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July 6, 2026

Office of the Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: File No. S7-2026-15
Semiannual Reporting

Dear Office of the Secretary:

We appreciate the opportunity to comment on the SEC's proposal to provide registrants with the option of filing their interim reports on a semiannual basis. We support the Commission's objectives to reduce the regulatory burden of being a public company and encourage more companies to go or remain public, while maintaining investor protection. We believe the investor community is best positioned to provide feedback about whether the proposed optional semiannual reporting framework satisfies their needs for timely and reliable information on which to make informed investing and voting decisions. Drawing on our experience working with registrants—many of which are smaller reporting companies—we offer feedback on the overall interim reporting process and disclosure framework. Separately, we support the Commission's efforts to simplify financial statement age requirements and better align those requirements between periodic reports and registration statements, which will reduce complexity and improve consistency.

Observations on Reporting Cadence

As the Commission considers permitting semiannual reporting on Form 10-S in lieu of quarterly reporting on Form 10-Q, we note that the existing quarterly reporting framework provides certain benefits that are consistent with the longstanding objectives of promoting transparency, comparability, and high-quality financial reporting. In our experience, the quarterly reporting cadence promotes discipline and rigor in financial reporting processes, supports timely identification and communication of material developments, and facilitates regular operation and evaluation of internal controls.

If the Commission ultimately adopts an optional semiannual reporting framework, we believe it may be helpful to consider how certain elements of the current reporting and control environment would operate in practice and whether those continue to meet the needs of investors. For example,

- *Consistency and rigor of interim reporting outside of filed reports*

  Under the proposal, registrants that elect to report semiannually may continue to communicate quarterly financial information through voluntary disclosures via earnings releases or other approaches. While companies may perceive ongoing investor demand for quarterly financial information, we believe that furnishing such information through earnings releases or on Form 8-K, without the same liability exposure, form and content requirements, and management certifications required for Form 10-Q, raises important considerations. In particular, if substantially similar information can be communicated each quarter with reduced liability, less prescriptive requirements, and potentially lower cost, rigor, and independent review, it is unclear what incentives would remain for registrants to continue filing Form 10-Q.

Should registrants choose to communicate quarterly financial information in this manner, we believe investor, company, and audit committee feedback will be important to understanding whether such disclosures would consistently achieve a level of rigor, comparability, and governance similar to that associated with filed periodic reports. This also highlights a broader consideration as to how the costs associated with Form 10-Q reporting compare to the benefits of its safeguards, including management certifications, liability provisions, and independent accountant review procedures, in supporting the quality of financial reporting.

We believe the extent of these considerations may vary across registrants. Larger, more sophisticated companies often have more mature financial reporting processes and robust systems of internal control over financial reporting (ICFR) , which may mitigate some of the potential risks associated with a shift toward voluntary quarterly disclosures without the safeguards highlighted above. In contrast, for smaller companies with more limited resources and less established control environments, there may be inherently greater risk that the absence of these safeguards could affect the consistency, completeness, or reliability of quarterly financial information.

- *Ongoing assessment processes*

  The quarterly reporting cycle currently reinforces timely evaluation of key accounting and disclosure matters. In a semiannual reporting model, it may be useful to consider whether registrants would continue to maintain similarly robust processes for assessing:

  - *Their ability to continue as a going concern* – should registrants choose to voluntarily provide summarized quarterly financial information in an earnings release or only report semiannually, there may be a delay in the disclosure about management's conclusions on the company's ability to continue as a going concern. Such assessments are made in connection with the issuance of U.S. GAAP-compliant financial statements but may not be made absent their preparation, even if the company voluntarily reports certain financial information on a quarterly cadence.

  - *The effectiveness of disclosure controls and procedures (DCP) and ICFR* – the existing quarterly reporting framework supports a recurring discipline around management's evaluation of DCP and ICFR, including the operation of controls aligned with the financial close and reporting process. A reduced reporting frequency may affect the timing of management's evaluations and, in some circumstances, delay the identification, evaluation, and remediation of control deficiencies, including those that could rise to the level of material weaknesses, as well as related public disclosures about material weaknesses and material changes in DCP or ICFR.

Moreover, as the operation and testing of controls are often aligned with reporting cycles, a shift to semiannual reporting could, in certain circumstances, extend the time horizon for remediation of identified deficiencies, particularly in the financial close and reporting process, because there would be fewer interim periods in which management could obtain evidence that remediated controls are operating effectively on a sustained basis.

Irrespective of the SEC's proposal to permit optional semiannual reporting, we are aware of contractual and regulatory requirements that may also lead a company to more frequent reporting. For example, certain industries, such as banking and insurance, are subject to separate quarterly reporting regimes imposed by regulators. Moreover, debt agreements frequently require quarterly financial reporting and covenant compliance testing, which in practice can influence a company's decision to report quarterly or semiannually, or to seek amendments to its debt arrangements to permit less frequent reporting and compliance.

