On August 17, 2018, the SEC issued a final rule that amends certain of its disclosure requirements “that have become redundant, duplicative, overlapping, outdated, or superseded, in light of other Commission disclosure requirements, [U.S. GAAP], or changes in the information environment.” As further stated in the final rule, the amendments it contains are “intended to facilitate the disclosure of information to investors and simplify compliance without significantly altering the total mix of information provided to investors.” The final rule was issued as part of the SEC Division of Corporation Finance’s overall effort to improve the effectiveness of the SEC’s financial reporting requirements and to implement certain elements of the Fixing America’s Surface Transportation Act. The final rule is effective 30 days after its publication in the Federal Register.

This Heads Up summarizes the final rule and related financial reporting implications.
Entities Affected
The final rule's amendments may affect U.S. issuers, foreign private issuers (FPIs), investment advisers, Regulation A issuers, investment companies, broker-dealers, and nationally recognized statistical rating organizations. The effect on each type of issuer can vary depending on the amendment.

Noteworthy Changes
The final rule amends numerous SEC rules, items, and forms covering a diverse group of topics. (In fact, given the number of changes, the SEC has included a demonstration version of the final rule, which is an unofficial, “black-line” illustration of changes made by the final rule.) While the financial reporting implications of the changes made by the final rule can vary by company, the changes are generally expected to reduce or eliminate some of an SEC registrant’s disclosures, thereby reducing its burden of complying with these requirements. However, in a limited number of circumstances, the amendments may expand a registrant’s disclosure requirements (e.g., see the discussion below regarding an analysis of changes in stockholders’ equity for interim periods).

Noteworthy changes in the final rule, which eliminate certain disclosure requirements but add or modify a few others, include amendments related to the following:

• **Ratio of earnings to fixed charges** — The final rule removes the requirement to disclose the historical and pro forma ratio of earnings to fixed charges and the related exhibit by deleting SEC Regulation S-K, Items 503(d)\(^3\) and 601(b)(12),\(^4\) respectively. The SEC eliminated this requirement because it reasoned that since many of the components are already reasonably available in a registrant’s financial statements, eliminating the ratio would not significantly affect the information available to investors and other users of financial information.

• **Changes in stockholders’ equity for interim periods** — The final rule extends to interim periods the annual disclosure requirement in SEC Regulation S-X, Rule 3-04,\(^5,6\) of presenting (1) changes in stockholders’ equity and (2) the amount of dividends per share for each class of shares. An analysis of changes in stockholders’ equity will now be required for the current and comparative year-to-date interim periods.

• **Dividend disclosures** — The final rule deletes the provisions in SEC Regulation S-X, Rules 8-03(a)(2)\(^7\) and 10-01(b)(2),\(^8\) that require the presentation of dividends per share on the face of the income statement for interim periods and moves the required disclosure to the analysis of changes in stockholders’ equity (see discussion above). This amendment aims to conform SEC reporting to guidance in U.S. GAAP, which prohibits such disclosure on the face of the financial statements (although it permits such disclosure in the notes to the financial statements).

The final rule also removes the bright-line threshold in SEC Regulation S-X, Rule 4-08(e),\(^9\) which currently requires certain disclosures about dividend restrictions when the restricted net asset threshold of 25 percent of total net assets has been met. As amended by the final rule, the disclosure requirement in Rule 4-08(e) will apply when the information is material and will not be based on a specified numerical threshold. This change should simplify the disclosure requirement and will potentially eliminate the disclosure for some registrants.

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\(^3\) SEC Regulation S-K, Item 503, “Prospectus Summary, Risk Factors, and Ratio of Earnings to Fixed Charges.”

\(^4\) SEC Regulation S-K, Item 601, “Exhibits.” The final rule also deletes the related Instruction 7 to “Instructions as to Exhibits” of Form 20-F.


\(^6\) Rule 3-04 permits annual disclosures of changes in stockholders’ equity, including dividends-per-share amounts, to be made either in the notes to the financial statements or in a separate financial statement.

\(^7\) SEC Regulation S-X, Rule 8-03, “Interim Financial Statements.”

\(^8\) SEC Regulation S-X, Rule 10-01, “Interim Financial Statements.”

\(^9\) SEC Regulation S-X, Rule 4-08, “General Notes to Financial Statements.”
• **Segments** — The final rule eliminates the requirements in SEC Regulation S-K, Item 101(b),\(^{10}\) which currently requires the Description of Business section of a filing to include (1) disclosures of segment financial information, (2) a restatement of prior periods when reportable segments change, and (3) a discussion of interim segment performance that may not be indicative of current or future operations. The SEC made this change because the guidance in U.S. GAAP\(^{11}\) and SEC Regulation S-K, Item 303(b),\(^{12}\) on MD&A of interim periods require similar disclosures.

