do not clearly identify the nature of the underlying items being excluded or included in the measure.	Request registrants to clearly describe the nature of each adjustment, including the underlying items included in or excluded from the non-GAAP measure, and revise labels that are the same as, or similar to, titles used for GAAP financial measures.

SIGNIFICANT THEMES	SEC STAFF COMMENTS
▶ Non-GAAP measures are labeled using titles that are the same as, or similar to, GAAP financial measures.	
Why the measure is useful to investors ▶ Inadequate disclosure of why management believes the non-GAAP financial measure is useful to investors and how management uses the measure.	Request additional information about the usefulness of the non-GAAP measure, focusing on how the measure is used by management, how it assists investors in evaluating operating performance or financial condition, and why the measure is relevant in the context of the registrant's business, industry, and operating environment.
Reconciliations ▶ Omission of the required reconciliation of non-GAAP measure to most comparable GAAP measure. ▶ Inaccurate characterization of a non-GAAP measure as a liquidity measure or performance measure. ▶ Reconciliations that begin with a non-GAAP measure and reconcile to a GAAP measure, rather than beginning with the comparable GAAP measure and reconciling to the non-GAAP measure.	Request registrants to include the required reconciliations and to explain how the non-GAAP measure is used to evaluate performance or liquidity, as applicable, including how the presentation complies with the SEC's non-GAAP interpretive guidance. The SEC staff often focuses on whether the measure has been appropriately characterized and whether investors have been provided with sufficient information to understand its intended purpose and limitations. The distinction between a performance measure and a liquidity measure is important because it affects the most directly comparable GAAP measure and the related reconciliation and presentation requirements. When a non-GAAP measure is both a performance and liquidity measure, disclosures and reconciliations must address each.
Key performance indicators (KPIs) ▶ Inconsistencies between KPI disclosures in earnings releases, earnings calls, or investor presentations and MD&A. Lack of transparency regarding methodology used in the calculation, material estimates or judgements underlying the metric and explanation of significant period-to-period changes in such metrics.	Request additional disclosures to clarify how the KPI is calculated, why management uses the metric, and why it is useful to investors, including sufficient context to understand the metric and its significance. Comments frequently refer registrants to SEC staff guidance on KPIs and metrics disclosed in MD&A

3.4 Revenue Recognition

The disclosure requirements in ASC 606, *Revenue from Contracts with Customers*, are intended to provide financial statement users with the information required to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. SEC staff comments in this area often focus on whether registrants have provided sufficient transparency regarding the judgments, estimates, and assumptions underlying revenue recognition and whether disclosures are consistent with information presented elsewhere in SEC filings and other public communications. Significant themes in comment letters related to revenue recognition include:

SIGNIFICANT THEMES	SEC STAFF COMMENTS
Principal vs. agent ▶ Lack of clarity regarding the determination for presenting revenue on either a gross or net basis, including further context to describe the registrant's role in the transaction.	Request the analysis used by the registrant to support its presentation, including management's evaluation of the principal-versus-agent guidance in ASC 606.
Disaggregated revenues ▶ Inconsistencies between disaggregated revenue presented in the financial statements and revenue information discussed in MD&A, earnings calls, investor presentations, or other public communications.	Request information supporting the disaggregation presented in the financial statements and that it appropriately reflects how economic factors affect the nature, amount, timing, and uncertainty of revenue and cash flows. SEC staff comments also commonly seek additional information regarding the factors considered in determining the disaggregation categories, including the information regularly reviewed by management, the nature of the registrant's products and services, customer types, geographic markets, contract characteristics, sales channels, and other relevant economic factors.
Performance obligations ▶ Incomplete or unclear disclosure of the promised goods or services in a contract, including how performance obligations are identified, whether goods or services are distinct, and whether multiple promises are combined into a single performance obligation.	Request additional information regarding how the registrant identified the promised goods or services in its contracts and determined whether each promise is distinct, including the factors and judgments considered in combining goods or services into a single performance obligation. The SEC staff may also request enhanced disclosure describing the nature of each performance obligation and when the performance obligation is satisfied.
Over time vs. point in time ▶ Inadequate disclosure of the judgments used to determine when control transfers and performance obligations are satisfied.	Request additional information regarding the basis for recognizing revenue over time or at a point in time, including the application of the relevant ASC 606 criteria. The SEC staff may also request enhanced disclosure regarding the nature of the performance obligation, when control transfers to the customer, and the judgments supporting the timing of revenue recognition.

