



July 6, 2026

Submitted by SEC Webform

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

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

Dear Ms. Countryman:

On behalf of the North American Securities Administrators Association, Inc. (“NASAA”),¹ I am writing in response to U.S. Securities and Exchange Commission (“SEC” or the “Commission”) Release No. 33-11414, [Semiannual Reporting](#) (the “Proposal”), which seeks to permit companies that make periodic filings under the Securities Exchange Act of 1934 (“Exchange Act”) to elect to file semiannual reports on a new Form 10-S in lieu of quarterly reports on Form 10-Q. The Proposal would also make conforming amendments to Regulation S-X and related reporting requirements.

Form 10-Q and the existing reporting framework ensure that all investors receive timely and standardized updates on a public company’s financial condition and performance, thereby supporting market transparency and informed investment decisions. When the Commission originally proposed the quarterly reporting requirement, it explained that Form 10-Q would provide detailed information to supplement timely disclosure policies and establish uniform reporting standards across all Exchange Act reporting companies.² While the Commission has reassessed periodic reporting requirements in recent years, it has generally refined or simplified disclosure rules to improve the quality of disclosure rather than making changes that would result in materially less disclosure, such as by altering reporting frequency.

¹ Organized in 1919, NASAA is the oldest international organization devoted to investor protection. NASAA’s membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, México, Puerto Rico, the U.S. Virgin Islands, and Guam. NASAA is the voice of securities agencies responsible for grass-roots investor protection and efficient capital formation.

² *See Proposal at 10.*

NASAA has consistently advocated for robust public markets, rooted in the long-standing principle that the federal securities laws are built on the virtues of disclosure. That philosophy involves a fundamental bargain; namely, if a company wishes to sell its securities to the general public, then it must disclose detailed information about the business publicly. This disclosure framework has required public companies to register with the SEC, file detailed disclosures on Forms 10-K, 10-Q, and 8-K, and ensure that all material facts and associated risks are made available to prospective investors so they can make informed decisions. While the Commission has embarked on a new effort it believes will increase the number of public offerings along with other changes intended to revitalize our capital markets, it must do so in fidelity to this time-tested fundamental bargain by which companies can enjoy broad access to investors in return for fulsome disclosure where investors are empowered to make informed decisions.

NASAA stands ready to work with the Commission to improve the vitality of our public markets but believes there are better alternatives to achieve this laudable goal, especially given the adverse impact this proposal will have on critical investor protections and trust in our markets. Therefore, for the reasons explained below, we cannot support the Proposal. The record makes clear the Proposal would raise capital costs, reduce liquidity, weaken investor confidence, facilitate fraud, and exacerbate certain reporting risks. Such costs are not justifiable, especially given data which shows that other jurisdictions who have made this change have experienced no significant stimulation to their public markets. Further, both prominent investors and sound research agree that changing to semiannual reporting will not fix short-termism and may in fact make it worse.

I. The Proposal Fails to Analyze Why Public Company Listings Have Declined.

The Commission states that the Proposal is “one step in a broader Commission effort to encourage more companies to go and remain public by reducing the costs and burdens of Exchange Act reporting.”³ But the Proposal does almost nothing to diagnose the reasons for the decline in public company listings. Regulatory proposals must be rationally connected to the problems they are offered to fix.⁴ Accordingly, the Commission needs to offer a fulsome diagnosis of the reasons public markets are lagging to make the case that the Proposal will be effective. It has not done so.

³ *Id.* at 23.

⁴ *See Business Roundtable et al. v. SEC*, 647 F.3d 1144, 1148 (D.C. Cir. 2011) (stating that “[w]e must assure ourselves the agency has ‘examine[d] the relevant data and articulate[d] a satisfactory explanation for its action including a rational connection between the facts found and the choices made.’”) (quoting *Motor Vehicle Mfrs. Ass’n. of U.S., Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983) (internal quotations omitted)).

To the extent that eliminating mandatory quarterly reporting might materially increase the number of public company listings, any such outcome would be eroded by rules and policies designed to expand the private markets. In February 2023, we issued the *NASAA Report and Recommendations for Reinvigorating our Capital Markets* (“NASAA Report”),⁵ which explained that prior efforts to reinvigorate the public markets, particularly through the Jumpstart Our Business Startups Act of 2012, did not achieve a sustained increase in public company listings. Public market enhancing efforts – such as the emerging growth company onramp, confidential registration statement review, and relief from the auditor attestation requirements instituted from the Sarbanes-Oxley Act of 2002 – were largely offset by efforts to expand the private markets that took place at the same time, including a new crowdfunding exemption, the expansion of Regulation A, allowing general solicitation under Regulation D Rule 506(c), and changing the “shareholder of record” threshold under Exchange Act Section 12(g).⁶ Collectively, these private market enhancements allowed issuers to “raise unlimited amounts of capital in the private markets and forestall indefinitely the need to become a public reporting company,” thereby reducing the size, diversity, and growth of companies in the public markets.⁷

The Commission offers no reason to conclude that the Proposal will meaningfully shift the declining trend in public company listings given proposals and actions designed to further expand the private markets. Recent examples include the Department of Labor’s (“DOL”) proposal to allow plan fiduciaries under the Employee Retirement Income Security Act of 1974 (“ERISA”) greater flexibility to consider alternative investments,⁸ the Commission’s decision to lift the 15 percent restriction on closed-end fund private investments,⁹ and the Commission’s plan to “facilitate capital formation and simplify the pathways for raising capital for, and investor access

⁵ [NASAA REPORT AND RECOMMENDATIONS FOR REINVIGORATING OUR CAPITAL MARKETS](#) (Feb. 7, 2023) (“NASAA Report”).

