CFA Institute

May 8, 2026

Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F St. N.E.
Washington, DC 20549-1090

RE: File No. CLL-15, Chair Atkins Statement on Reforming Regulation S-K

Dear Ms. Countryman:

CFA Institute[1], in consultation with its Corporate Disclosure Policy Council ("CDPC") [2], appreciates the invitation from Chairman Atkins to provide comments to the Securities and Exchange Commission (the "Commission") regarding his *Statement on Reforming Regulation S-K*.[3]

CFA Institute has a long history of promoting fair and transparent global capital markets and advocating for strong investor protections. An integral part of our efforts toward meeting those goals is ensuring that corporate financial reporting and disclosures and the related audits provided to investors and other end users are of high quality. Our advocacy position is informed by our global membership who invest both locally and globally.

Over the last decade, CFA Institute has commented extensively to the Commission on Regulation S-K[4]. Our comments in this letter focus on the subparts of Regulation S-K that relate to issuers' periodic reports (i.e., Subparts 100 – 300, or Items 101 – 308) as these represent recurring

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1 With offices in Charlottesville, VA; New York; Washington, DC; Brussels; Hong Kong SAR; Mumbai; Beijing; Abu Dhabi; and London, CFA Institute is a global, not-for-profit professional association of more than 190,000 members, as well as 160 member societies around the world. Members include investment analysts, advisers, portfolio managers, and other investment professionals. CFA Institute administers the Chartered Financial Analyst® (CFA®) Program. For more information, visit www.cfainstitute.org or follow us on LinkedIn and Twitter at @CFAInstitute.

2 The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC is comprised of investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners' perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

3 Statement on Reforming Regulation S-K by Paul S. Atkins, Chairman of the U.S. Securities and Exchange Commission (January 13, 2026) at:https://www.sec.gov/newsroom/speeches-statements/atkins-statement-reforming-regulation-s-k-011326

4 See prior commentary on Regulation S-K at: Disclosure Effectiveness Initiative (11/2014); Proposed Rule: Business and Financial Disclosure Required by Regulation S-K (10/2016); Proposed Rule: Disclosure Update and Simplification (12/2016); Proposed Rule: Modernization of Regulation S-K Items 101, 103 and 105 (11/2019); Proposed Rule: Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information (4/2021); Proposed Rule: Share Repurchase Disclosure Modernization (4/2022).

obligations for most types of registrants and are broadly used by investors.[5] We refer the Commission to our recent letter regarding executive compensation for comments on Subpart 400 of Regulation S-K.[6]

We also refer the Commission to our 2013 publication, *Financial Reporting Disclosures: Investor Perspectives on Transparency, Trust, and Volume*. We published this report in response to the then-emerging narrative of "disclosure overload" – that investors are overwhelmed with information – and highlighted the lack of discussion regarding technology, even though continued advances in technology were significantly improving investors' ability to process and interpret information. The re-emergence of the "disclosure overload" narrative today in the era of artificial intelligence (AI) is even more puzzling than it was thirteen years ago. We return to this topic later in this letter but find it essential to state at the outset.

Our comments in this letter are structured in five key sections.

1. Summary of Our Perspectives
2. The Importance of Regulation S-K Disclosures to Investors
3. The Main Problems Investors Have with Regulation S-K Disclosures
4. Consideration of Commissioners' Comments and Those Made by Others to the Commission
5. Recommendations For the Commission

[5] We have not included comments on all sections of Regulation S-K, but note that investors would provide needed changes to industry guides, for example, if this was specifically requested by the Commission.

[6] See recent commentary on executive compensation at: cfai-comments-to-sec-re-executive-comp-roundtable_final.pdf

1. SUMMARY OF OUR PERSPECTIVES

Robust disclosures are essential to investment decision-making. Regulation S-K disclosures serve an important and distinct role from the financial statements and third-party information sources. Regulation S-K disclosures not only explain and contextualize the financial statements but also contain information on business strategy, risks, the environment external to the reporting entity, operational and statistical measures, resources and relationships, and financial information that is not bound by the biases and restrictions of accounting standards. Despite the proliferation of alternative data and third-party sources, that information is often not "institutional grade" nor substitutable for information directly from companies. In **Section 2** we discuss the use and importance of Regulation S-K disclosures to investors.

The problem with Regulation S-K disclosures for investors isn't quantity. We cannot identify the proverbial "avalanche of immaterial information."[7] Further, investors have access to ever improving technology and experience that enables the efficient consumption and interpretation of information – something we believe the Commission needs to study further.

The main problems with Regulation S-K disclosures are: 1) a lack of information, and 2) boilerplate disclosures that result in information gaps. In contrast to prevailing narratives, disclosures from the largest, most broadly owned public companies in the US are short and do not discuss many business topics that even a layperson would expect to find; some companies with hundreds of billions in revenue describe both their business and results in just 10 pages. The longest sections of Form 10-K filings are often those populated with boilerplate, stock text. We address these concerns in **Section 3**.

Many comments from issuers and their representatives to the Commission on potential reforms to Regulation S-K share several themes including the need for a greater use of materiality and that

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[7] We note from the comment letters submitted to the Statement on Reforming Regulation S-K that only 4 comment letters have been submitted by issuers (Exxon, Alcoa, Travelers and Royal Gold). If there were significant amounts of immaterial information, we would have expected issuers to have been more responsive to the call for comments. One organization, Exxon, indicated in their comment letter that they spend 20,000 hours preparing their Form 10-K and that it has nearly doubled in length since 1999. When we compared, see table below, Exxon's 1999 10-K to its 2025 filing we found that the length of the sections other than the financial statements – which had increased 150% from 20 to 50 pages – had increased from 46 to 78 pages (32 page or 70% increase). The increase does not seem out of step with Exxon's revenues increasing by 75% ($138 billion) and its evolving business model and environment over that 26-year period. One of our CDPC members, Columbia Professor Shiva Rajgopal, wrote about the return to Exxon of being public in Forbes, *ExxonMobil's 10-K Compliance Cost Delivers A 19,000-To-1 Return For Shareholders*. We reviewed the recent 10-K filings from the Mag 7 companies in this letter because it is essential to investigate the narratives regarding disclosure overload and vast amounts of immaterial information more deeply.

EXXON FORM 10-K PAGE ANALYSIS	Pages		#	%
	1999	2025	Change	Change
Items 14, 15, 16, Index to Exhibits, Signatures	21	29	8	38%
Business Profile, Terms, Intro to FS	6	3	(3)	(50%)
MD&A	7	32	25	357%
Oil and Gas Disclosures (S-K)	5	14	9	180%
Other Misc	7	0	(7)	(100%)
Total Pages (Excluding Financial Statements and Exhibits)	46	78	32	70%
Financial Statements	20	50	30	150%
Total Pages (Excluding Exhibits)	66	128	62	94%
Exhibits & List of Subsidiaries	94	25	(69)	(73%)
Total Pages	160	153	(7)	(4%)

disclosure burdens are in part responsible for the decrease in the number of public companies in the US since the mid-1990s. We respond to these arguments in **Section 4**.

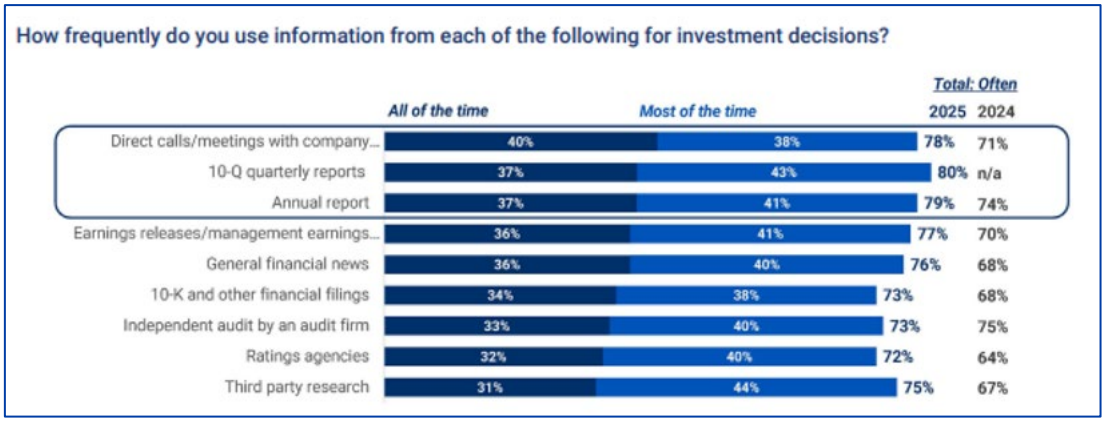
We believe the problems with Regulation S-K for investors are solvable, especially in the age of artificial intelligence in which information has never been more abundant; easier to produce, aggregate, collate and summarize; nor easier to transform into decision-useful disclosures (information). We offer alternative perspectives and recommendations in **Section 5**. Specifically, we recommend several enhancements to the Commission to address the lack of information and boilerplate disclosures and suggestions for further study of empirical questions that underpin the discourse around reforming Regulation S-K but have not been rigorously considered.