Interim Disclosure Framework

We encourage the staff to consider whether the burden of quarterly reporting is largely concentrated in the volume of required quarterly disclosures rather than the cadence. Accordingly, we believe that a meaningful reform of the interim reporting requirements could extend beyond consideration of reporting frequency to include a broader evaluation of the form and content of interim disclosures required within Form 10-Q, both within and outside of the financial statements.

As we highlighted in our 2019 comment letter on the SEC's *Request for Comment on Earnings Releases and Quarterly Reports*, in certain situations, the minimum set of U.S. GAAP interim disclosure requirements may contribute more significantly to compliance costs than reporting frequency itself. Some of these minimum disclosure requirements may not be consistent with one of the key principles of quarterly reporting articulated in S-X Rule 10-01(a)(5) that permits the omission of footnote disclosure which substantially duplicates the annual disclosure appearing in the audited financial statements and "the details of accounts which have not changed significantly in amount or composition since the end of the most recently completed fiscal year." Examples that require recurring minimum disclosures regardless of changes since year end include:

- Information about the use of fair value to measure assets and liabilities recognized in the statement of financial position pursuant to ASC 820-10-50
- Information about financial instruments as required by ASC 825-10-50
- Certain information about defined benefit pension plans and other defined benefit postretirement benefit plans, disclosed for all periods presented pursuant to the provisions of ASC 715-20
- The information about certain investments in debt and equity securities as required by ASC 320-10-50, 321-10-50, and 942-320-50

Additionally, the minimum interim disclosure requirements continue to expand. For example, amendments to Regulation S-X added the requirement to disclose the quarterly changes in stockholders' equity and recent Financial Accounting Standards Board (FASB) standards require (or will require) disclosures such as:

- Information about contract assets, contract liabilities, and disaggregated revenues pursuant to ASC 606-10-50
- A rollforward of the allowance for credit losses as required by ASC 326-10-50
- Significant segment expenses pursuant to ASC 280-10-50
- Disclosures about specific expense categories as required upon the adoption of ASU 2024-03 (often referred to as DISE)

We recommend that the Commission coordinate with the FASB to consider whether:

- The overall package of interim disclosures should be reevaluated, or a more targeted assessment could be undertaken to identify specific disclosures for which the benefits may not justify the costs of preparation and reporting on an interim basis (e.g., by requiring the minimum disclosures only upon a material change from year end), or
- A more principles-based interim reporting framework focused on communicating material developments would satisfy the needs of investors.

We note that the content of earnings releases, some of which are issued well in advance of Form 10-Q filings, may provide insight into the types of information that investors find most decision-useful, potentially informing a more streamlined interim disclosure framework.

We believe this effort would be a worthwhile exercise irrespective of whether the proposed amendments are adopted and could complement the SEC's objective to rationalize disclosure practices and focus on material information.

Separately, in our experience, registrants often include information in Form 10-Q that extends beyond what is explicitly required by the rules. This may include, for example, repeated descriptions of accounting policies, contractual arrangements that have not changed, and risk factor disclosures. While such information may be intended to provide context or enhance transparency, it can also contribute to the overall volume and preparation effort associated with interim reporting. We believe it would be helpful to better understand the factors that drive these practices, including whether they reflect investor expectations, internal governance considerations, or other influences, as this insight could inform an evaluation of the costs and benefits of interim reporting requirements.

Flexibility in Reporting Frequency

Under the proposal, registrants must indicate whether they will report semiannually or quarterly using a checkbox on the cover page of Form 10-K and may not change their election until filing their next annual report on Form 10-K (unless they made an error in completing the checkbox). While this approach is intended to avoid investor confusion, we question whether a registrant should be prohibited from reporting quarterly information on Form 10-Q despite an initial intention to follow the Form 10-S model. Reporting quarterly financial information on Form 10-Q may have a positive impact on its quality due to the rigor, processes and controls, management certifications and independent accountant involvement when compared to reporting quarterly financial information outside of Form 10-Q (as highlighted above). Moreover, capital market needs (e.g., in connection with an otherwise unplanned offering or registration statement in which investors demand more current financial information) may dictate a change to quarterly reporting. Accordingly, we question whether the benefits of providing more frequent information with the rigor applied to information in Form 10-Q, particularly in connection with capital market requests, outweigh the downside of potential confusion about a registrant electing to switch the Form on which it files quarterly information during the year.