⁶ *Id.* at 11-12; see also Michael Ewens & Joan Farre-Mensa, [Private or Public Equity? The Evolving Entrepreneurial Finance Landscape](#) at 13-16 (Nat’l Bureau of Econ. Rsch., Working Paper No. 29532, 2021, revised 2022) (reviewing regulatory changes in the public equity markets and several regulatory changes that have impacted private equity markets which have, according to the authors, likely helped increase the supply of private capital). Along with the release of the NASAA Report, Faith Anderson, then Chief of Registration & Regulatory Affairs in the Securities Division of the Washington Department of Financial Institutions and Chair of NASAA’s Small Business/Limited Offerings Project Group, testified *inter alia* that offerings issued under Regulation D Rule 506 “eclipsed the amount of registered offerings by public companies... “becom[ing] the dominant form of capital formation in this country.” [Faith Anderson, Written Statement for the SEC Investor Advisory Committee Panel Discussion Examining the Growth of Private Markets Relative to the Public Markets: Drivers and Implications](#) at 2 (Mar. 2, 2023).

⁷ NASAA Report, *supra* note 5, at 11.

⁸ [Fiduciary Duties in Selecting Designated Investment Alternatives](#), 91 Fed. Reg. 16,088 (proposed Mar. 31, 2026) (to be codified at 29 C.F.R. pt. 2550).

⁹ Paul S. Atkins, Chairman, SEC, [Prepared Remarks Before SEC Speaks](#) (May 19, 2025).

to, private businesses.”¹⁰. As the NASAA Report found, similar policies led to the “astronomical growth” of exempt offerings, and that the federal government “was not successful in getting more companies to conduct IPOs [initial public offerings].”¹¹

Indeed, current private market enhancement efforts may further weaken public markets. As the CFA Institute reasoned, “[i]f private companies can access public capital through investment funds, they may have even less incentive to pursue an IPO.”¹² Further, Columbia University Professor Shivaram Rajgopal has pointed out that the Proposal would “make[] the IPO market less attractive, not more,” by causing skeptical investors to demand a higher risk premium to buy shares in newly public companies committed to reporting semiannually.¹³ Before undertaking to fundamentally change the nature of U.S. public company reporting, the Commission should more fully analyze and report on the impact efforts to expand the private markets have had on the public markets and then explain why it expects the Proposal to succeed where prior public market changes have had limited effect. Absent a clear explanation of how the Proposal would materially shift the years-long trend in the growth of the private markets, the Commission has not made the case that the Proposal will be worth the disruptions it will cause.

II. The Proposal Will Not Fix Short-Termism.

In addition to not considering the root causes of the decline of public company listings to tailor a workable solution, the Proposal misses the mark when it comes to the specific problem it is purportedly being offered to fix.

The Commission asserts that the Proposal is necessary to address “short-termism,” which it defines as “a focus on short-term results instead of long-term business strategies and short-term actions by a company that can have a negative long-term impact on the company ...”¹⁴ However, while the Proposal suggests that quarterly reporting may cause short-termism, the Commission also acknowledges other potential culprits, including “executive compensation design or messaging to investors through, for example, earnings guidance.”¹⁵ It is problematic that the

¹⁰ [SEC Proposed Rule on Updating the Exempt Offering Pathways](#) (Spring 2025), Unified Agenda of Regulatory and Deregulatory Actions (last visited July 1, 2026).

¹¹ NASAA Report, *supra* note 5, at 12-13.

¹² SANDRA PETERS & MATTHEW WINTERS, CFA INST., [INVESTOR PERSPECTIVES: QUARTERLY REPORTING](#) at 33 (Apr. 2026) (“CFA Investor Perspectives”).

¹³ Shivaram Rajgopal, [The SEC’s Semi-Annual Reporting Proposal: A Solution In Search Of A Problem](#), FORBES (May 7, 2026, at 8:14 EDT) (“Rajgopal Article”).

¹⁴ Proposal at 15 n. 44.

¹⁵ Proposal at 77. The same ambivalence appears in the support cited by the Commission. For the proposition that quarterly reporting causes short-termism, the Commission repeatedly cites Frank Gigler et al., [How Frequent Financial Reporting Can Cause Managerial Short-Termism: An Analysis of the Costs and Benefits of Increasing Reporting Frequency](#), 52 J. ACCT. RSCH. 357 (2014), and also cites Arthur G. Kraft et al., [Frequent Financial](#)

Commission would propose to fundamentally change the nature of U.S. public company reporting while being equivocal about the reasons for needing to do so.

Some of America's most prominent investors are more certain that quarterly *earnings guidance* is the root of short-termism, not quarterly reporting. In their Wall Street Journal opinion piece, *Short-Termism Is Harming the Economy*, Warren Buffett and Jamie Dimon “encourag[e] all public companies to consider moving away from providing quarterly earnings-per-share guidance” because they believe that such guidance contributes both to “a shift away from long-term investments” and “the decline in the number of public companies in America over the past two decades.”¹⁶ However, and critical to the discussion surrounding this Proposal, they do not lay blame on quarterly reporting:

“Our views on quarterly earnings forecasts *should not be misconstrued as opposition to quarterly and annual reporting*. Transparency about financial and operating results is an essential aspect of US public markets, and we support being open with shareholders about actual financial and operational metrics. U.S. public companies will continue to provide annual and quarterly reporting that offers a retrospective look at actual performance so that the public, including shareholders and other stakeholders, can reliably assess real progress.”¹⁷

The California Public Employees' Retirement System (“CalPERS”), the largest public pension fund in the United States, agrees on both points. In its comment letter to the Commission, CalPERS writes “[i]f the Commission's objective is to lengthen corporate decision-making horizons, then the more effective and well-targeted lever, as we have urged in prior comment letters, is to discourage the voluntary issuance of forward quarterly earnings guidance, not to dilute the historical financial reporting on which investors depend.”¹⁸