2. IMPORTANCE OF REGULATION S-K DISCLOSURES TO INVESTORS

Investor Reliance on Regulation S-K Disclosures

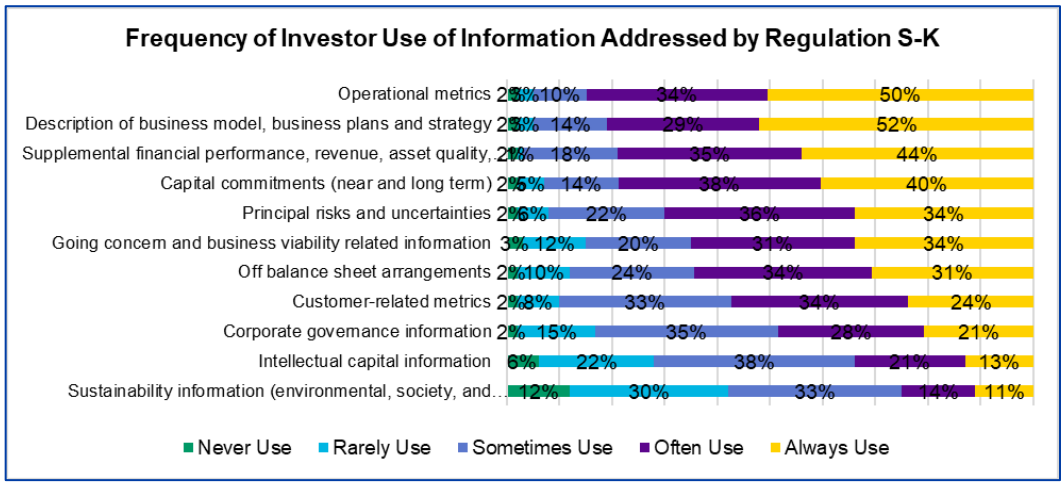
Regulation S-K disclosures are a prominent feature of SEC registrants' periodic reports on Form 10-Q on a quarterly basis and Form 10-K on an annual basis (including Part III information that is often provided separately in a proxy filing). Apart from the financial statements governed by US GAAP and Regulation S-X, Regulation S-K disclosures often make up the majority of issuers' periodic reports by length.

Periodic reports generally and Regulation S-K disclosures specifically are widely used by investors. A recent survey (Annual Institutional Investor Survey (March 2026)) of institutional investors commissioned by the Center for Audit Quality found that nearly 8 in 10 investors use Form 10-Q quarterly reports (80%) and annual reports (79%) – with the Form 10-K and other financial filings (73%) – "most or all of the time" to make investment decisions.



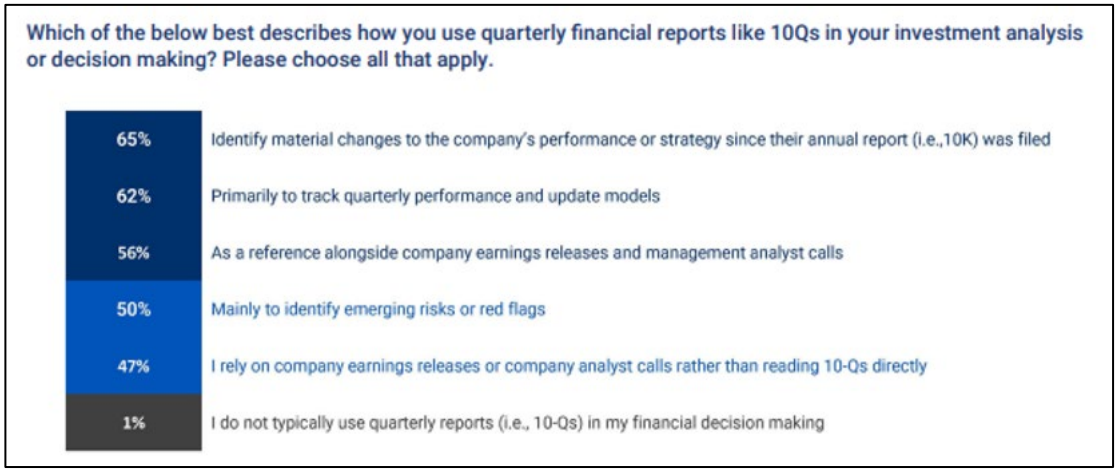
Source: CAQ Annual Institutional Investor Survey (March 2026)

These findings echo a survey of CFA Institute members we conducted in 2018 on investors' uses of information presented outside the financial statements. We found that many disclosures required or suggested by Regulation S-K included in periodic reports such as operational metrics, descriptions of business models and strategies, supplemental financial information, and capital commitments are "always" or "often" used in investment decision-making.



Source: CFA Institute Member Survey Report

Periodic reports and Regulation S-K disclosures within them are used for multiple, important parts of research and investment decision-making workflows. In the same CAQ survey of institutional investors, more than 6 in 10 respondents indicated that they use quarterly financial reports like Form10-Qs for material updates in performance and strategy and to update financial models. While just under 50% of respondents said they rely on earnings releases and analyst calls rather than "reading 10-Qs directly," ***only 1% of respondents said they do not use quarterly reports in decision-making***. This divergence is likely due to the use of information contained in periodic reports in a different medium (e.g., earnings release, sell-side report, Bloomberg, FactSet) rather than the document filed with the Commission.



Source: CAQ Annual Institutional Investor Survey (March 2026)

Our survey of CFA Institute members in 2018 found that investors use different sections of corporate reports for a variety of overlapping tasks (assessing management quality, performing valuation, assessing short-term and long-term risk and contextualizing financial statements) in investing workflows, as shown in the table below.

Table 2: Reasons for applying information within corporate reports

Sections within corporate reports	#	Assess Mgmt Qual	Valuation	S/t risk	L/t risk	F/stat ctxt
Operational metrics	238	48%	73%	40%	54%	52%
Description of business model, business plans, and strategy	237	56%	52%	32%	60%	41%
Supplemental financial performance, revenue, asset quality, funding, and liquidity information	242	29%	72%	46%	55%	56%
Capital commitments (near and long term)	230	21%	65%	48%	61%	32%
Principal risks and uncertainties	229	25%	36%	58%	77%	23%
Going concern and business viability related information	214	31%	30%	46%	61%	17%
Off balance sheet arrangements	221	19%	48%	46%	63%	35%
Customer-related metrics	225	34%	51%	38%	44%	38%
Corporate governance information	207	65%	8%	24%	45%	14%
Intellectual capital information	177	26%	27%	15%	33%	24%
Sustainability information (environmental, society, and reputational risk)	145	32%	11%	16%	38%	10%

= Number of respondents who sometimes (3 rating), often (4 rating), and always (5 rating) use information within sections.
Mgmt Qual = Management quality; S/t = Short-term; L/t = Long-term; F/stat ctxt = Financial statements context.

Source: CFA Institute Member Survey Report

S-K Disclosures Are Essential Complement to Financial Statements

Information disclosed outside the financial statements such as in Regulation S-K disclosures complement the financial statements and are an integral input to investors' forecasts and valuations. The financial statements update investors on an entity's financial performance, position, and cash flows for a historical period. In addition to mostly being confined to a historical view, standard setters have imposed several other restrictions on financial statements including the boundary of the reporting entity, excluding non-financial information (e.g., operational measures), limits on forward-looking information, restrictive definitions of the elements of financial statements and limiting disclosures to items presented in the financial statements. Financial statements are crucial sources of financial "truth" about an entity, but they are not the entire picture.

Management's discussion and analysis in the Regulation S-K disclosures (and elsewhere, outside filings, such as in events and presentations) are free from these restrictions and can provide investors with information external to the entity, more forward-looking information, nonfinancial information, and management's "story" relating the financial statement and other numbers to a strategy. This is crucial information to making and updating forecasts which drive valuations.[8] We regularly hear from investors that they do not want assurance over the MD&A and other elements of the Regulation S-K disclosures because they do not want management constrained by auditors' concerns over their own legal liability.

Rules, Not Just General Materiality Principles, Are Essential

While companies may disclose information in the absence of rules in Regulation S-K, it's often wishful thinking. Rules are necessary for ensuring a minimum level of material disclosure, comparability, and quality of information. While some companies are forthcoming, ***many are not, and will simply not disclose information unless they are required to or if doing so would benefit them***. Recognizing this facet of human nature was a driving force of the Securities Act and Exchange Act mandates. As we will illustrate with examples in the next section of this letter, companies' disclosures today can be surprisingly short despite the scale and scope of their business. **To put it bluntly, a general materiality principle – without rules – interpreted by company management and their counsel and auditor is not working well for obvious conflicts of interest reasons and because it is impossible for investors to know what information is omitted.**

Rules also create some minimum level of comparability across companies and time periods, which reduces investors' costs of finding and interpreting information. Investors virtually always research and make decisions through a comparative lens. Companies' filings are not read in isolation but compared to peers and the filings from prior periods.