SIGNIFICANT THEMES	SEC STAFF COMMENTS
Determination and allocation of transaction price ▶ Incomplete information related to how the transaction price is allocated to each performance obligation and how the standalone selling price was determined.	Request disclosure regarding the methods, inputs, assumptions, and judgments used to allocate the transaction price to performance obligations, primarily related to the determination of standalone selling prices, the basis for significant estimates, and the consistency of the allocation methodology. When the series guidance is applied, the SEC staff often requests additional information regarding management's conclusion that the performance obligation represents a series and the method used to allocate consideration within that series.

For more information about revenue recognition, see BDO's Blueprint, [Revenue Recognition Under ASC 606](#).

3.5 Goodwill & Intangible Asset Impairment

Goodwill and intangible asset impairment assessments remain an area of SEC staff focus because they often involve significant judgments, forward-looking assumptions, and estimation uncertainty. Comment letters generally focus on the transparency of a registrant's impairment analyses, the reasonableness of key assumptions, and whether those assumptions are consistent with historical results, current operating performance, approved forecasts, and other information provided to investors. They also focus on the adequacy of disclosures about impairment risks, any estimation uncertainties, and consistency with information presented elsewhere in SEC filings and other public communications. Common themes include the following:

SIGNIFICANT THEMES	SEC STAFF COMMENTS
Identification of reporting units ▶ Unclear whether reporting units were reassessed following changes in the registrant's reporting structure. ▶ Inconsistent conclusions compared to information provided in other publicly available communications and with the manner in which management organizes and evaluates the business.	Request additional information regarding management's determination of reporting units, including whether reporting units were reassessed following changes in the registrant's reporting structure, the basis for aggregating components into reporting units, the methodology used to allocate goodwill, and how the conclusions align with the registrant's segment disclosures, internal management reporting, and other public communications.
Triggering events ▶ Unclear whether potential triggering events were assessed. ▶ Insufficient disclosure of events and circumstances determined to be triggering events.	Request additional information regarding management's evaluation of potential triggering events, including the events and circumstances considered, the basis for concluding whether an interim impairment test was required, and enhanced disclosure of any events or circumstances determined to be triggering events.

SIGNIFICANT THEMES	SEC STAFF COMMENTS
Goodwill impairment risk and timing ▶ Inadequate disclosure of known impairment indicators, related risks and uncertainties, how those factors were considered in the impairment analysis, and the judgments and assumptions supporting management's conclusions. ▶ Missing or insufficient early warning disclosures regarding reporting units at risk of impairment, including the key assumptions underlying the impairment analysis.	Request additional information regarding known impairment indicators and related risks and uncertainties, including how those factors were considered in the impairment analysis and the judgments and assumptions supporting management's conclusions. When a material impairment charge is recognized, the SEC staff may also request information about the factors contributing to the impairment, the timing of related developments, whether impairment indicators existed in earlier periods, and whether those indicators and developments were disclosed previously. For reporting units at risk of impairment, the SEC staff may request disclosure of the percentage by which fair value exceeded carrying value as of the most recent impairment test date and the key assumptions underlying the impairment analysis.¹⁸
Impairment of other long-lived assets ▶ Insufficient disclosure of impairment indicators, the impairment analysis performed, and the significant judgments and assumptions supporting management's conclusions.	Request additional information regarding the impairment indicators considered, the analysis performed, and the significant assumptions and judgments supporting management's conclusions. The SEC staff may also request enhanced disclosure explaining how key assumptions compare with recent operating performance, the degree of estimation uncertainty, and the sensitivity of fair value to reasonably possible changes in those assumptions.

For more information about goodwill and intangible asset impairment, see BDO's Blueprint, [Impairments under ASC 350 and ASC 360](#).

¹⁸ See section 9510.3 of the [FRM](#) for guidance on disclosures related to at risk reporting units.

Contacts

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