[Reporting and Managerial Myopia](#), 93 ACCT. REV. 249 (2018). Gigler et al. do not assert that quarterly reporting causes short-termism. Instead, they make an almost common-sense theoretical prediction based on statistical reasoning that more frequent reporting “imposes greater discipline on the firm's investment so that the probability of investing in negative net present value projects is strictly smaller in the frequent reporting regime than in the infrequent reporting regime.” *Gigler et al.* at 378. Further, while Kraft et al. report economically significant declines in investments associated with greater issuer reporting over the period from 1950 to 1970, most consistent with a finding of managerial myopia, they also acknowledge in describing their work that “the decline could be a manifestation of improved monitoring by stakeholders stemming from frequent reporting,” that “prior studies identify different sources of capital market pressures that can induce myopia,” and that “frequent financial reporting is another mechanism that can encourage myopic managerial behavior.” Kraft et al., [Real Effects of Frequent Financial Reporting](#), HARV. L. SCH. F. ON CORP. GOVERNANCE (Sept. 19, 2014).

¹⁶ Jamie Dimon & Warren E. Buffett, [Short-Termism Is Harming the Economy](#), WALL ST. J. (June 6, 2018, at 22:00 ET).

¹⁷ *Id.*

¹⁸ CalPERS, [Comment Letter on Semiannual Reporting Proposal](#) at 1 (June 19, 2026).

Prominent voices in research have reached the same conclusions. Professor Rajgopal asserts that short-termism is not caused by quarterly reporting, but instead:

“The pressure comes from the broader incentive architecture: analyst consensus estimates, quarterly earnings guidance, compensation tied to [earnings per share], and institutional investor focus on near-term results. *The 10-Q is the scoreboard, not the game. Removing the scoreboard does not change how the game is played.*”¹⁹

The CFA Institute likewise found from its own research that “quarterly earnings guidance can create short-term pressures as it builds expectations *whereas quarterly reporting simply reports results.*”²⁰

The weight of informed opinions from multiple quarters is critical to understanding the shortcomings of the approach suggested by the Commission. If earnings guidance rather than quarterly reporting drives short-termism, then the Proposal does nothing to address the problem, and in fact could exacerbate it. The Proposal makes clear that it would make no changes to voluntary earnings release decisions or earnings guidance practices,²¹ and instead it states that “[w]e expect that a company’s individual characteristics, facts, and circumstances will determine whether it would make quarterly earnings releases or announcements after electing to report semiannually.”²² Columbia University Professor John C. Coffee, Jr., makes the point that moving to semiannual reporting could exacerbate the problem of short-termism, and could even lead to improper earnings management, reasoning that:

“If we shift to six-month reporting, financial managers may face even greater pressure to meet their earnings target (or the consensus forecast). After all, impatient investors will have waited longer and faced greater uncertainty. The failure to ‘meet your forecast’ would cast even a greater cloud on management’s reputation and competence.”²³

¹⁹ Rajgopal Article, *supra* note 13 (emphasis added).

²⁰ CFA Investor Perspectives, *supra* note 12, at 28 n. 18.

²¹ Proposal at 22.

²² *Id.* at 20-21.

²³ John C. Coffee, Jr., [What Really Drives “Short-Termism”?](#), COLUM. L. SCH. BLUE SKY BLOG (Aug. 27, 2018).

Given all of the above, the Proposal would most likely lift the safeguards of quality reporting – namely, certifications, auditor-reviewed U.S. GAAP financial statements, and specified required disclosures – to no positive effect. Worse, once rid of such burdens, managers may feel emboldened to approach quarterly reporting more as a selective marketing opportunity rather than an exercise in good disclosure. Or, on the other hand, management may feel greater fear to meet forecasts demanded by investors. Either way, as these views from industry and academia make clear, stimulating such behaviors is the opposite of combatting short-termism.

III. The Proposal Does Not Adequately Consider Investor Protection.

The Proposal fails to adequately analyze the effect semiannual reporting would have on investor protection.

With slight wording differences, Section 2(b) of the Securities Act of 1933 (“Securities Act”) and Exchange Act Section 3(f) both state that “[w]henver ... the Commission is engaged in rulemaking ... and is required to consider or determine whether an action is necessary or appropriate in the public interest, the Commission shall also consider, in addition to the protection of investors, whether the action will promote efficiency, competition, and capital formation.” The Proposal spends significant time focused on efficiency, competition, and capital formation, and, as it must, dedicates a section of the economic analysis portion of the Proposal to these factors.²⁴

On the other hand, as compared to its evaluation of efficiency, competition, and capital formation factors, the Proposal makes virtually no effort to analyze the investor protection effects of removing the obligation to file quarterly reports. No section of the Proposal is devoted to it, and references to “investor protection” often appear in the form of conclusory statements, such as:

“Our proposal would provide an Exchange Act reporting company with the flexibility to determine the frequency of interim reporting that best suits its particular circumstances, such as its ability to bear the costs of preparing the quarterly reports, the stage of its business development, and the expectations of its investors, *without undermining fundamental investor protections.*”²⁵

²⁴ Proposal at 130-34. This is now standard practice for Commission rulemakings following a series of court losses finding that the Commission did not engage in proper rulemaking procedures, followed by reports from the Government Accountability Office and the SEC’s Office of Inspector General and Congressional inquiries, all taking issue with Commission failures to engage in proper and fulsome economic analyses. See [Memorandum from the Division of Risk, Strategy, and Financial Innovation and the Office of the General Counsel to the Staff of the Rulewriting Divisions and Offices Regarding Current Guidance on Economic Analysis in SEC Rulemakings](#) at 1 (Mar. 16, 2012) (“RSFI and OGC Memorandum”).

²⁵ Proposal at 7 (emphasis added).