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[8] As a straightforward example, forecasting revenue (which is a major driver of free cash flow and thus a discounted cash flow-based valuation) for a retailer or restaurant company might be done by forecasting the number of stores and per-store revenue. The number of stores for historical periods is provided outside the financial statements, and management may give an outlook for new store openings next year and a longer-run target, and capital expenditures, all outside the financial statements. These perspectives inform investors' forecasts.

Information From Companies Is Institutional Grade

Despite the proliferation of "alternative data" and third-party sources, information from companies is institutional grade and often not substitutable. Professional investors have more third-party, "alternative" data sources than ever. While these are helpful and timely, they're not substitutes for information from companies because they lack completeness and reliability. It is in some cases reasonable to estimate a company's revenue using alternative data (e.g., credit card transaction data, prescriptions data, etc.) but it is not feasible to get an accurate read on costs, margins, cash flows, strategy, and many other aspects of companies' performance and condition from sources outside the companies. Additionally, it is this formal information from the company which investors use to validate the predictive relevance of their alternative data.

3. THE MAIN PROBLEMS INVESTORS HAVE WITH REGULATION S-K DISCLOSURES: LACK OF MATERIAL INFORMATION AND BOILERPLATE DISCLOSURES

While Regulation S-K disclosures are highly important to the investment process, they suffer from two main shortcomings: 1) a lack of material information, and 2) boilerplate disclosures.

Lack of Material Information

In contrast to prevailing narratives about voluminous and overly burdensome disclosures, we find many companies' disclosures under Regulation S-K such as Item 1 (Business) and Item 7 (Management Discussion and Analysis, "MD&A") on Form 10-K that are rather short. Common disclosures that are suggested by the Commission's rules but are often ***not meaningfully discussed*** include:

- Status of development efforts for new and enhanced products.
- Trends in market demand and competitive conditions.
- Description of intellectual property and duration of material patents, trademarks, licenses, etc.
- Human capital measures used in managing the business.
- Identifying and scoping events and uncertainties that may cause past financial results not to be indicative of future financial results.
- Statistical data, operating metrics, customer metrics, etc. that would contextualize the financial information presented in the financial statements.

Companies are not breaking the rules. The rules permit so much flexibility – and give companies so much latitude with respect to materiality and disclosure decisions – that we believe the rules are virtually impossible to break.

To illustrate Regulation S-K disclosures in practice, we use the most recent Form 10-K filings from the Magnificent Seven ("Mag 7")[9] companies. We chose these companies because they are well known and collectively account for about 25% of the market capitalization of all US public companies; further, most Americans who own equities have material exposures to these companies.[10] We also believe that these make for good examples of the Commission's disclosure requirements because ***these companies tend not to provide significant disclosures beyond what is explicitly required***. The table which follows shows the page counts of selected Form 10-K items governed by Regulation S-K and some descriptive information to illustrate the size and scale of the companies.

[9] See description at: What are the Magnificent 7 stocks? (Fidelity)
[10] See Factsheet for the S&P 500 index and related statistics at S&P 500® | S&P Dow Jones Indices.

"MAG 7" COMPANIES PAGE COUNTS (DERIVED FROM MOST RECENT 10-K FILINGS)							
	Alphabet	**Amazon**	**Apple**	**Meta**	**Microsoft**	**Nvidia**	**Tesla**
Total 10-K Pages (excl. Exhibits)	99	79	61	136	101	85	106
Financial Statements:							
Item 8 Financial Statements	45	39	24	46	39	33	49
As % of Total 10-K (excl. Exhibits)	45%	49%	39%	34%	39%	39%	46%
Select Reg S-K Related Items:							
Item 1A Risk Factors	15	11	12	37	14	19	15
Item 7 MD&A	14	11	6	20	14	9	13
Item 1 Business	6	3	4	6	13	9	10
Item 7A Market Risk	2	2	<1	2	1	<1	<1
Item 1C Cybersecurity	<1	<1	<1	2	2	<1	2
Item 2 Properties	<1	<1	<1	<1	<1	<1	<1
Item 3 Legal Proceedings	<1	<1	<1	7	<1	<1	<1
Subtotal	39	29	24	74	45	39	42
As % of Total 10-K (excl. Exhibits)	39%	37%	39%	54%	45%	46%	40%
SELECT DESCRIPTIVE STATISTICS							
	Alphabet	**Amazon**	**Apple**	**Meta**	**Microsoft**	**Nvidia**	**Tesla**
Market capitalization (billions)	$4,774	$2,923	$4,218	$1,565	$3,131	$5,157	$1,527
Net revenues (millions)	$402,836	$716,924	$416,161	$200,966	$281,724	$215,938	$94,827
Number of employees	190,820	1,576,000	166,000	78,865	228,000	42,000	134,785
Significant product/service lines*	6	7	5	3	10	6	5
Research and development expenses (millions)	$61,087	**	$34,550	$57,372	$32,488	$18,497	$6,411
*The number of groups of similar products or services disclosed in the revenue disaggregation note to the financial statements. **Amazon does not present or disclose research and development expenses in its financial statements.							

Sources: Most 10-K filings in PDF form from each company's Investor Relations website as of May 2026, market capitalization from Refinitiv, and authors' analysis.

Some highlights from our brief review of the Mag 7's 10-K filings include:

- **Item 1A (Risk Factors): Longest Item after the Financial Statements, Extensive Boilerplate** – For all of the Mag 7, the Risk Factors' section is the longest section of the Form 10-K after the financial statements, it exceeds the page count of each company's Item 1 (Business) or Item 7 (MD&A) disclosure. This item contains significant boilerplate disclosure, which we will discuss below.
- **Item 1 (Business) and Item 7 (MD&A):**
  - **Not Exceptionally Long** – We found that the Business and MD&A items in the Mag 7's filings were not exceptionally long (some are exceptionally short) despite their size and complexity. The length of Item 1 ranged from 6 – 13 pages and 6 – 20 pages for Item 7.
    - ***Amazon describes its business in Item 1 in 3 pages*** with almost no numbers, despite being a large company with complex operations (i.e., it disaggregates its revenues into 7 product/services groups and employs over 1.5 million people).

The only numerical amount presented in the description of business is the number of employees, for other quantities it refers readers to the financial statements.
        - ***Apple's MD&A is 6 pages***. The only quantitative information in the MD&A not presented or disclosed in its financial statements is material cash requirements for the next twelve months and thereafter, which is presented in text rather than a table (page 25). The analysis explaining each line of segment or product/service performance against the prior period is one or two sentences long.
    - **Statistics & Metrics: Only Two Companies Included**– We found that only two companies **(Meta and Tesla)** discussed any statistical data, operating metrics, or customer metrics in Item 1 or Item 7.

- **Item 3 (Legal Proceedings): Simply References Footnote, No Discussion and Analysis** – We found that Item 3 (Legal Proceedings) simply refers readers to the financial statements note on legal contingencies at 6 of the 7 companies' filings. This does not provide meaningful discussion and analysis for investors on the impact of such proceedings on future operations and cash flows. It is an accounting rather than investor-focused discussion and analysis.

- **Item 2 (Properties):**
    - **Not More Than 1 Page** – The properties section does not exceed 1 page in length for any of the Mag 7, despite several of them having significant and growing physical asset intensity in their business.
    - **Requirement Reflects Legacy Tangible vs. Current Intangible Driven Economy** – What the properties section, combined with the lack of meaningful discussion of R&D, as noted below, highlights is that these companies with significant intangible assets and intellectual property do not disclose this driving element of their businesses and the US economy.

- **Other:**
    - **Lack of Meaningful Discussion of R&D** – We found that research and development efforts are not meaningfully discussed in most of the filings, despite the significant sums spent on research and development.
    - **Impact of External Trends on Results Are Not Discussed** – We found that external drivers related to the reporting entity (e.g., market demand and competitive conditions) are not discussed in any detail.

While a lack of information plagues Item 1 (Business) and Item 7 (MD&A), Item 1A (Risk Factors) suffers from a different but related problem: boilerplate disclosures.

Boilerplate Disclosures

Stock language appears in highly similar or identical form across companies' filings, especially in Item 1A (Risk Factors) disclosures. Many risk factors are generic, applicable to most or all companies, and are missing information that would make the disclosure useful to investors.

Below are several examples of boilerplate Item 1A (Risk Factors) disclosures from the most recent Mag 7 companies' filings related to broad risks with little meaningful ability to quantify the impact of the risk to the company's future financial condition and results of operations.

Example: Social Issues

Varied stakeholder expectations about social and other issues expose the Company to potential liabilities, increased costs, reputational harm, and other adverse effects on the Company's business.

