

THE OKLAHOMAN

SEC simplifies disclosure requirements for public companies

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On March 20, the Securities Exchange Commission (SEC) voted to adopt amendments to modernize and simplify disclosure requirements for public reporting companies (including foreign private issuers), Regulation A issuers, investment advisers, investment companies, broker-dealers, and nationally recognized statistical rating organizations. The SEC expects the amendments, which are now in effect, “to benefit investors by eliminating outdated and unnecessary disclosure and making it easier for them to access and analyze material information.”

What is the most significant amendment to annual reports?

The amendments made numerous changes to the SEC rules governing forms, proxy statements and offering documents. Most notably, the SEC increased flexibility in discussing historical periods in Management Discussion and Analysis (MD&A) by allowing registrants to omit discussion of the earliest year when financial statements included in a filing cover three years, if such discussion was included in a prior EDGAR filing under either the Securities Act or the Exchange Act that required MD&A disclosure, so long as the company believes it is not material to an understanding of its financial condition and results.

What are the most significant developments with exhibits?

The SEC streamlined redaction of confidential information, allowing registrants to redact confidential information from any exhibit, including material contracts, without submitting a confidential treatment request if the redacted information is not material and would be competitively harmful if publicly disclosed. The SEC also codified its current practice of allowing registrants to omit personally identifiable information (i.e., Social Security numbers, bank accounts, and home addresses) without first submitting a confidential treatment request. Lastly, the SEC will now permit registrants to omit schedules and attachments to all exhibits, unless the schedules or attachments contain information material to an investment or voting decision and that information is not otherwise disclosed in the exhibit or the disclosure document. Instead, registrants generally must provide a list with each exhibit briefly identifying the contents of all omitted schedules and attachments.

What are some of the other significant amendments?

Cover pages to SEC reports must now include the trading symbol for each class of their registered securities. Reporting companies are only required to report delinquent filings of ownership reports under Section 16 of the Exchange Act. Registrants are now required to file a description of their registered securities as an exhibit to their annual reports.