The Proposal fails to satisfy the Commission’s statutory mission by neglecting to consider whether quarterly reports are essential to investor protection, and therefore whether the Proposal is likely to harm investors. Securities Act Section 2(b) and Exchange Act Section 3(f) were both added to those acts by Section 106 of the National Securities Markets Improvement Act of 1996 (“NSMIA”). The text of these two provisions makes clear that the SEC must consider all of these factors in order to determine that a proposed rulemaking is in the public interest. Indeed, Congress’s construction of these provisions makes clear that “efficiency, competition, and capital formation” considerations are secondary to the primary consideration of investor protection found throughout the Securities Act and the Exchange Act.²⁶ The legislative history of NSMIA supports that view by making clear that investor protection remains the threshold consideration underlying all SEC rulemaking. When the Commerce Committee of the House of Representatives reported out H.R. 3005 – the bill from which this text emanates – it affirmed the preeminence of the Commission’s investor protection mandate by stating that:

“[Exchange Act Section 3(f)] makes clear that matters relating to efficiency, competition, and capital formation *are only part of the public interest determination*, which also includes, among other things, consideration of the protection of investors. *For 62 years, the foremost mission of the Commission has been investor protection, and this section does not alter the Commission’s mission.*”²⁷

The language ultimately reported out, and ultimately passed into law, followed the advocacy of SEC Chairman Arthur Levitt who opposed prior draft language that would have amended the stated mission of the Commission. As Chairman Levitt wrote to Ranking Member John Dingell during the drafting of NSMIA:

“The primacy of investor protection enshrined in the securities laws has been one of the greatest boons to capital formation in U.S. history. To compromise on this point, even symbolically, would serve no one well.”²⁸

²⁶ To illustrate the primacy of investor protection, consider that most references to public interest determinations in the Securities Act and the Exchange Act appear alongside references to investor protection. As just a few examples, see Securities Act Sections 3(a)(2), 3(b)(1), 7(b)(2), 8(a) and 18(b)(3), and Exchange Act Sections 3(a)(12)(A)(vii), 11(a)(2), 12(g)(3) and 12(k)(2)(A). *See also Nat’l Assn. of Private Fund Mgrs. v. SEC*, 103 F.4th 1097, 1111 (5th Cir. 2024) (finding that “[i]t is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme”) (quoting *Roberts v. Sea-Land Servs., Inc.*, 566 U.S. 93, 101 (2012) (citation omitted)).

²⁷ [H.R. REP. NO. 104-622](#) at 39 (1996) (emphases added). Although the same question was not joined on the Senate side, the legislative history of S. 1815 expresses similar sentiments. *See S. REPORT NO. 104-293* at 9 (1996) (stating that “[a]ll things being equal, however, the Committee expects the SEC to take appropriate action to ensure investor protection.”).

²⁸ Scot J. Paltrow, [Levitt Opposes Bill to Change Securities Laws](#), L.A. Times (Mar. 7, 1996).

Both the resulting language of Securities Act Section 2(b) and Exchange Act Section 3(f) and the history surrounding it make clear that any rulemaking proposal that does not fully take investor protection into account ignores the judgment of Congress and the resulting legislative requirements for determining the public interest and is therefore deficient.

Further, the Commission's own guidance directs the staff to consider "including the alternative of not adopting a rule."²⁹ Put another way, the current amount of investor protection provided by quarterly reporting is part of the existing baseline that the Commission must take into account in its analysis of the costs and benefits of the Proposal.³⁰ For the reasons explained below, maintaining the status quo is the only course of action that protects investors, and the Commission's failure to consider it is a fundamental rulemaking flaw.³¹

IV. The Proposal Will Harm Efficiency, Competition, and Capital Formation.

Many commenting investors and academics recognize that allowing semiannual reporting will increase issuer information asymmetry, particularly for retail investors. While the Commission recognizes the possibility that the Proposal could increase information asymmetry and offers possible ways to mitigate its negative effects,³² the Commission does not grapple with the likelihood or degree to which informational asymmetries will undermine efficiency, competition and capital formation in our public markets. The record from other jurisdictions that have taken this approach, however, is highly instructive and shows that the likely effect for those issuers who choose semiannual reporting is negative and that the effect of unpredictable issuer reporting could harm the market itself.

A. Semiannual Reporting Will Depress Valuations and Harm Liquidity.

Multiple studies conclude that less frequent periodic reporting depresses issuer valuations. In one study, using collected interim reporting frequency data from U.S. public issuers for the time period from 1951 to 1973, when U.S. firms transitioned from semiannual to quarterly reporting, data significantly indicated that firms with higher reporting frequency had lower information

²⁹ RSFI and OGC Memorandum, *supra* note 24, at 1.

³⁰ See Shivaram Rajgopal, [Comment Letter on Semiannual Reporting Proposal](#) (June 3, 2026) ("Rajgopal Comment Letter") (explaining that "[t]he proposing release's economic analysis suffers from a foundational asymmetry: it counts the issuer's savings in concrete figures while leaving the costs imposed on the market's downstream users either unquantified or unacknowledged. This is not a minor gap. It is the analytical defect that undermines the proposal's entire cost-benefit framework.").

³¹ See *Chamber of Commerce of United States v. SEC*, 85 F.4th 760, 774 (5th Cir. 2023) (stating that the Commission must respond to comments that "can be thought to challenge a fundamental premise underlying the proposed agency decision") (quoting *Carlson v. Postal Regul. Comm'n*, 938 F.3d 337, 344 (D.C. Cir. 2019) (internal quotation omitted)).