Various stakeholders, including governments, regulators, investors, employees, customers and others, have differing expectations about a wide range of social and other issues related to the Company's business. The Company makes statements about its values, including the environmental and societal impact of its business, through various reports, information provided on the Company's website, and in press statements and other communications. The Company also pursues environmental and other goals and initiatives that involve risks and uncertainties, require investments, and depend in part on third-party performance or data that is outside the Company's control, and the Company may not be able to fully achieve all of its goals and initiatives. Efforts by the Company to advance its business and values, or achieve its goals and further its initiatives, or to align with stakeholders' expectations, or comply with evolving, varied and at times conflicting federal, state and international laws, executive orders, regulations and standards, or any failure or perceived failure to do so, can result in adverse reactions by consumers and other stakeholders, including the commencement of legal and regulatory proceedings against the Company, and can materially adversely affect the Company's business, reputation, results of operations, financial condition and stock price.[11]

Example: Credit Risk

The Company is exposed to credit risk and fluctuations in the values of its investment portfolio.

The Company's investments can be negatively affected by changes in liquidity, credit deterioration, financial results, market and economic conditions, political risk, sovereign risk, interest rate fluctuations or other factors. As a result, the value and liquidity of the Company's cash, cash equivalents and marketable securities may fluctuate substantially. Although the Company has not realized significant losses on its cash, cash equivalents and marketable securities, future fluctuations in their value could result in significant losses and could have a material adverse impact on the Company's results of operations, financial condition and stock price.[12]

Example: Company Stock Price Volatility

The price of the Company's stock is subject to volatility.

The Company's stock has experienced substantial price volatility in the past and may continue to do so in the future. Additionally, the Company, the technology industry and the stock market as a whole have, from time to time, experienced extreme stock price and volume fluctuations that have affected stock prices in ways that may have been unrelated to these companies' operating performance. Price volatility may cause the average price at which the Company repurchases its stock in a given period to exceed the stock's price at a given point in time. The Company believes the price of its stock should reflect expectations of future growth and profitability. The Company also believes the price of its stock should reflect expectations that its cash dividend will continue at current levels or grow, and that its current share repurchase program will be fully consummated. Future dividends are subject to declaration by the Company's Board of Directors ("Board"), and the Company's share

[11] Apple Inc. 2025 Form 10-K pg. 13.
[12] *Id*. pg.16.

repurchase program does not obligate it to acquire any specific number of shares. If the Company fails to meet expectations related to future growth, profitability, dividends, share repurchases or other market expectations, the price of the Company's stock may decline significantly, which could have a material adverse impact on investor confidence and employee retention.[13]

Example: Functioning of Business Processes and IT Systems

Our business is dependent upon the proper functioning of our business processes and information systems and modification or interruption of such systems may disrupt our business and internal controls.

We rely upon internal processes and information systems to support key business functions, including our assessment of internal controls over financial reporting as required by Section 404 of the Sarbanes-Oxley Act. The efficient operation and scalability of these processes and systems is critical to support our growth. We continue to design and implement updated accounting functionality related to a new enterprise resource planning, or ERP, system. Any ERP system implementation may introduce problems, such as quality issues or programming errors, that could have an impact on our continued ability to successfully operate our business or to timely and accurately report our financial results. These changes may be costly and disruptive to our operations and could impose substantial demands on management time. Failure to implement new or updated controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

Identification of material weaknesses in our internal controls, even if quickly remediated once disclosed, may cause investors to lose confidence in our financial statements and our stock price may decline. Remediation of any material weakness could require us to incur significant expenses, and if we fail to remediate any material weakness, our financial statements may be inaccurate, we may be required to restate our financial statements, our ability to report our financial results on a timely and accurate basis may be adversely affected, our access to the capital markets may be restricted, our stock price may decline, and we may be subject to sanctions or investigation by regulatory authorities.[14]

Quantifying the percentage of Item 1A (Risk Factors) that is boilerplate is subjective, but for some companies we judge that it could be as high as 50%.

This finding is not unique to the Mag 7. Similar boilerplate can be found not only in many companies' risk factors, but also in their critical estimates section and description of accounting policies – which merely reiterate the accounting standard language, not contextualizing it with company specific information. Investors need the ability to assess the probability of the risks or critical estimates and their impact on financial condition and future operations. During the Global Financial Crisis, we observed disclosures of risk factors (e.g., credit, liquidity) that had actually occurred in the most recently reported period but were not discussed as such in the MD&A.

Finally, we regularly hear from our members that they use technology to monitor tweaks in risk factor language as indicators of emerging risks or of management's assessment of the relative importance of the disclosed risk factors (this capability has been augmented with large language models). ***The length of the risk factor section overall is less of a problem than the fact that management's views of the probability of occurrence and impacts, should they occur, are omitted.***

[13] *Id*. pg. 17.
[14] NVIDIA Corporation 2025 Form 10-K pg. 24.

4. CONSIDERATION OF COMMISSIONERS' COMMENTS AND THOSE MADE BY OTHERS TO THE COMMISSION

We've found that many of the comment letters submitted thus far[15] and several comments made by Commissioners center on 4 common themes:

- Greater Use of Materiality is Needed to Weed Out All the Immaterial Information
- Disclosure Burden is Responsible for Decline in Number of Public Companies
- Propose Removing Requirements Similar to Those in US GAAP
- Propose Scaling Disclosure Requirements with Company Size and Maturity

Below we summarize these themes and provide our response and reflections. We also briefly discuss comments on XBRL tagging and structured data more generally.

Greater Use of Materiality is Needed to Weed Out All the Immaterial Information

Commenters state that "the voluminous nature of the current disclosure regime risks overloading investors with immaterial information that muddies the readability of information presented to investors." Commenters propose more extensive, explicit materiality filters added to Regulation S-K disclosures.[16]

We do not support this proposal on several grounds: (1) investors are not overloaded with immaterial information; (2) materiality filters are already extensively used in Regulation S-K, and we do not believe more of them would be beneficial because (3) materiality filters present well-known problems for investors.

Investors Are Not Overloaded with Immaterial Information – In the member survey we conducted and included in our 2013 report *Financial Reporting Disclosures: Investor Perspectives on Transparency, Trust, and Volume* issued in conjunction with the Commission's Disclosure Effectiveness Initiative, we found very little investor support for reducing the volume of disclosures: only 5% of survey respondents indicated that the objective of the Disclosure Effectiveness Initiative ought to be reducing the volume of disclosures. More anecdotally, our membership[17] has never expressed a desire for less information from companies, only for more.

Investors (asset owners) are not overloaded because they have computers, technology, experience, and a variety of tools and services at their disposal. Technology keeps getting better, which has made it easier and more efficient for investors to access and use both quantitative and qualitative disclosures. This ranges from simply using CTRL-F to find information within a filing, to retrieving information through a platform like Bloomberg to compare companies, to running change and sentiment analyses with large language models, to using AI tools to search for needed information. We continue to be in an era of rapidly improving information technology and investors are sophisticated users.

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15 SEC.gov | Comments on Statement on Reforming Regulation S-K

16 See, for example, comments from Cooley LLP.

17 Our membership includes professionals at the largest US and global institutional investors as well as those investing on behalf of banks and financial institutions, private equity, high net worth and ultra-high net worth individuals, as well as increasingly significant family offices.

Materiality Filters Are Already Extensively Used in Regulation S-K Disclosure, We Do Not Believe More of Them Would Be Beneficial – There is already a strong emphasis on materiality across Regulation S-K. For example, in Item 1, 1A, Item 2, Item 3, and Item 7 registrants are explicitly required to disclose only material information and discouraged from disclosing immaterial information. The Commission added several more materiality filters in its 2019 and 2020 changes to Regulation S-K, which do not appear to have benefitted investors but may have reduced the quantity of information disclosed.

In the member survey we conducted and included in our 2013 publication *Financial Reporting Disclosures: Investor Perspectives on Transparency, Trust, and Volume*, respondents did not expect an effort to delete immaterial disclosures would result in big changes. More specifically, 76% of survey respondents did not agree that an enhanced use of materiality standards in disclosures would result in significant deletion of disclosures, because it is difficult to say what would be considered immaterial and/or materiality is already applied in reporting.

