In brief
The latest news in financial reporting

pwc

No. US2016-30
July 15, 2016

At a glance

SEC proposal could eliminate, modify, and in limited situations, add disclosure requirements. The proposal also addresses the location of information, which could impact both public and private companies.

SEC proposes amendments to update and simplify disclosure requirements

What happened?

On July 13, 2016, the SEC voted to propose amendments to eliminate, modify, or integrate into other SEC requirements certain disclosure rules. Many of the disclosure requirements in Regulations S-K and S-X have not changed since they were adopted as far back as the 1930's. Many of the proposed amendments are in response to the subsequent changes in other SEC disclosures, US GAAP, and IFRS, and to reflect advances in technology.

The proposed changes are part of the SEC's overall project to improve disclosure effectiveness and are intended to simplify compliance without significantly altering the total mix of information provided to investors.

Key provisions

The proposed amendments include:

- the elimination of redundant or duplicative requirements that provide substantially the same disclosures as US GAAP;
- the elimination of overlapping disclosures that convey reasonably similar disclosures or disclosures that may no longer be useful to investors;
- the integration of certain disclosures that overlap with, but require information incremental to, other SEC disclosure requirements; and
- the modification or deletion of outdated or superseded provisions, which in some cases may mean adding new reporting requirements.

In addition to soliciting input on the proposed changes, the SEC is also seeking comments on how to address requirements that overlap with, but require information incremental to, US GAAP. The SEC is considering whether such disclosures could be eliminated, modified, or referred to the FASB for potential incorporation into US GAAP, which could impact private as well as public companies.

Why is this important?

The proposal will potentially impact the following types of reporting entities.

All registrants

- Some of the proposed changes would move disclosures between the financial statements and other sections of periodic reports. Information moved into the financial statements would have audit, review, ICFR, and XBRL implications. It would also no longer qualify for safe harbor protection.

- Some of the proposed changes would eliminate existing quantitative disclosure thresholds, which could reduce the amount of required disclosures and increase the judgment required to determine what disclosures are meaningful to investors.

Smaller reporting companies

- Smaller reporting companies are eligible for relief from some of the disclosures required by larger public entities. If those disclosure requirements are made part of US GAAP, they will become applicable to smaller reporting companies in the same manner as any other public company.

Private companies

- Disclosures incorporated into US GAAP could potentially impact private companies, unless specifically exempted by the FASB.

What's next?

Comments are due 60 days after the proposed rule is published in the *Federal Register*.

Questions?

PwC clients who have questions about this *In brief* should contact their engagement partner. Engagement teams who have questions should contact the National Professional Services Group.

Authored by:

Wayne Carnall
Partner
Phone: 1-973-236-4233
Email: wayne.carnall@pwc.com

Diane Howell
Partner
Phone: 1-973-236-5819
Email: diane.howell@pwc.com