³² Proposal at 72-74, 110.

asymmetry and lower costs of equity.³³ The corollary, namely that firms that reduce their reporting frequency increase their relative information asymmetry and thereby experience higher capital costs, is also supported. A study analyzing Frankfurt Stock Exchange data from 2012 through 2019, conducted in the wake of Germany’s deregulation of corporate reporting, found that deregulation of quarterly reporting “reverses beneficial regulatory effects [of quarterly reporting] and, on average, increases information asymmetry and decreases firm value.”³⁴

There is a similar correlation between periodic reporting frequency and issuer liquidity. Studies have found that firms that report quarterly have lower average bid-ask spreads and higher abnormal share turnover than firms that report semiannually, indicating that more frequent reporting facilitates trading and reduces transaction costs for investors.³⁵ Further, a study analyzing firms on the Vienna Stock Exchange that either terminated quarterly reporting or substantially reduced quarterly report content found economically significant reductions in liquidity.³⁶

Against a consensus of studies analyzing the negative real-world effects of the proposed change, the Commission suggests that “there could be an increase in net capital formation” due to issuer cost savings.³⁷ That view runs counter to the experiences observed in other markets that allow semiannual reporting. For example, Professor Rajgopal reports that Goldman Sachs

³³ Renhui Fu et al., [Financial Reporting Frequency, Information Asymmetry, and the Cost of Equity](#), 54 J. ACCT. & ECON. 132, at 3-4 (Jul. 10, 2012).

³⁴ Vanessa Behrmann et al., [The deregulation of quarterly reporting and its effects on information asymmetry and firm value](#), 64 REV. QUANTITATIVE FIN. & ACCT. 1221 (Sep. 11, 2024) (also reviewing literature and concluding that “[o]verall, there seems to be a consensus that regulation in the form of expanded disclosures has had a positive impact on liquidity and firm value.”).

³⁵ See Joshua R. Mitts, [Quarterly Reporting and Market Liquidity](#), COLUM. L. SCH. BLUE SKY BLOG (Aug. 27, 2018) (arguing that wider information asymmetry increases bid-ask spreads, which function as a transaction tax imposing deadweight losses on all market participants and, after discussing relevant literature on the correlation between information asymmetry and bid-ask spreads, concluding that “[i]n short, quarterly reporting makes markets more efficient.”); see also Faten Lakhali, [Stock market liquidity and information asymmetry around Voluntary earnings announcements: New evidence from France](#) at 4, 7, 11 (Dec. 2004) (analyzing a sample of 309 voluntary earnings announcements in France, including 93 quarterly earnings disclosures, and finding that quarterly earnings announcements enhance market liquidity by reducing effective relative bid-ask spreads and increasing trading volumes in the announcement window, while also finding that earnings forecasts exacerbate information asymmetry).

³⁶ Tobias Bornemann et al., [The Consequences of Abandoning the Quarterly Reporting Mandate in the Prime Market Segment](#), EUR. ACCT. REV., at 5, 27 (July 14, 2023). The study also found that the Vienna Stock Exchange itself experienced “statistically and economically significant” abnormal negative returns around the announcement of the termination of the quarterly reporting mandate on February 25, 2019, which the authors found “suggest that a quarterly reporting frequency is important to investors.” *Id.* at 5, 29-30. See also Jörg-Markus Hitz et al., [Turning back the clock on disclosure regulation? – Evidence from the termination of the quarterly reporting mandate in Europe](#) at 6 (Sept. 2019) (finding similar liquidity depressing effects for firms that chose to terminate quarterly reporting following EU deregulation but also containing findings that suggest terminating firms increased investments relative to control firms).

³⁷ Proposal at 133.

European equity strategists found that for companies in the United Kingdom who took advantage of the ability to switch to semiannual reporting...

“the outcomes were not obviously favorable: not better valuations, not better capital raising, and not a healthier IPO market. The drift to semi-annual reporting tracked a period during which the London Stock Exchange struggled to attract new listings and retain existing ones.”³⁸

Related work by Professor Rajgopal and others also found that “the frequency of financial reports had no material impact on levels of corporate investment.”³⁹ The Commission’s goal to deepen the public markets by allowing semiannual reporting is simply not born out by the research. Recognizing the conclusions reached in this same research and other materials, the Commission’s Investor Advisory Committee has recommended that the Commission retain quarterly reporting requirements.⁴⁰

Overall, the Commission’s consideration of costs and benefits treats both positive and negative capital formation outcomes as equivalent possibilities, but the record demonstrates they are not. Historical and contemporary evidence demonstrate that semiannual reporting depresses valuations, harms liquidity, and does not improve public market capitalization.

B. Semiannual Reporting Risks Undermining the Public Markets.

Unfortunately, retail investors already believe they are at a disadvantage relative to institutional and well-funded market participants. Academic literature has recognized that those without an informational edge are likely to conclude that markets are not fair and that investors with superior resources and connections profit at their expense.⁴¹ Survey data has also found that 56 percent of investors agreed that the stock market is “rigged against individual investors,” demonstrating that concerns regarding structural and informational disadvantages have persisted among retail investors.⁴² Separate polling has found that 69 percent of Americans agree that the economy is “rigged to advantage the rich and powerful.”⁴³

³⁸ Rajgopal Article, *supra* note 13 (emphasis added).

³⁹ Robert Pozen et al., [Impact of Reporting Frequency on UK Public Companies](#), CFA INST. RSCH. FOUND. (Mar. 1, 2017).

⁴⁰ [Recommendation of the Investor Advisory Committee Regarding Quarterly vs. Semiannual Reporting](#) at 10-11 (June 4, 2026) (“IAC Recommendation”).

⁴¹ See Jonathan R. Macey, [Securities Regulation and Class Warfare](#), 2021 COLUM. BUS. L. REV. 796 (2022) (describing investor perceptions of market unfairness, particularly in the context of the Gamestop saga).

⁴² BANKRATE, [More Than Half of Investors Think the Stock Market is Rigged Against the Individual](#) (Mar. 24, 2021).

⁴³ IPSOS, [SYSTEM IS BROKEN: TOPLINE RESULTS](#) at 3 (Mar. 2023).