As we described in **Section 2** above, we find large and complex companies' disclosures are actually rather short, omitting many topics that we struggle to believe are in fact immaterial, though management and their counsel have made different judgments. ***If we're already observing 3-page business descriptions and 6-page MD&A disclosures for trillion-dollar companies, how much can the Commission further reduce its requirements?***

Materiality Filters Present Well-Known Problems for Investors – We read with interest Commissioner Peirce's recent speech, *The Art and Science of Materiality*. We agree with her assessment that the audience for public company disclosures is investors who care about economic returns and risk and that the SEC's statutory authority should be focused on rulemaking in this regard. It is that perspective that informs all our comment letters to the Commission on proposed rulemaking. In Commissioner Peirce's speech she notes the following (citations omitted) regarding what is needed to make materiality an effective check on disclosure mandates:

> *For* ***materiality to be an effective check on impermissible disclosure mandates, we have to treat it with respect****.*
>
> ***First, materiality determinations require judgment by a company, its lawyers, and its auditors.*** *Investors, regulators, and courts will continue to scrutinize those determinations and, at times, take issue with them. Regulators should not substitute their judgment for companies making materiality judgments in good faith. We cannot short-circuit that company-specific judgment with one-size-fits-all prescriptive rules on all manner of topics.*
>
> ***Second, materiality modifiers do not cure prescriptive rules.*** *In fact, materiality qualifiers in rules are often definitionally discordant with our statutory understanding of materiality, as happened in the climate rule.*
>
> ***Third, we should guard against what Meredith Cross calls "fuzzing up materiality." "Materiality" is used for reporting in other contexts, but it does not necessarily mean the same thing that it does under our securities laws****. That definitional slippage complicates materiality analyses under securities law.*
>
> ***Fourth, straining or ignoring materiality could turn us from a disclosure regulator to a substantive regulator****.*
>
> *Commissioner A. A. Sommer explained fifty years ago, when the Commission was under pressure to expand its disclosure mandates: "[T]he value of the concept of materiality derives from its very breadth, imprecision, and defiance of exact definition. It reflects the complexity of human affairs, the multitude of*

situations in which human beings find themselves involved and the multiplicity of relationships that they create." But he also cautioned: It is extremely important to keep in perspective what the disclosure documents filed with the Commission and circulated to investors are supposed to be. If the enforcement of the disclosure laws becomes in effect a substitute for the enforcement of other substantive laws, then I would suggest that the Commission will have been diverted from its true mission which is to provide information to investors about matters that are likely to impact the future prospects of the corporation, as well as historical information

A deeper commitment to disclosure rules that enable reasonable investors to obtain the material information they need in pursuit of economic returns will help us stay within the lane Congress set for us. *Limits to authority may seem like unwelcome constraints for a regulator. I find them useful. They help us to shepherd our resources well.*

The very first item Commissioner Peirce highlights above is that "*materiality determinations require judgment by a company, its lawyers, and its auditors."* We agree that materiality determinations are dependent upon management, its lawyers, and its auditors. But they should not be entirely dependent on these parties as that presents challenges and problems for investors in obtaining the material information they need for investment decision-making.

In her speech, *Living in a Material World: Myths and Misconceptions about 'Materiality.'*, former SEC Commissioner Allison Herren Lee eloquently discussed the challenges faced by investors with the actual execution of materiality assessments. Below we reproduce an excerpt from that speech (citations omitted) that highlights the challenges to investors of relying on management, lawyers and auditors – as acknowledged by Commissioner Peirce as the principal parties – in making such assessments. Management, lawyers and auditors bring biases, differing incentives and a lack of understanding of investors when making their materiality assessments on behalf of investors as Commissioner Lee notes:

Although dependent upon the views of the reasonable investor, materiality determinations are typically made in the first instance by management. In doing so, ***management may rely on a "gut" feeling, anecdotal interactions, and even their own experience as investors***. We know that in making these determinations, ***management frequently sees things differently from investors***. Academic literature indicates that ***preparers and auditors often employ higher materiality thresholds than do investors***. ***SEC enforcement cases likewise reveal infirmities in materiality determinations***, as year after year the SEC brings scores of cases for negligence in making these assessments.

…***Managerial judgments are usually subject to review by other professionals. Auditors examine the financial statements; lawyers review much of the narrative in SEC filings***. Particularly with respect to materiality determinations and the content of SEC filings, management often relies extensively on the advice of legal counsel.

Yet, lawyers and auditors can also get the decision wrong. As with managers, ***they may see materiality differently from investors***. Academic studies reveal the consequences of this tendency. Studies of restatements and the obligation to disclose material loans, for example, suggest that material information may be incorrectly characterized as immaterial.

Lawyers and auditors, like managers, are asked to apply the "reasonable investor" test without necessarily having sufficient understanding of what investors want or expect. But there's more to it than that. ***Both lawyers and auditors have built-in incentives to agree with management, particularly on close cases***. ***They have an economic and psychological incentive to want to retain positive relations with management***. This can create a form of ***implicit bias or predisposition***, causing auditors and lawyers to often expend efforts to support, rather than independently analyze, management's decisions.

> Take, for example, well-known litigation against Bank of America for failing to disclose burgeoning losses incurred by Merrill Lynch in connection with the bank's acquisition of that firm in late 2008. The bank issued proxy materials seeking shareholder approval of the acquisition that purported to detail the economics of the transaction but failed to disclose billions in estimated losses. As the public record shows, the issue of whether these losses were material was vetted by legal counsel in what appears to be a thorough manner. Counsel in the end concluded that the information was not material and therefore disclosure was not required. Management relied on that advice in deciding not to disclose. Ultimately, however, the non-disclosure contributed to Bank of America paying damages and penalties of nearly $2.5 billion.

Commissioner Peirce in her remarks goes on to say that: *"Investors, regulators, and courts will continue to scrutinize those determinations and, at times, take issue with them".* Also noting: "*That regulators should not substitute their judgment for companies making materiality judgments in good faith. Noting that the SEC cannot short-circuit that company-specific judgment with one-size-fits-all prescriptive rules on all manner of topics".*

We disagree that investors should have to rely solely on "*companies making materiality judgments in good faith"* when investors understand the misalignment of incentives. Additionally, reliance on regulatory enforcement – especially during periods where enforcement has been reduced, such as what we are currently experiencing – or the courts are ex-post solutions. Investors expect and must rely on the SEC to establish principles and rules that facilitate the disclosure of material, financially relevant information on an ex-ante basis that mitigate these inherent biases, incentives, and lack of understanding of investors. Investors cannot rely solely on those with different incentives making materiality judgements in good faith.

The problems with Regulation S-K for investors – a lack of material information and boilerplate disclosures – cannot be solved with greater use of materiality, its shortcomings and flaws are well known to investors. It is essential that the SEC consider and well understand the views of investors – the primary audience for public company disclosures – regarding the application challenges of materiality assessments when undertaking their rulemaking.

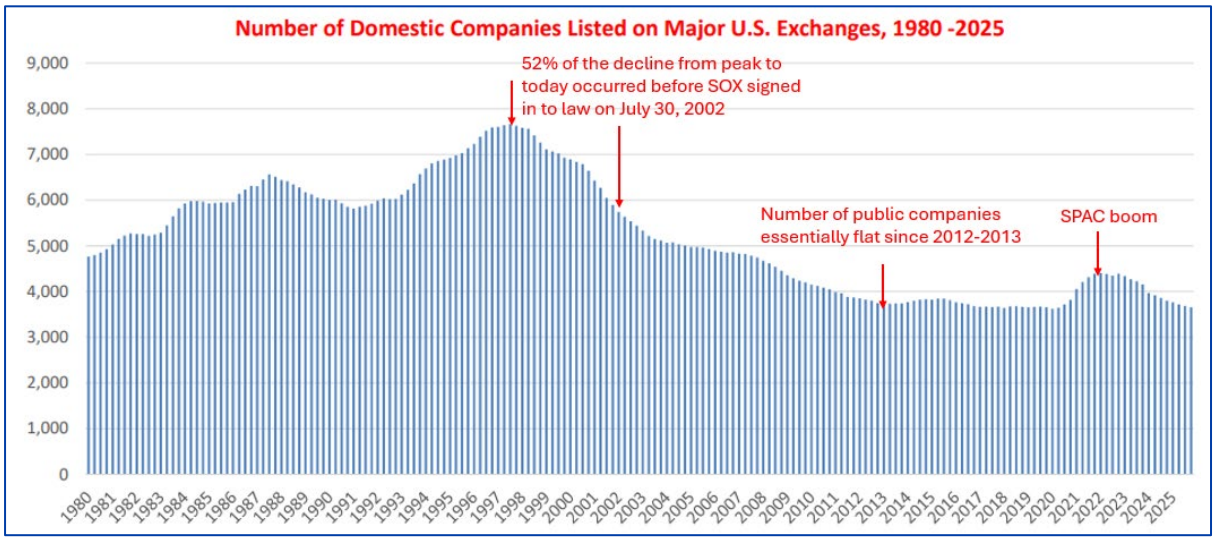
Disclosure Burden is Responsible for Decline in Number of Public Companies

In what has become practically an article of faith, many commenters and statements from Commissioners point to the burdens of disclosure, such as those in Regulation S-K, as bearing part of the responsibility for the decline in the number of public companies in the US since the mid-1990s, such that a reduction in disclosure requirements may increase the number of public companies.

We provide several observations that make us skeptical about the impact of disclosure requirements on the number of public companies in the US, but we remain open to the possibility and, as we discuss later in our recommendations to the Commission, ***urge the Commission and staff to form a blue-ribbon Advisory Committee on Public and Private Market Structure to thoughtfully study this issue*** and the path forward.

First, we want to note (See graph which follows) that the number of domestic public companies has been roughly flat for over ten years (excluding the SPAC boom and bust), since 2012-2014. While the number is certainly lower than the peak in the mid-1990s, we've not been experiencing a *decline*, but rather evenly matched numbers of companies listing and delisting.

Second, we observe that over half the decline from the peak to today occurred before the Sarbanes-Oxley Act was signed into law in 2002 (and the Global Research Analyst Settlement the following year). The mid-1990s through the early 2000s saw the sharpest decline, followed by a decade of more moderate decline, and flat since then excluding the SPAC boom and bust.