• **Geographic area** — The final rule eliminates the requirements in SEC Regulation S-K, Item 101(d), which currently mandate disclosure of financial information by geographic area in the Description of Business section of a filing. This change was made to eliminate disclosures that are duplicative of those required under U.S. GAAP.\(^{13}\) However, the final rule amends the disclosure requirements in SEC Regulation S-K, Item 303(a), on trends and uncertainties discussed in MD&A to add an explicit reference to “geographic areas.” The disclosure in MD&A, in combination with the disclosures about risk factors required under SEC Regulation S-K, Item 503(c), will provide information necessary for investors and other users of financial information to understand the risks associated with geographic areas.

• **Market price information** — SEC Regulation S-K, Item 201(a)(1),\(^{14}\) currently requires disclosure of the high and low trading prices of an entity’s common stock for specified quarterly periods, among other market information. Under Item 201(a)(1) as amended by the final rule, a registrant will instead need to disclose the ticker symbol of its common equity or include other disclosures if that information is not available.

• **References to the SEC’s Public Reference Room and company Web sites** — Because of the widespread availability of the Internet, the final rule deletes the requirement to refer investors and other users of financial information to the SEC’s Public Reference Room for information about a company. However, registrants will be required to provide their Web site addresses. Companies are currently only “encouraged” to provide this information.

See the [appendix](#) below for a tabular summary of some of the changes discussed above and other amendments in the final rule.

### Referrals to the FASB

The SEC decided to refer a number of topics to the FASB for consideration in the Board’s normal standard-setting process, including those related to foreign currency, presentation of cash flows from derivatives in the cash flow statement, equity compensation plans, pro forma disclosures about significant dispositions, discounts on shares, income tax disclosures, and major customers.\(^{15}\) However, on the basis of the feedback received from constituents on legal proceedings and loss contingencies and because the SEC believes that further consideration is warranted, the SEC has decided not to make any changes to its current requirements related to that topic and is not referring the topic to the FASB.

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\(^{10}\) SEC Regulation S-K, Item 101, “Description of Business.”
\(^{11}\) See ASC 280-10-50. (For titles of FASB Accounting Standards Codification (ASC) references, see Deloitte’s “Titles of Topics and Subtopics in the FASB Accounting Standards Codification.”)
\(^{12}\) SEC Regulation S-K, Item 303, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
\(^{13}\) See ASC 280-10-50-41.
\(^{14}\) SEC Regulation S-K, Item 201, “Market Price of and Dividends on the Registrant’s Common Equity and Related Stockholder Matters.”
\(^{15}\) For additional referred topics, see the table starting on page 93 of the final rule.
# Appendix — Summary of Changes in SEC’s Final Rule

The final rule affects a diverse group of SEC disclosure requirements. The following table summarizes some of the adopted changes:

<table>
<thead>
<tr>
<th>Types of Requirements Affected</th>
<th>Goal of Adopted Changes</th>
<th>Examples of Affected Disclosure Topics</th>
<th>Examples of Changes in Final Rule</th>
</tr>
</thead>
</table>
| **Redundant or duplicative requirements** | Eliminate requirements that result in disclosure of substantially the same information as that required under other SEC rules, U.S. GAAP, or IFRS® Standards. | • Consolidation.  
• Debt obligations.  
• Income tax disclosures.  
• Warrants, rights, and convertible instruments.  
• Related parties.  
• Contingencies.  
• Earnings per share.  
• Insurance companies.  
• Bank holding companies.  
• Changes in accounting principles.  
• Interim financial statements (e.g., disclosures about adjustments, common-control transactions, and dispositions). | **Debt obligations:** Under SEC Regulation S-X, registrants must disclose significant changes in amounts of debt issued after the latest balance sheet date. Because the guidance in U.S. GAAP on subsequent events (ASC 855, Subsequent Events) requires similar disclosures, the final rule eliminates the S-X related disclosure specific to issuances. |