Conversely, we acknowledge that a transition from quarterly to semiannual reporting during a fiscal year raises different considerations as reduced reporting frequency diminishes the timeliness of information. Prohibiting a change from quarterly to semiannual reporting during the fiscal year also safeguards against the choice to report less frequently to avoid reporting quarterly results that do not meet investor or analyst expectations. For these reasons, if the optional semiannual framework is finalized, we support permitting registrants to change their frequency from semiannual to quarterly during a year, but not vice versa once the election is made.

Implications for Audit and Accounting Standards

The proposal acknowledges that changes may be necessary to various accounting and auditing standards to facilitate semiannual reporting. We believe the Commission may wish to consider the following areas in its coordination with accounting and auditing standard-setters, and other market participants, as applicable.

Audit Standards

<u>AS 4105</u>
PCAOB Auditing Standard 4105, *Reviews of Interim Financial Information* (AS 4105), requires the independent accountant to consider whether material modifications are necessary for interim financial information to conform with U.S. GAAP. As noted in AS 4105.05, such information may be presented as full financial statements or in summarized form that purports to comply with U.S. GAAP and applicable regulatory requirements, including Article 10 of Regulation S-X for Form 10-Q.

In our view, an AS 4105 review is premised on the existence of interim financial statements prepared in accordance with U.S. GAAP, including the footnote disclosures required by Article 10 (for SEC registrants). Accordingly , we do not believe an independent accountant can perform a review over quarterly financial information presented in earnings releases or other filings that purports to comply with AS 4105 unless that information is derived from underlying interim financial statements that include the required disclosures.

In practice, current market demands already drive the preparation of interim financial statements with footnotes in circumstances where filing is not required, particularly in capital markets transactions such as initial public offerings. We expect this practice would continue, and potentially increase, if some registrants elect semiannual reporting on Form 10-S while furnishing only summarized quarterly information. As a result, certain anticipated cost or burden reductions of the proposal may not be realized for these registrants.

Additionally, while AS 4105 can be applied to semiannual financial information, the standard is structured around a quarterly reporting model, including references to quarterly periods, procedures, and Forms 10-Q and 10-QSB. For example, AS 4105.06 addresses procedures over selected quarterly (including fourth quarter) data included in annual reports in accordance with Item 302(a) of Regulation S-X. Conforming amendments would therefore be necessary to support consistent application in a semiannual reporting framework.

<u>AS 6101</u>

PCAOB AS 6101, *Letters for Underwriters and Certain Other Requesting Parties* (AS 6101), sets forth guidance for the independent accountant's issuance of comfort letters to underwriters and other requesting parties (collectively, "underwriters") in connection with registration statements and other securities offerings. As the proposing release highlights, underwriters ordinarily expect to receive "negative assurance comfort" on subsequent changes in specified financial statement line items from the most recent period that has been audited or reviewed. AS 6101 permits such negative assurance comfort through a date that is less than 135 days from the end of the most recent period that has been audited or reviewed, a timeframe which aligns more closely with a quarterly reporting cadence. However, we observe that AS 6101 is operational even under a semiannual reporting cadence as evidenced by the capital markets activities of foreign private issuers. Auditors of foreign private issuers that only report their financial statements semiannually prepare comfort letters and comply with underwriter requests for incremental procedures or assurance to address the 135-day requirement for negative assurance. Separately, AS 6101 contemplates procedures that may be performed by the independent accountant on subsequent changes in specified financial statement line items as of a date 135 days or more from the end of the most recent period that has been audited or reviewed. In our experience, the acceptance of these procedures in lieu of negative assurance comfort is less common. However, as a technical matter, AS 6101 does not require changes to accommodate the optional semiannual reporting framework.

Based on our experience, we have observed limitations in the ability to provide negative assurance on certain financial statement line items in circumstances where management is unable to respond to inquiries regarding changes in those line items through a specified date (the "cutoff date") that does not correspond to a natural period end for which financial statement closing procedures have been performed. In these situations, the comfort letter typically indicates that management is unable to respond to such inquiries. As a result, negative assurance on changes through the cutoff date is generally limited to areas such as capital stock and increases in long-term debt, as information related to these items is more readily available on a daily basis than for other financial statement measures, such as revenue, net current assets, or income. Notwithstanding these limitations, we note that offerings frequently proceed with this reduced scope of assurance.

We also believe that inherent risk increases as the period between the cutoff date for which negative assurance is requested and the most recent period audited or reviewed by the independent accountant becomes longer. Accordingly, if the PCAOB were to reevaluate AS 6101 in the context of a semiannual reporting framework, we believe consideration should be given to whether providing negative assurance through a cutoff date extending beyond 134 days would be appropriate without the performance of additional procedures to mitigate the associated risk.

In addition, we believe it is important to consider whether, in such a framework, underwriters may seek to request and perform due diligence on more current financial information than would otherwise be required under a semiannual reporting model. This may occur in response to investor expectations or as a means of managing underwriter risk, particularly in circumstances in which the financial statements included in an offering could be more than six months old.