Source: Jay R. Ritter, University of Florida. IPO Data.

While number of public companies is lower now than it was in the mid-1990s, public companies have not shrunk their importance to the US economy: ***aggregate US public company market capitalization, profits, employment, and capital investment as percentages of GDP have either risen or stayed the same since the 1990s.***[18]

Referring to this phenomenon of "half the firms, twice the profits" researchers Roe and Wang trace its causes to the very strong performance of public companies, their history of acquiring private companies, and real economy changes that have appeared to benefit large well capitalized companies. In other words, ***the economy hasn't become "more private" and private companies do not seem to have a competitive advantage over public companies.***

Third, and finally, academic research has not found that disclosure and the costs of disclosure are to blame for the change in the number of public companies in the US or have found that it is only a small part of the story:

- Gao, Ritter, and Zhu (2013) found that the decline in the number of IPOs per year from 310 (1980-2000) to less than 100 was not due to the Sarbanes-Oxley Act of 2002 and the 2003 Global Settlement's effects on analyst coverage, but an increase in would-be public companies selling to larger companies, which speeds founder liquidity and product to market.
- Doidge, Karolyi, and Stulz (2017) points to the high rate of delistings (primarily from mergers and acquisitions) and certain issues with smaller company IPOs rather than regulatory changes in the 2000s as the primary causes of the change in the number of listed companies.

[18] Roe, Mark J. and Wang, Charles C. Y., Half the Firms, Double the Profits: Public Firms' Transformation, 1996-2022 (May 16, 2024). Journal of Law, Finance, and Accounting, Forthcoming, European Corporate Governance Institute – Law Working Paper No. 771/2024,

- Kahle and Stulz (2017), suggests that the primary issue is a much smaller net benefit of being public for smaller firms relative to taking private investment or merging with a larger firm and that this change is caused not by regulatory changes but real economy changes where larger firms have thrived.
- Ewens, Xiao, and Xu (2024) quantifies regulatory costs for public vs. private companies and estimates that "removing all estimated regulatory costs increases the average annual IPO likelihood after 2000 from 0.95% to 1.4%, which explains only 7.3% of the decline in IPO likelihood from pre-2000 to post-2000."

In summary, this is a complex issue that defies simple explanations and deserves thoughtful study.

Propose Removing Regulation S-K Requirements That Elicit Similar Information to Those Required by US GAAP

Some commenters propose eliminating disclosures in Regulation S-K that are similar to those required in the financial statements under US GAAP. This is already a feature of Regulation S-K disclosures today, for example when a registrants Legal Proceedings item in the Form 10-K refers readers to the contingencies note in the financial statements.

We oppose furthering this practice. Management reporting in Regulation S-K should (and often does) serve a different purpose with different set of premises than the financial statements. ***They are complements, not substitutes.*** Financial statements are primarily confined to historical periods and information and the restrictions on presentation and disclosure imposed by financial reporting standard setters, as we discussed earlier. Management reporting such as Regulation S-K disclosures should supplement, not duplicate, the financial statements with context, discussion, analysis, forward-looking information, nonfinancial information, and a broader scope than is permitted under the definitions of the elements of financial statements.

Scaling Disclosure Requirements by Company Size and Maturity

Commenters propose increasing the size thresholds and expanding the list of disclosure accommodations for non-accelerated filer, smaller reporting company, and emerging growth company filer and company statuses.

We note that ***over 50% of registrants today fall into one of these categories*** or are otherwise provided with disclosure and governance accommodations as foreign private issuers, as shown by data from the Commission. The Commission is currently reconsidering aspects of the foreign private issuer definition or the accommodations provided to them as they have been viewed as potentially harmful to investor protection.

We've long been opposed to scaling disclosure requirements. Smaller companies are typically more risky than larger companies and thus investors require a higher rate of return on investments. Marrying higher risks with ***less information produces even greater risk and thus higher required rates of return (costs of capital)***. Less information from companies ***hurts rather than helps with analyst coverage***, which is an important consideration for smaller issuers to increase their visibility and institutional ownership.

We have observed that past efforts at scaling disclosure requirements by company size and maturity have not borne fruit, and we encourage the Commission and staff to study this as well.

Structured Data (XBRL)

In addition to the four common themes noted at the outset of this section, we believe it is important to address several commenter's[19] recommendation that the Commission eliminate XBRL tagging requirements because they believe tagging is an onerous process for preparers and because XBRL tagged information is not used by, or necessary for, investors anymore, owing to advances in technology such as AI that enable the more efficient processing of unstructured data.

This argument suggests that investors are benefiting from advances in technology and can take on more work while preparers of financial statements, who are also benefiting from advances in technology including in XBRL tagging, can no longer handle the work. We do not believe that investors are preferentially benefiting from advances in information technology; technology is being adopted at a rapid pace by preparers as well.[20]

It is simply not true that structured and unstructured data are equally good inputs for interpretation by AI, or that structured data are no longer necessary in the AI world. Such logic – if extended further – would suggest that accounting standards are also no longer necessary because AI can simply read the language management chooses to use in financial statements or SEC filings and know what such words mean rather than have the definitions and structuring behind the meaning of such terms and the compilation of information which supports them under accounting principles. Studies have shown[21] that structured and tagged data produces more accurate information. Specifically, that AI makes fewer mistakes extracting information and hallucinates less with structured data.

Jensen Huang's keynote at the March 2026 NVIDIA GTC makes the point (video at 14:47) that: ***The concept of structured information and generative AI will repeat itself in one industry after another. Structure data is the foundation of trustworthy AI***.

Structured data (i.e., not an AI's guess at how text should be structured) is what provides the "ground truth" for AI models. It is why CFA Institute has supported the structuring of data for over 20 years and why we believe the commenters desire for eliminating tagging does not meet the long-term interests of investors or the US capital markets.

Reduction in mandated structured disclosure doesn't reduce demand for the underlying data. Investors use structured data every minute of the day, even if this is almost always intermediated by information providers. If companies are not asked by their regulator to provide structured Inline XBRL information as a single digital version of the truth that management is ultimately accountable for, it pushes that demand back into unstructured extraction by hundreds of AI systems each independently re-deriving what one structured filing could have provided. The

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[19] See comments from the FEI Committee on Corporate Reporting, Exxon and the Chamber of Commerce.

[20] *See* CFOs Funded the AI Revolution. Now They're Joining It. | Bain & Company, "more than half of CFOs are increasing AI investment by over 15% this year, Bain research shows, with a significant share of that spending allocated to finance."

[21] For example: *Can AI Be Trusted With Financial Data*?, Marcelo Farr, William C. Johnson, Ariel J. Markelevich, Alexis Montecinos (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5316518)

remaining XBRL data becomes a relative island of structure (utility per tag arguably rises), but aggregate market cost rises with it, and *quality fragments*. The result is the lack of a single version of the truth – you have hundreds, or thousands of interpretations. It's a little bit like asking investors to paint a picture that captures the impressions they can draw from some text, instead of asking companies to take a (digital) selfie and distribute it.

Additionally, we would note that we hear anecdotally from those investing outside the US – for example in Europe – regarding the lack of quality and efficacy of AI in analyzing companies outside the US not only because of the lack of a central repository such as EDGAR in the US, but also the lack of high quality tagged data – which is nearly two decades behind that of the US – in Europe.

It would be a significant productivity loss and cost increase, in the aggregate, for data structuring to move from companies (who are experts in what they are reporting) to third-party aggregators and investors, especially if those efforts involve AI, an inefficient technology for this task, owing to its probabilistic features. Such a move would be the equivalent of choosing to drive 200+ cars from New York to Los Angeles rather than having the same number of passengers, with a trained pilot, aboard a single airplane.

Given the importance and use of XBRL tagged information for the Commission staff, we encourage the Commission staff to evaluate these claims independently. Investors want more – not less information structured – in an era of AI.

5. RECOMMENDATIONS FOR THE COMMISSION

We divide our recommendations below to the Commission in three parts: those aimed at addressing the lack of material information, boilerplate disclosures, and topics that we urge careful study of by the staff with input from stakeholders.

Before exploring those recommendations, we believe it is important to highlight – as we did at the outset of the letter – our comment letter regarding executive compensation (on Subpart 400 of Regulation S-K), which provides several recommendations related to that section of Regulation S-K.

Additionally, it is important to note that ***inherent in the analysis of the narratives we dispel in the previous section (Section 4) are recommendations we believe the SEC should not pursue.***

As we describe there, leaning into the concept of allowing companies to apply their interpretations of materiality without principles and rules to guide the disclosures needed by investors is fraught with significant perils for investors as management, lawyers and auditors – with little experience or engagement with investors – have incentives and biases in making these interpretations that are not consistent with investor interests. Investors need the SEC to develop principles and rules within the context of matters they know are material to investors as most companies will not disclose more than is specifically required – as our analysis of the Mag 7 illustrates.

