

Press Release

SEC Adopts Amendments to Modernize and Enhance Management's Discussion and Analysis and other Financial Disclosures

FOR IMMEDIATE RELEASE

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Washington D.C., Nov. 19, 2020 —The Securities and Exchange Commission today announced that it has voted to adopt amendments that will modernize, simplify and enhance certain financial disclosure requirements in Regulation S-K. The amendments are intended to enhance the focus of financial disclosures on material information for the benefit of investors, while simplifying compliance efforts for registrants.

"Today's rules will improve the quality and accessibility of the disclosure that companies provide their investors, including, importantly giving investors greater insight into the information management uses to monitor and manage the business," said SEC Chairman Jay Clayton. "The improved approach to these disclosures reflects the broad diversity of issuers in our public markets and will allow investors to make better capital allocation decisions, while reducing compliance burdens and costs and maintaining strong investor protection."

"I want to thank the staff in the Division of Corporation Finance and our other divisions and offices for their work on today's rules and, more generally, for their work to modernize and improve our disclosure system as our markets and economy have evolved," continued Chairman Clayton. "The dedication of our staff to ensure that our disclosure-based regulatory system remains effective, efficient and mission-oriented is critical to the growth and continued leadership of our public capital markets."

The amendments reflect the Commission's long-standing commitment to a principles-based, registrant-specific approach to disclosure. This approach, as applied to Management's Discussion and Analysis, should yield material information relevant to an assessment of the financial condition and results of operations of the registrant, and allow investors to view the registrant from management's perspective. The amendments are also intended to improve disclosure by enhancing its readability, discouraging repetition and eliminating information that is not material.

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FACT SHEET

Amendments to Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information

Nov. 19, 2020

The Commission voted to adopt amendments to modernize, simplify and enhance certain financial disclosures called for by Regulation S-K, and related rules and forms, in a manner that reduces the costs and burdens on registrants while continuing to provide material information to investors. The amendments are also designed to improve the readability and navigability of disclosure documents, and discourage repetition and disclosure of immaterial information.

Background

The Commission proposed the amendments on Jan. 30, 2020 as part of its ongoing, comprehensive evaluation of disclosure requirements intended to improve the existing disclosure regime for both investors and companies. The amendments reflect the Commission's consideration of comment letters received in response to the proposal, as well as the staff's experience with Regulation S-K arising from the Division of Corporation Finance's disclosure review program and changes in the regulatory and business landscape since the adoption of Regulation S-K.

Highlights

The changes to Items 301, 302, and 303 of Regulation S-K sharpen the focus on material information by:

- Eliminating Item 301 (Selected Financial Data); and
- Modernizing, simplifying and streamlining Item 302(a) (Supplementary Financial Information) and Item 303 (MD&A). Specifically, these amendments:
 - Revise Item 302(a) to replace the current requirement for quarterly tabular disclosure with a principles-based requirement for material retrospective changes;
 - Add a new Item 303(a), Objective, to state the principal objectives of MD&A;
 - Amend current Item 303(a)(1) and (2) (amended Item 303(b)(1)) to modernize, enhance and clarify disclosure requirements for liquidity and capital resources;
 - Amend current Item 303(a)(3) (amended Item 303(b)(2)) to clarify, modernize and streamline disclosure requirements for results of operations;
 - Add a new Item 303(b)(3), Critical accounting estimates, to clarify and codify Commission guidance on critical accounting estimates;
 - Replace current Item 303(a)(4), Off-balance sheet arrangements, with an instruction to discuss such obligations in the broader context of MD&A;
 - Eliminate current Item 303(a)(5), Tabular disclosure of contractual obligations, in light of the amended disclosure requirements for liquidity and capital resources and certain overlap with information required in the financial statements; and
 - Amend current Item 303(b), Interim periods (amended Item 303(c)) to modernize, clarify and streamline the item and allow for flexibility in the comparison of interim periods to help registrants provide a more tailored and meaningful analysis relevant to their business cycles.

In addition, the Commission adopted certain parallel amendments to the financial disclosure requirements applicable to foreign private issuers, including to Forms 20-F and 40-F, as well as other conforming amendments to the Commission's rules and forms, as appropriate.

What's Next?

The amendments will become effective 30 days after they are published in the Federal Register. Registrants are required to comply with the rule beginning with the first fiscal year ending on or after the date that is 210 days after publication in the Federal Register (the "mandatory compliance date"). Registrants will be required to apply the amended rules in a registration statement and prospectus that on its initial filing date is required to contain financial statements for a period on or after the mandatory compliance date. Although registrants will not be required to apply the amended rules until their mandatory compliance date, they may comply with the final amendments any time after the effective date, so long as they provide disclosure responsive to an amended item in its entirety.

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