| **Overlapping requirements** | Eliminate requirements that convey reasonably similar information, or information that is not materially incremental to that required under other SEC requirements, U.S. GAAP, or IFRS Standards and that may no longer be useful to investors. | • Derivative accounting policies.  
• Amount spent on research and development (R&D) activities.  
• Warrants, rights, and convertible instruments.  
• Ratio of earnings to fixed charges.  
• Real estate investment trusts (REITs).  
• Consolidation.  
• Distributable earnings for registered investment companies.  
• Insurance companies’ liability assumptions.  
• Dividends.  
• Interim financial statements.  
• Segments.  
• Geographic areas.  
• Insurance companies’ reinsurance transactions. | **Ratio of earnings to fixed charges:** The final rule removes the provisions in SEC Regulation S-X that require issuers registering debt or preference equity securities to disclose the ratio of earnings to fixed charges or the combined fixed charges and preference dividends to earnings (see discussion in the Noteworthy Changes section above).  
**Interim financial statements — pro forma business combination information:** The final rule removes the provisions in SEC Regulation S-X that require disclosure of pro forma revenue, net income, net income attributable to the issuer, and net income per share for “material” business combinations. While the applicable disclosures under U.S. GAAP are similar, net income per share is not required; consequently, the change in the final rule eliminates the need to provide this information in interim periods. |

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16 SEC Regulation S-X, Rule 4-08(f), “Significant Changes in Bonds, Mortgages and Similar Debt.”

17 Rule 4-08(f) incrementally requires disclosure of significant changes in the authorized amounts of debt subsequent to the latest balance sheet date. This incremental requirement has been retained and referred to the FASB for consideration.

18 Regarding this topic, the SEC adopted most changes to SEC Regulation S-X, Rule 4-08(n), as proposed (thereby eliminating overlapping accounting policy disclosures about derivatives). However, it decided not to eliminate the requirement in Rule 4-08(n) to disclose where in the statement of cash flows the effect of derivative financial instruments is reported since such disclosure is not explicitly required under U.S. GAAP. Accordingly, the SEC has kept this disclosure requirement in place and has referred it to the FASB for the Board’s consideration.
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</thead>
<tbody>
<tr>
<td>Overlapping requirements (continued)</td>
<td>Integrate certain disclosure requirements with other related Commission disclosure requirements.</td>
<td>• Foreign currency restrictions. • Restrictions on dividends and related items. • Geographic areas.</td>
<td>Description of Business section: The final rule eliminates certain disclosure requirements for the Description of Business section of a filing because there are similar requirements under U.S. GAAP and other items of SEC Regulation S-K. Such requirements include those related to disclosures about segments (Item 101(b)), geographic areas (Item 101(d)), and R&amp;D activities (Item 101(c)(1)(xi)). For additional information about disclosures related to segments and geographic areas, see the Noteworthy Changes section above. Restrictions on dividends and related items: The final rule eliminates the 25 percent threshold outlined in SEC Regulation S-X, Rule 4-08(e)(3), for when to disclose restrictions on the ability of subsidiaries to transfer funds to the parent. Under Rule 4-08(e)(3) as amended by the final rule, registrants will be required to disclose such restrictions “when material.” See the Noteworthy Changes section above.</td>
</tr>
</tbody>
</table>

Outdated requirements | Eliminate or amend requirements that have become obsolete as a result of the passage of time or changes in the regulatory, business, or technological environment. | • Market price disclosure. • Available information (e.g., to require issuers to disclose their Internet address). See the Noteworthy Changes section above. • Exchange rate data. • FPI initial public offering — age of financial statements. | Market price disclosure: The final rule substitutes disclosure of historical market price information (such as the high and low sales prices and the sales price as of the latest practicable date) with disclosure of the issuer’s ticker symbol, enabling investors to obtain information on stock prices from various Web sites. In addition, the final rule makes other changes related to new disclosures about trading in the entity’s shares. See the Noteworthy Changes section above. FPI initial public offering — age of financial statements: The final rule notes that an FPI may comply with the 15-month requirement19 in an initial public offering if the FPI can represent that it is not required to comply with the 12-month requirement in any other jurisdiction outside the United States and that complying with the 12-month requirement would be impracticable or involve undue hardship. The requirement to obtain a waiver from the SEC in such cases has been eliminated. |

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19 See Form 20-F, Item 8.A.4.
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</tr>
</thead>
</table>
| **Superseded requirements**  | Eliminate or amend requirements that are inconsistent with new accounting, auditing, and other disclosure requirements. | • Gains or losses on sale of properties by REITs.  
• Dividends per share.  
• Extraordinary items (eliminates outdated reference).  
• Statement of comprehensive income (replaces references to “income statement”). | Dividends per share: The final rule requires disclosure of dividends per share in the analysis of changes in stockholders’ equity for interim periods. The requirement in SEC Regulation S-K, Item 201(c)(1), to disclose the frequency and amount of cash dividends declared for the two most recent fiscal years and any subsequent interim period has been removed. See the Noteworthy Changes section above. |
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