Addressing the Lack of Material Information, General Problems with Materiality

A. Disclosure Objective – *Adopt an Overarching Objective for Regulation S-K And Guidance on Fulfilling It.*

Regulation S-K lacks an objective that cuts across the discrete items to guide registrants on what the purpose of these disclosures is and the roles they play for investors in their decision-making. A clear overarching objective, potentially supplemented with staff guidance on achieving it, would help registrants and their counsel make more informed, investor-oriented materiality decisions and potentially reduce some of the problems with the lack of material information and questionable materiality decision-making in Regulation S-K items that we discussed in the prior section.

We believe the Commission could leverage from the IASB's IFRS Practice Statement on Management Commentary, which establishes a distinct objective and role for management commentary (essentially what Regulation S-K disclosures are) that is complementary to the financial statements:

> *An entity's management commentary shall provide information that: (a) enhances users' understanding of the entity's financial performance and financial position reported in its financial statements; and (b) provides management's insight into factors, including sustainability-related factors, that could affect the entity's ability to create value and generate cash flows across all time horizons, including in the long term.*

To meet its objective, management commentary shall provide information needed to meet the disclosure objectives for the areas of content set out in Part B. That information shall possess the attributes required by Chapter 5 and be coherent as required by Chapter 6.

Management evaluates whether the information needed to meet the disclosure objectives for the areas of content is sufficient to meet the objective of management commentary. If the information is insufficient, management identifies additional information needed to meet that objective.

Source: IFRS Practice Statement on Management Commentary, Paragraphs 3.1 and 3.2.

The IFRS Practice Statement on Management Commentary goes on to provide guidance with explanations for and examples of the content in management commentary that are decision useful for investors and complement the financial statements.

What investors need from such objective is a comprehensive understanding of the purpose of Regulation S-K disclosures – that the disclosures need to be a complement to the financial statements – and guidance to facilitate better disclosures. Guidance would make the vague language in Regulation S-K more operational and consistently applied and help registrants make more informed materiality decisions when the guidance is paired with company-specific information and judgment. As we note at the outset of **Section 3** of this letter, the Commission's rules often don't lead to important trends, discussion of intellectual property, human capital, as well as statistical data, operating metrics and customer metrics which would contextualize the financial information presented in the financial statements. An objective and with guidance may facilitate this.

B. Item 101 (Description of Business) – *Remove Excessive Materiality and Other "Escape Hatch" Clauses.* We present regulation text below with our recommendations struck through and additions underlined. We have footnoted additional explanations for specific recommended changes where needed.

(a) ***General development of business.*** Describe the general development of the business of the registrant, its subsidiaries, and any predecessor(s).

(1) In describing developments, ~~only information material to an understanding of the general development of the business is required.~~[22] ~~D~~ disclosure ~~may~~ should include, but ~~should~~ not be limited to, the following topics:

(i) Any material changes to ~~a previously disclosed~~ business strategy since the last annual report or registration statement;[23]

(ii) The nature and effects of any material bankruptcy, receivership, or any similar proceeding with respect to the registrant or any of its significant subsidiaries;

(iii) The nature and effects of any material reclassification, merger or consolidation of the registrant or any of its significant subsidiaries; and

[22] The word "material" is already used in each of (i) – (iv) below this line, making an overarching materiality filter excessive.

[23] This recommended change is intended to prevent omission of discussion of material changes in business strategy in cases where the business strategy was not previously disclosed.

(iv) The acquisition or disposition of any material amount of assets ~~otherwise than in the ordinary course of business~~.

…

(c) ***Description of business.***

(1) Describe the business done and intended to be done by the registrant and its subsidiaries, focusing upon ~~the registrant's dominant segment or~~ each reportable segment about which financial information is presented in the financial statements. ~~When describing each segment, only information material to an understanding of the business taken as a whole is required.~~ [24]Disclosure ~~may~~ should include, but ~~should~~ not be limited to, the information specified in paragraphs (c)(1)(i) through (v) of this section.

(i) Revenue-generating activities, products and/or services, and any dependence on revenue-generating activities, key products, services, product families or customers, including governmental customers;

(ii) Status of development efforts for new or enhanced products, trends in market demand and competitive conditions;

(iii) Resources material to a registrant's business, such as:

(A) Sources and availability of material inputs ~~raw materials~~;[25] and

(B) The duration and effect of all patents, trademarks, licenses, franchises, and concessions held;

(iv) A description of any material portion of the business that may be subject to renegotiation of profits or termination of contracts or subcontracts at the election of the Government; and

(v) The extent to which the business is or may be seasonal.

C. Item 102 (Description of Property) – *Include Digital, Intellectual or Intangible Properties, and Remove Excessive "Escape Hatch" Clauses to Elicit More Material Information.*

The Commission has required disclosure of physical properties in Item 102 since 1935, with minor amendments to the requirement over time.[26] Over the last 91 years, the US and global economy have changed considerably, towards a landscape dominated by services which do not necessarily rely on physical properties.[27] As we discuss at length in our 2025 report and investor survey, *Investor Perspectives: Intangible Assets*, accounting standards and disclosure rules have not kept up with these economic value drivers, causing investors to seek information elsewhere. In addition to the standard setters revisiting the financial statement disclosures under US GAAP and IFRS for intangibles, we encourage the Commission to widen its scope beyond the tangible in Regulation S-K because investors have told us that greater disclosures of intangibles outside the financial statements are also needed as the economy continues to become more intangibles-centric. The inclusion of such information on intangibles – in a disclosure first approach outside the financial statements – would provide investors with value relevant information protected by the forward-looking information

[24] We recommend removing this redundant language. Segments are inherently material to an understanding of the business taken as a whole because of the definition of segments in US GAAP and IFRS. Also, disaggregated information, of which segment information is one form, is virtually always more useful to investors than aggregated information especially when the aggregated items are heterogeneous.

[25] This recommended change is intended to widen the scope from raw materials to include all material inputs such as services, merchandise, etc.

[26] Concept Release: Business and Financial Disclosure Required by Regulation S-K pg. 81.

[27] As of 4Q2025, private services-producing industries accounted for 73% of US GDP (Bureau of Economic Analysis, FRED).

provisions of the relevant securities laws while also providing information to accounting standard setters to develop knowledge regarding how the accounting for such intangible assets should be developed over time. Item 102 (Properties) is one logical place for such disclosures. We present regulation text below with our recommendations struck through and additions underlined:

> To the extent material, disclose the location and general character of the registrant's principal physical properties and digital or intellectual properties. In addition, identify the segment(s), as reported in the financial statements, that use the properties described. If any such property is not held in fee or is held subject to an encumbrance that is material to the registrant, so state and describe briefly how held.
>
> *Instruction 1 to Item 102:* This item requires information that will reasonably inform investors as to the suitability, adequacy, productive capacity, and extent of utilization of the principal ~~physical~~ properties of the registrant and its subsidiaries, to the extent the described properties are material. ~~A registrant should engage in a comprehensive consideration of the materiality of its properties~~. If appropriate, ~~descriptions~~ properties may be aggregated into types or classes, provided that the principles of such aggregations are disclosed in reasonable detail. ~~on a collective basis~~ ~~aggregated~~ ; ~~detailed descriptions of the physical characteristics of individual properties or legal descriptions by metes and bounds are not required and shall not be given.~~

D. Item 103 (Legal Proceedings) – *Require Broader and More Analytically Useful Disclosures in This Item as Compared to What Is Disclosed in Financial Statements.*

We present regulation text below with our recommendations struck through and additions underlined. The recommended changes are intended to result in legal proceedings disclosures that complement rather than duplicate the disclosure of legal contingencies in the financial statements.

> (a) Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the registrant or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceedings and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities. Information may be ~~provided~~ incorporated by hyperlink or cross-reference to legal proceedings disclosure elsewhere in the document, such as in Management's Discussion & Analysis (MD&A), or Risk Factors ~~and notes to the financial statements~~. This disclosure is not intended to duplicate disclosure in the notes to the financial statements, its pervasive scope is intended to elicit incremental and contextual information not found in the notes to the financial statements.

E. Item 303 (Management's Discussion and Analysis of Financial Condition and Results of Operations) – *Emphasize That the Objective Is to Add Context and Perspective Not Only to the Consolidated Financial Statements but Segment Reporting as Well.*

We present regulation text below with our recommendations struck through and additions underlined:

> (a) ***Objective.*** The objective of the discussion and analysis is to provide material information relevant to an assessment of the financial condition and results of operations of the registrant including an evaluation of the amounts and certainty of cash flows from operations and from outside sources. The discussion and analysis must focus specifically on material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This includes descriptions and amounts of matters that have had a material impact on reported operations, as well as matters that are reasonably likely based on management's assessment to have a material impact on future operations. The discussion and analysis must be of the financial statements,

segment reporting and other statistical data that the registrant believes will enhance a reader's understanding of the registrant's financial condition, cash flows and other changes in financial condition and results of operations. The discussion and analysis must supplement and contextualize the information presented in, not duplicate, the financial statements. A discussion and analysis that meets the requirements of this paragraph (a) is expected to better allow investors to view the registrant from management's perspective and the business drivers both internal and external to the registrant that gave rise to the financial condition and results of operations of the registrant.[28]

(b) ***Full fiscal years.*** The discussion of financial condition, changes in financial condition and results of operations must provide informationas specified in paragraphs (b)(1) through (3) of this section and such other information that the registrant believes to be necessary to an understanding of its financial condition, changes in financial condition and results of operations. Where the financial statements reflect material changes from period-to-period in one or more line items, including where material changes within a line item offset one another, describe the underlying reasons for these material changes in quantitative and qualitative terms. Where in the registrant's judgment a discussion of segment information and/or of other subdivisions (*e.g.,* geographic areas, product lines) of the registrant's business would be necessary to an understanding of such business, such discussion must be provided ~~focus on each relevant reportable segment and/or other subdivision of the business and on the registrant as a whole~~.