These concerns arise at a time when investor participation and risk tolerance appear increasingly fragile. According to the FINRA Foundation's 2024 National Financial Capability Study, the percentage of adults under age 35 who invest declined from 32 percent in 2021 to 26 percent in 2024.⁴⁴ Investor willingness to assume substantial risk has likewise deteriorated. Among all investors, the percentage willing to take substantial investment risk fell from 12 percent in 2021 to eight percent in 2024.⁴⁵ These trends suggest that retail investors have become more sensitive to uncertainty and less willing to commit capital in volatile environments. Where investor confidence appears to be weakening, increasing information asymmetries will further discourage participation by investors who perceive that they are competing on unequal terms.

Broader economic conditions reinforce these concerns. Gallup recently reported that its Economic Confidence Index fell to -45, its lowest level since October 2022, reflecting increasingly negative assessments of both current and future economic conditions.⁴⁶ Only 16 percent of Americans rated current economic conditions as excellent or good, while 49 percent described conditions as poor. At the same time, 76 percent believed economic conditions were getting worse, compared with only 20 percent who believed they were improving.⁴⁷ Against this backdrop of economic dissatisfaction, reducing the frequency of publicly available disclosures risks reinforcing perceptions that ordinary investors lack access to the same information available to sophisticated market participants, thereby increasing the likelihood that retail investors will reduce their participation in public markets.

⁴⁴ JUDY T. LIN ET AL., FINRA INV. EDUC. FOUND., [INVESTORS IN THE UNITED STATES: A REPORT OF THE NATIONAL FINANCIAL CAPABILITY STUDY](#) at 15-16 (Dec. 2025).

⁴⁵ *Id.*

⁴⁶ Megan Brenan, [Economic Confidence Sinks Further, Worst Since 2022](#), GALLUP (May 22, 2026).

⁴⁷ *Id.*

The potential damage to investor participation is not just theoretical; it is evident in the comment record for this Proposal, which contains significant opposition from individual investors.⁴⁸ Representative excerpts from the comment file include:

“If you create a two-tiered system, where company insiders and institutional investors know critical news months before everyday investors, those *everyday/individual investors will choose to remove their capital from the market.*”⁴⁹

“If adopted, this rule will effectively re-privatize public market information, *pricing out the everyday investor* and turning back the clock on decades of transparency reforms.”⁵⁰

“Requiring corporations to submit audited, personally signed filings on a quarterly basis allows me to stay on top of corporate earnings and identify both solid investments, and also to identify when those investments are turning sour . . . Please reconsider this short sighted decision – it only benefits the top 1% and will hurt individual investors, and voters, like me.”⁵¹

“While retail investors, regulatory watchdogs, and the general public are left completely in the dark for half the year, corporate executives and well-connected insiders will have free rein to exploit the system. They know exactly what is going on behind closed doors, and this rule gives them a six-month runway to maneuver, trade on non-public knowledge, and shield themselves from immediate accountability. This is a total betrayal of the public trust. The market is already heavily skewed to favor the wealthy and the well-connected.”⁵²

⁴⁸ See Tzachi Zach, [SEC Semi-Annual Reporting Proposal Tracker \(S7-2026-15\)](#) (outside of form comments, finding that 7925 of 8011 comments filed (or 99% of the total) opposed the Proposal, while 34 comments (or 0%) approved) (last viewed July 6, 2026, 12:00 PM ET).

⁴⁹ Patrick McCabe, [Comment on Semiannual Reporting Proposal](#) (June 3, 2026) (emphasis added).

⁵⁰ Letter Type D, [Comment on Semiannual Reporting Proposal](#).

⁵¹ Chris Parisi, [Comment on Semiannual Reporting Proposal](#) (May 27, 2026).

⁵² Matt Norris, [Comment on Semiannual Reporting Proposal](#) (May 22, 2026).

Further, even professional investors espouse the view that they would choose quarterly reporting markets over semiannual reporting markets.⁵³ Among the comments received by the CFA Institute in its survey of views on the prospect of moving U.S. markets to semiannual reporting was the following:

“Even a country like Australia that has low levels of corruption and rule based order has succumbed to wide spread insider information by its investment community because of semiannual reporting. The temptation is too great and over time the practice has become normalised. *This is why I choose to invest overseas*, as I can not compete with these insiders, *and quarterly reporting greatly increases my comfort in investing in US companies in particular.*”⁵⁴

Here the message is clear; quarterly reporting brings investors to the United States. That is a critical consideration because foreign holdings of U.S. securities are incredibly substantial.⁵⁵ Therefore, the corollary must be true as well; semiannual reporting will drive some investors away. Another professional investor expressed opposition as follows:

“As an equity analyst, I strongly oppose any SEC change that could heighten market volatility or weaken confidence in public markets.”⁵⁶

These sentiments from both retail and professional investors make clear that the Proposal is inadequate because it does not recognize or quantify the possibility of capital flight or reduced participation. Investors of all stripes oppose the Proposal for a wide variety of reasons, most of which boil down to the belief that the Proposal does nothing to protect them. The Commission should not disregard these concerns about the Proposal’s adverse impact on investor protection, even for the prospect of, at best, potential cost savings for public companies.

⁵³ See IAC Recommendation, *supra* note 40, at 4 (finding that “institutional investors, including asset managers, pension funds and hedge funds that own the majority of U.S. public companies, have repeatedly expressed a preference for quarterly reports”) (citation omitted).

⁵⁴ CFA Investor Perspectives, *supra* note 12, at 117; see also Tracy Ayers, CPA, Cerex Advisory, [Comment Letter on Semiannual Reporting Proposal](#) (June 7, 2026) (noting that the Proposal “could impair, rather than enhance, the ability of U.S. public markets to attract and retain foreign institutional capital,” and cautioning that “[i]f the disclosure reduction causes even a modest reallocation of foreign institutional capital away from the issuer categories most likely to elect semiannual reporting, the net effect on capital formation in those categories may be negative, not positive.”).