Accounting Standards

We believe the Commission will need to coordinate with the FASB to evaluate changes to U.S. GAAP to accommodate the semiannual reporting framework. For example, the following standards reference quarterly concepts that may need to be adjusted (or otherwise have reporting frequency implications):

- *ASC 250, Accounting Changes and Error Corrections* – requires disclosure of the effects of a change in accounting principle on interim period results when an accounting change is made in the fourth quarter of the fiscal year
- *ASC 260, Earnings Per Share (EPS)* – generally contemplates annual or quarterly EPS concepts (e.g., in certain diluted EPS computations related to the application of the treasury stock or if-converted methods).
- *ASC 270, Interim Reporting* – generally aligns with quarterly reporting and includes the requirement to disclose certain fourth quarter information.
- *ASC 280, Segment Reporting* – requires interim segment disclosures for the current quarter and year-to-date periods. Separately, the determination of whether information is regularly provided to the chief operating decision maker on a regular basis is typically interpreted to be at least quarterly.
- *ASC 323, Investments – Equity Method and Joint Ventures* – references the inability to obtain quarterly financial information from an investee as an indicator that an investee does not have significant influence. Separately, we note that an equity method investee (or a consolidated subsidiary) can have a different fiscal year end, and the equity method (or consolidation) can be applied using the investee's (subsidiary's) fiscal year-end information if that fiscal year end is not

more than three months different. Semiannual filers may encounter more circumstances in which the equity method income/loss is estimated because the company is unable to use the three-month lag.

- *ASC 740, Income Taxes* - generally presumes a quarterly cadence in the computation of interim tax provisions and effective tax rates

This list is not intended to be exhaustive. We believe the FASB will require additional time to evaluate whether further changes, including those related to references to quarterly information, are warranted.

Interim Review and Annual Audit Implications

While the nature of procedures performed in an AS 4105 review would generally be similar whether interim financial information is prepared quarterly or semiannually, a change in reporting cadence may affect when certain matters are evaluated during the audit cycle, rather than eliminate the need to address them. Quarterly reporting promotes a more disciplined interim financial reporting process and creates a recurring point in time for management and the independent accountant to perform certain procedures earlier in the audit cycle. If a registrant elects semiannual reporting and, as a result, certain interim financial reporting processes or related control activities occur less frequently, this could reduce the opportunity for auditors to perform certain procedures on an interim basis, make it more difficult to identify and respond to significant events on a timely basis, and compress the time available for audit procedures during peak reporting periods. For example, some matters currently considered at quarterly intervals, such as developments reflected in board minutes, significant business combinations or financing transactions, and potential impairment indicators or other interim accounting evaluations, may instead be evaluated less frequently and over a longer period in connection with the semiannual review or annual audit.

This could have negative implications for both the expected reduction in audit effort and audit-related fees for some registrants as well as audit quality.

Transition Mechanics

We note that the proposal would require a registrant to recast its prior fiscal interim periods in connection with a change in reporting frequency to maintain the comparability of financial statements and related information. While retroactive application could introduce operational complexity and discourage adoption of semiannual reporting, we support the inclusion of comparable financial information in interim reports. These transition requirements may cause registrants to prepare quarterly financial statements that comply with U.S. GAAP and SEC requirements even if they elect semi-annual reporting to ease the transition burden if they intend to change their reporting frequency on a semiannual basis to a quarterly basis in the next fiscal year. Depending on the facts and circumstances, information may need to be publicly disclosed (e.g., via Form 8-K under Regulation FD), reducing the intended simplification.

Other Matters

We support the simplification of the financial statement age requirements in registration statements to align with the due dates of the quarterly or semiannual reports, as applicable. We believe these amendments may increase market participants' understanding of financial statement needs in connection with a registration statement.

While the proposed amendments address the age of financial statements of an acquired foreign business in proposed S-X Rule 3-01(e)(2), they do not address the age of financial statements of an acquired business or real estate operation more broadly pursuant to S-X Rules 3-05 and 3-14, respectively. We believe the rules should also address the financial statement age requirements for such acquisitions (i.e., whether the age requirements follow those applicable to the registrant, or whether the registrant may elect quarterly or semiannual reporting for the acquired business or real estate operation).

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We appreciate this opportunity to express our views to the Commission. We would be pleased to answer any questions the Commission or its staff might have about our comments. Please contact Michael Stevenson, Assurance National Managing Principal, Professional Practice and Audit at (214) 665-0707 or via email at mstevenson@bdo.com, or Tim Kviz, Assurance Managing Principal, SEC Services, at (703) 245-8685 or via email at tkviz@bdo.com.

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