…

(2) ***Results of operations.***

…

7. All references to the registrant in the discussion and in this section mean the registrant and its subsidiaries consolidated and/or its segments or other subdivisions (e.g., geographic areas, product lines) as appropriate.

Addressing Boilerplate Disclosures

A. Item 105 Risk Factors – *A Highly Principled Based Disclosure (The Requirements Are Only 263 Words) That Requires Refinements to Elicit Material, Company- And Industry-Specific Risk Factors.*

We present regulation text below with our recommendations struck through and additions underlined:

(a) Where appropriate, provide under the caption "Risk Factors" a discussion of the material factors that make an investment in the registrant or offering speculative or risky. This discussion must be organized logically in appropriately sections titled "Company-specific Risk Factors," "Industry-specific Risk Factors" and "General Risk Factors" with relevant headings and each risk factor should be set forth under a subcaption that adequately describes the risk. The presentation of risks that could apply generically to any registrant or any offering is discouraged in favor of entity-specific and industry-specific risks. ~~but to the extent generic risk factors are presented, disclose them at the end of the risk factor section under the caption "General Risk Factors."~~

(b) Concisely explain how each risk affects the registrant or the securities being offered. Such explanation must, at a minimum, address specific instances when the risk has manifested in prior periods (or if it has not), quantitative information on potential impact, and mitigating actions the

[28] The intention of these recommended changes is to elicit disclosure of more disaggregated information and information that contextualizes and supplements the financial statements, including information about the competitive landscape and business environment (commonly discussed in earnings calls) that drove the outcomes reported on in the financial statements.

registrant has taken or intends to take. If the discussion is longer than 15 pages, include in the forepart of the prospectus or annual report, as applicable, a series of concise, bulleted or numbered statements that is no more than two pages summarizing the principal factors that make an investment in the registrant or offering speculative or risky. If the risk factor discussion is included in a registration statement, it must immediately follow the summary section required by § 229.503 (Item 503 of Regulation S-K). If you do not include a summary section, the risk factor section must immediately follow the cover page of the prospectus or the pricing information section that immediately follows the cover page. Pricing information means price and price-related information that you may omit from the prospectus in an effective registration statement based on Rule 430A (§ 230.430A of this chapter). The registrant must furnish this information in plain English. See § 230.421(d) of Regulation C of this chapter.

Informing Key Debates with Empirical Study

Whether to reform Regulation S-K and what reforms should be pursued hinges on answers to empirical questions about several key topics, or narratives, that are discussed at length in the current discourse but without any rigor. We urge the Commission and staff to thoughtfully study and solicit stakeholder views on questions regarding the ideal number of public companies in the US, the impact of recent Commission disclosure simplifications, and what changes in technology mean for the SEC and how it approaches its disclosure mandates.

The Number of Public Companies in the US

The causes of the change in number of public companies in the US and what the SEC should do in response are complex issues that warrant study. ***We urge the Commission to constitute an advisory committee to study this and issue recommendations to the Commission and other policymaking and standard setting bodies***. The Commission could use prior efforts such as the Advisory Committee on Improvements to Financial Reporting and the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees as models for such a committee.

More specifically, we ***suggest that an Advisory Committee on Public and Private Market Structure be constituted*** to consider the following points. The Committee should include a broad range of stakeholders in the private and public markets primarily but not exclusively in the US.

- The change in the number of public and private companies in the US, peer countries, and emerging markets in different time periods.
- Most and least likely reasons for the changes in number, with discussion of the strengths and weaknesses of various explanations.
- The effects of the change in the number of public and private companies in the US and whether they are positive, neutral, or negative with respect to the SEC's statutory mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation (i.e., is there a problem?).
- Consideration of the impact of the growing "retail-ization" of private companies that results in those companies raising capital from the public but without complying with most of the features of public companies.
- Recommendations for the SEC and other policymaking and standard setting bodies.

We believe that an Advisory Committee on Public and Private Market Structure could deliver thoughtful, nonpartisan insights on this important topic

Impact of Recent Disclosure Simplification Efforts

The past twenty years have seen significant disclosure accommodations and reductions by Congress and the Commission, such as those highlighted in the chart below.

As the Commission looks to embark on another round of disclosure reductions, it should examine these prior actions and their impact to help answer the following questions, which would inform the Commission path forward:

- Did the disclosure reductions achieve their stated aims?
- Were costs reduced? Was there any offsetting impact on investors' required rates of return?
- Were there unintended consequences?
- What impact did they have on the number of public companies?

- **2005** – Created the "well-known season issuer" framework and automatic shelf registration.
- **2008** – Replaced the older small-business issuer regime with the smaller reporting company (SRC) framework and expanded access to scaled disclosure for companies.
- **2010** – Dodd-Frank Act Section 989G permanently exempted non-accelerated filers from the auditor attestation requirement for internal control over financial reporting.
- **2012** – JOBS Act created Emerging Growth Company (EGC) status, allowing qualifying newly public companies to use scaled disclosures, including reduced financial-statement periods and relief from certain governance and audit requirements.
- **2018** – FAST Act / Disclosure Update and Simplification – Removed various "redundancies" with US GAAP from Commission rules.
- **2018** – Expanded the pool of issuers eligible for SRC scaled disclosures.
- **2020** – Excluded issuers that qualify as SRCs and have less than $100 million in annual revenue from accelerated/large accelerated filer status.
- **2020** – Reduced business description, legal proceedings, and risk factor requirements in favor of more materiality, principles-based approach.
- **2021** – Eliminated Item 301 selected financial data, streamlined Item 302 supplementary quarterly financial information, and revised MD&A including reducing requirements related to contractual obligations disclosure.

Additionally, two recent disclosures that have been added to Regulation S-K are those on human capital and cybersecurity. Some commenters have advocated for their deletion, just a few years after implementation. The question for the Commission on these disclosures is what has changed about, or turned out to be incorrect in, the economic analysis that underpinned these disclosures just a short time ago that would warrant reversing course? Changing such disclosures so soon after their implementation raises questions regarding the efficacy and credibility of the SEC's cost benefit analysis.

Changes in Technology

The costliness of disclosures for companies[29] and investors being "overloaded" with information are frequently invoked narratives for disclosure requirement reductions. They were a driving force behind the Commission's prior Disclosure Effectiveness Initiative that began in 2013. Over the past thirteen years, the information technology landscape has changed rapidly, with developments in cloud computing, artificial intelligence, and a raft of application software that has enabled the highly efficient production, audit, and consumption of financial information.

The Commission's rulemaking should take these developments into account so that disclosure requirements remain fit for purpose and proposed changes do not readdress problems solved in the prior era. This is an important aspect of the Commission knowing "the audience" for its disclosure mandates, as Commissioner Peirce spoke to in *The Art and Science of Materiality*: *"…if public companies are making disclosures, they need to know who the intended audience is. And the SEC, as crafter of disclosure mandates needs to know too. Only then will the disclosures meet that audience's need."*

It is important that the Commission and staff consider, among other technology questions:

- Issuers' use of AI to produce information and prepare filings.
- Investors' use of AI to consumer, interpret, and act on information.

We are happy to connect the Commissioners and staff with our membership to help facilitate these important initiatives from the investor perspective.

We note that in 2008, the SEC embarked on its *21st Century Disclosure Initiative* and that in 2025 the SEC established an AI Task Force to enhance innovation and efficiency across the agency, we believe it is imperative that the SEC put changes in technology at the forefront before any rulemaking.

[29] In a statement and remarks released in conjunction with testimony before the House Financial Services Committee and testimony to the Senate Banking Committee in February, SEC Chairman Atkins asserted that public companies spend $2.7 billion annually to file their annual reports. A source was not cited for this amount which represents approximately 0.002% of America's $124.3 trillion capital markets. We believe it is important for the Commission to provide support for any cost assessment.

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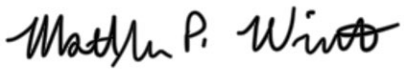
Thank you for your consideration of our views and perspectives. We would welcome the opportunity to meet with you to provide more detail on our letter. If you have any questions or seek further elaboration of our views, please contact Sandra J. Peters at sandra.peters@cfainstitute.org and Matthew P. Winters at matt.winters@cfainstitute.org.

Sincerely,



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