⁵⁵ See, e.g., U.S. DEP’T TREASURY, [Preliminary Report on Foreign Portfolio Holdings of U.S. Securities at End-June 2025](#) (Feb. 27, 2026) (compiling data from the U.S. Treasury Department’s Treasury International Capital survey, which showed that, as of the end of the reporting period, foreign investment in U.S. capital markets totaled approximately \$35.3 trillion, comprised of approximately \$19.8 trillion in equities, \$13.8 trillion in long-term debt securities, and \$1.7 trillion in short-term debt).

⁵⁶ CFA Investor Perspectives, *supra* note 12, at 44.

Again, the remarks of Chairman Levitt during the drafting of NSMIA are instructive to today's debate:

“I’ve tried to show you, in several ways, why investor protection is and should continue to be the foremost concern of the SEC. I’ve offered historical reasons; I’ve offered economic reasons; I’ve offered competitive reasons; and I’ve offered market-based reasons. But there’s one other reason, and it’s the most compelling of all.

“There are plenty of things a market can do without.

“You can have a market without quotes on the eighth or three-day settlement of trades.

“You can have a market without the Big Board or the small screen.

“You can even have a market without brokers or bankers.

“But you can’t have a market without investors.

“That’s why their interests must come first. For as long as America has taken care of investors, investors have taken care of America. And that’s a record we at the SEC will do everything in our power to preserve.”⁵⁷

Robust public markets depend not only on the number of public companies, but a deep investor pool willing to take risks and commit capital to those companies. The Commission should therefore take into account the views of the very investors the Proposal is meant to benefit because not doing so runs the risk of jeopardizing the Commission’s intended goals.

⁵⁷ Arthur Levitt, Former Chairman, SEC, [Why Protect Investors?](#), Remarks Before the Commonwealth Club (May 17, 1996).

V. The Proposal Will Facilitate Fraud and Certain Reporting Risks.

A. The Proposal Will Lead to More Insider Trading.

Commenters and academics have pointed out that semiannual reporting will lead to an increase in insider trading.⁵⁸ Recognizing this likelihood, the Commission asks if companies could “enhance their insider trading policies or improve their self-enforcement of these policies to help address this concern?”⁵⁹

Company policies are only a small part of the issue. The Commission’s question misses important aspects of the increased threat of insider trading. First, company policies have no effect on insider trading through misappropriation by third parties, such as lawyers, accountants and others with access to material nonpublic information (“MNPI”).⁶⁰ Second, much insider trading occurs through tippees who are not company employees.⁶¹ Last, and perhaps most important,

⁵⁸ See, e.g., Karl T. Muth, [Comment Letter on Semiannual Reporting Proposal](#) (June 7, 2026) (noting that the Proposal expands the window for problematic insider trading where insiders have a “six-month runway” to “quietly reallocate assets, leverage sophisticated hedging strategies, or initiate structured sales well before the bad news hits the retail market.”); and IAC Recommendation at 10 (stating that “[a] shift to semi-annual reporting would also increase insider-trading concerns because more frequent disclosure reduces insiders’ ability to profit from nonpublic information. By extending the interval between mandatory reports, semiannual reporting would widen the gap between inside and public information, increasing the risk that insiders could trade while possessing material information not yet available to the market.”); see also Robert C. Pozen et al., [Those Short-Sighted Attacks on Quarterly Earnings](#), HARV. L. SCH. F. ON CORP. GOVERNANCE (Oct. 8, 2015) (arguing that “[w]ith semiannual reporting, actual earnings will more frequently drift further away from management’s projections, giving companies more reason to smooth earnings semi-annually. Worse, with companies going dark for six months, the gap between inside information and public information will widen—increasing the temptation for insider trading.”); Alan L. Beller, Director, Div. of Corp. Fin., SEC, [Regulation in a Global Environment](#), Speech to the American Academy in Berlin (Apr. 20, 2004), (suggesting that eliminating quarterly reporting likely increases the risk of insider trading).

⁵⁹ Proposal at 44, Question 32.

⁶⁰ See, e.g., [SAC Capital Portfolio Manager Mathew Martoma Sentenced in Manhattan Federal Court to Nine Years for Insider Trading](#), U.S. ATT’Y’S OFF. S.D.N.Y. (Sept. 8, 2014) (describing scheme in which hedge fund manager responsible for investment decisions in health care sector public companies obtained MNPI from principal investigators associated with drug trial); [Morris County Man Who Misappropriated Confidential Documents from Girlfriend’s Employer Indicted for \\$2.7 Million Insider Trading Scheme](#), DEP’T OF JUST., U.S. ATT’Y’S OFF. DIST. OF N.J. (June 23, 2026) (alleging trader made over \$2.7 million using MNPI stolen from public relations firm using his girlfriend’s employer-issued laptop); [Former Deloitte Partner Sentenced to 21 Months in Prison for Profiting \\$420,000 from Insider Trading Involving Firm’s Clients](#), FBI (Oct. 26, 2012) (announcing sentencing of accounting firm advisory partner who obtained MNPI about publicly traded clients).

⁶¹ See, e.g., [SEC Charges Former KPMG Partner & Friend with Insider Trading](#), SEC (Apr. 11, 2013) (charging KPMG audit partner for tipping friend with confidential details about KPMG audit clients); [William T. “Billy” Walters Sentenced in Manhattan Federal Court for \\$43 Million Insider Trading Scheme](#), U.S. ATT’Y’S OFF. S.D.N.Y. (July 27, 2017) (involving professional gambler who received confidential corporate information from company director); [SEC Obtains Final Judgments Against Credit Ratings Analyst and Two Friends Charged with](#)

insider trading is often detected by regulatory authorities who notice correlations between pre-announcement trading and post-announcement price movements.⁶² Those correlations are easier to notice when they are closer in time to each other. Therefore, moving to semiannual reporting will not only increase the likelihood of insider trading, but will also undermine the most effective means to detect it.

