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# Semiannual Reporting: Potential Flexibility Constrained by Practical Realities

Earlier this month, the U.S. Securities and Exchange Commission (the “SEC”) released [proposed rules](#) to allow U.S. public companies to report their financial statements on a semiannual instead of quarterly basis. The proposed amendments, if adopted, would allow companies the option to file one semiannual report on Form 10-S and one annual report on Form 10-K for each fiscal year in lieu of three quarterly reports and one annual report.<sup>1</sup>

While the proposed rules seek to ease the significant reporting burdens on U.S. public companies, they also come at a time where shareholder engagement has become more muted and opaque, active long investors are clamoring for access to management teams year-round and the unprecedented capital demands brought on by AI have made many companies more reliant on the debt capital markets than ever before.

Investor expectations and market forces favoring continued quarterly reporting will be a significant, and in most cases, an outcome-determinative factor, for companies weighing the adoption of semiannual reporting. We outline some key considerations below:

## Meeting Market Information Demands

For most public companies, investors will continue to expect a regular cadence of investor communications that extends beyond semiannual disclosures. Investor information demands may increase when a company is planning or executing significant transactions, undergoing strategic or operational transformation, navigating leadership transitions or experiencing material changes to its business. The fact that a company reduces the frequency of its public disclosures is unlikely to stem investor inbounds. Instead, a lack of information would in most cases likely create friction between a company and its investors, lead investors to assume the worst and result in a “going dark” discount being applied to the stock.

Sell-side analysts and credit rating agencies also rely on public disclosures to inform their price targets, ratings and recommendations. Keeping analysts and credit rating agencies apprised of material developments can help ensure the company remains visible to the right investors, avoid stale or inaccurate coverage, and mitigate the risk of unwarranted rating pressure or wider credit spreads.

## Maintaining Investor Credibility

Credibility with investors is difficult to build and can be easily lost. Companies win credibility with investors by consistently providing clear information, communicating predictably, and delivering on targets and guidance. A regular cadence of investor communications is a key tool for building credibility: earnings calls, investor presentations, and investor days help shape the market’s understanding of the company’s narrative and reinforce confidence in management. Consistent, well-articulated

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<sup>1</sup> The proposed rules do not prescribe changes to the market practice of companies disclosing quarterly earnings, holding investor days and conducting investor meetings.

messaging—especially around strategy, risks and performance drivers—reinforces trust, while opaque or stale narratives can quickly undermine it.

The loss of investor credibility can have significant adverse consequences: many activist campaigns trace their origins to investors who have lost faith in management and become more receptive to the ideas and demands of activists. For companies that have already built significant credibility with their investor base, there may be some limited flexibility to pare back disclosures. But going completely silent with financial disclosures between semiannual reports will disappoint investors at even the most well-respected companies.

### Retaining Control Over the Strategic Narrative

Silence creates a narrative vacuum. This can be particularly dangerous for companies that are vulnerable to shareholder activism. Whether an activist succeeds often depends on its ability to craft a compelling narrative of repeated missteps, leaving investors with little choice but to support the activist's demands. These narratives typically begin in private conversations among activists and other investors. When companies forgo public disclosures, they may also forgo opportunities to correct or reshape what is being said behind closed doors. By the time an activist goes public, the company's response may be at best reactive and potentially too late. In addition, a company that moves to semiannual reporting will be subject to an activist attack on this basis alone, and activists calling for a company to switch back to quarterly reporting could potentially obtain significant support from investors.

### Ensuring Effective Shareholder Engagement

When done effectively, shareholder engagement can help companies identify and proactively address investor concerns and build a trusted line of communication. But federal securities laws and investor policies limit what can and cannot be said during engagement meetings. Regulation FD prohibits the selective disclosure of material non-public information. In addition, the SEC's recent [guidance](#) on Schedule 13G filing eligibility has led to more muted engagement from the largest passive investors. Going forward, companies will need to continue to ensure the timely disclosure of material non-public information so it can be addressed in investor engagement meetings.

### Navigating Compliance Challenges

The proposed semiannual reporting regime would operate within a broader regulatory, contractual and market framework that assumes the availability of quarterly financial statements. Consequently, semiannual reporting would introduce significant operational and governance complexities. A key practical challenge arising from semiannual reporting is its impact on trading windows. Companies in possession of quarterly financial information that is not publicly disclosed will need to impose substantially longer blackout periods on the ability of directors, officers and employees to trade; limit or delay share repurchases; and face greater constraints in accessing the capital markets.

Managing insider trading and Regulation FD compliance risk and establishing protocols for investor meetings and communications would also become more complex for companies that decide to adopt semiannual reporting. Such companies will need to make more judgment calls on when and how material nonpublic information gets released to the market. Semiannual reporting could also conflict with contractual disclosure obligations under credit and debt instruments that often require quarterly financial information. Attention may also need to be given to compliance with national exchange and accounting rules to the extent they are not revised to align with the shift to semiannual reporting.

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While the SEC's proposed semiannual reporting rules intend to provide companies with greater flexibility in reporting their financial results, widespread adoption appears unlikely. Investor information demands coupled with the practical realities of managing shareholder engagement, activism risk, capital markets access and compliance obligations, will in most cases continue to make quarterly reporting standard practice among established public companies.

The public comment period for the SEC's proposed amendments to permit semiannual reporting will remain open until July 6, 2026.

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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