B. The Proposal Will Lead to More Accounting Fraud.

Accounting frauds come in a variety of flavors, including by recognizing revenues before they are earned and by taking or releasing reserves improperly to manage earnings. However, accounting frauds often fall under their own weight because the issuer's financial statements begin to no longer make sense when fraudulent borrowing from future periods becomes unsustainable, or when current earnings no longer make sense in light of operating results. The Proposal would double the amount of time during which all of these types of frauds can proliferate, and it would cut the points of public accountability in half.

Quarterly reporting keeps accounting fraud at bay in two ways. First, fraudulent manipulation of financial results on a quarterly basis becomes evident more quickly. Accordingly, quarterly results hasten the need to make restatements to address out-of-balance financial results. Indeed, scrutiny of quarterly results can cause significant accounting frauds to topple.⁶³ Second, chief executive and chief financial officers are required to certify quarterly financial results. The legal liability for fraudulent results stays the hands of would-be corporate fraudsters. Also, the sub-certification process that occurs in order to allow chief executive and chief financial officers to make Sarbanes-Oxley certifications keeps lower-level accounting and finance employees in line.

[Insider Trading](#), SEC (Jan. 2, 2020) (announcing entry of final judgments against S&P analyst who learned of public company's confidential acquisition plans and tipped his friends).

⁶² See [FINRA Plays a Vital Role in Exposing Insider Trading](#), FINRA (Apr. 4, 2024) (explaining FINRA's Insider Trading Detection Program, which uses sophisticated analytics combining trading data with public sources and information from companies and FINRA firms to identify trading activity prior to material news announcements and to link those trades to individuals who may have had knowledge of the impending events).

⁶³ See Janet McFarland, [Nortel Executives Clashed with Auditors, Trial Told](#), THE GLOBE AND MAIL (May 23, 2012) (recounting trial testimony explaining that Nortel Networks was forced to restate its financial statements after outside auditors refused to allow Nortel to release accounting reserves in the second quarter of 2003, which then uncovered almost \$1 billion in liabilities, including \$733 million of reserves that had been misstated in the first and second quarters of 2003).

Semiannual reporting removes all of those protections. It can even affect the strength of outside auditing itself. One study found that auditing spend for issuers who move to semiannual reporting fell significantly.⁶⁴ Again, like the increased threat of insider trading, moving to semiannual reporting will both increase the likelihood of misconduct and undermine the means to detect that misconduct.

Even with quarterly reporting, the consequences of accounting fraud can be devastating.⁶⁵ Semiannual reporting increases the chances that accounting frauds will go on for longer and be more substantial before they are detected.

B. Business Development Companies Should Not Be Allowed to Select Semiannual Reporting.

The Proposal asks whether certain companies, such as business development companies (“BDCs”), should be excluded from the option to select semiannual reporting.⁶⁶ BDCs are a special area of concern, and not appropriate candidates for semiannual reporting. Investors in non-traded BDCs, for example, do not enjoy other forms of price discovery that apply to publicly-traded stocks, such as active trading markets. Exchange Act reporting is therefore of greater importance for these issuers. Further, while BDC investors may get periodic net asset value reporting, the information provided does not approach the level contained in a Form 10-Q, such as full financial statements with notes that include information such as net investment income and detailed leverage and asset coverage. This relative dearth of price discovery information is compounded by the fact that BDCs hold private equity and debt, where events such as debt covenant violations or accrued but not realized losses can materially change the value of BDC investments.⁶⁷ Therefore, robust and frequent valuation information is critical for investors who need to determine whether to exercise redemption rights, which are usually offered on a quarterly basis. All of these factors make mandatory quarterly reporting particularly essential to BDC investing.

⁶⁴ See Keren Bar-Hava, [Switching to Semi-annual Financial Statement Reports – Market Reaction, Audit Fee and Corporate Governance Quality](#), 9 J. FIN. & ACCT. 249, 256 (2021) (finding, *inter alia*, that for firms trading on the Tel-Aviv Stock Exchange that took advantage of the ability to begin filing periodic reports semiannually “pay on average 19% less to the audit firm although auditing risk increased.”).

⁶⁵ Corporate Finance Institute, [Top Accounting Scandals](#) (June 11, 2020) (stating that Enron shareholders lost \$74 billion and WorldCom investors lost \$180 billion).

⁶⁶ Proposal at 33, Question 4.

⁶⁷ Professor Rajgopal makes a similar point in his comment to the Commission, writing that “[w]hat a BDC reports on a 10-Q is not operating earnings but the fair value of an illiquid private-credit and private-equity portfolio marked under judgmental Level 3 inputs. The quarterly mark is the discipline that prevents managers from sitting on unrealized losses. Stretch the cycle to six months and a manager reluctant to recognize a write down gets twice the runway to defer it.” Rajgopal Comment Letter, *supra* note 30.

Vanessa A. Countryman

July 6, 2026

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VI. Conclusion

The current reporting framework is rooted in the role that disclosure and transparency have played in distinguishing the U.S. capital markets as the most liquid and trusted markets in the world. The Commission should not now enact rules that will weaken that framework and result in tilting the playing field in favor of well-resourced investors. Our markets work best when they work equally for all investors.

NASAA appreciates the opportunity to comment on the Proposal. Thank you for considering these views. Should you have any questions about this letter, please contact either the undersigned or NASAA's General Counsel, Vince Martinez, at (202) 737-0900.

Sincerely,

A handwritten signature in black ink that reads "Marni Rock Gibson". The signature is written in a cursive, flowing style with a long horizontal flourish at the end.

Marni Rock Gibson
NASAA President