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NewsRelease

SEC Proposes Amendments to Smaller Reporting Company Definition

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Washington D.C., June 27, 2016 —

The Securities and Exchange Commission voted today to propose amendments that would increase the financial thresholds in the “smaller reporting company” definition. The proposal to update the definition would expand the number of companies that qualify as smaller reporting companies, thus qualifying for certain existing scaled disclosures provided in Regulation S-K and Regulation S-X.

“Raising the financial thresholds in the smaller reporting company definition is intended to promote capital formation and reduce compliance costs for smaller companies while maintaining important investor protections,” said SEC Chair Mary Jo White. “The Commission will benefit greatly from the public comments we receive from investors, issuers and other affected market participants on today’s proposal, as well as comments we receive on the Regulation S-K concept release, which will help inform any changes to the scaled disclosure system or other changes to our disclosure requirements.”

Smaller reporting companies may provide scaled disclosures under the Commission’s rules and regulations. The proposed rules would enable a company with less than \$250 million of public float to provide scaled disclosures as a smaller reporting company, as compared to the \$75 million threshold under the current definition. In addition, if a company does not have a public float, it would be permitted to provide scaled disclosures if its annual revenues are less than \$100 million, as compared to the current threshold of less than \$50 million in annual revenues.

In addition, as in the current rules, once a company exceeds either of the thresholds, it will not qualify as a smaller reporting company again until public float or revenues decrease below a lower threshold. Under the proposal, a company would qualify only if its public float is less than \$200 million or, if it has no public float, its annual revenues are less than \$80 million.

The Commission is not proposing to increase the \$75 million threshold in the “accelerated filer” definition. As a result, companies with \$75 million or more of public float that would qualify as smaller reporting companies would be subject to the requirements that apply currently to accelerated filers, including the timing of the filing of periodic reports and the requirement that accelerated filers provide the auditor’s attestation of management’s assessment of internal controls over reporting required by Section 404(b) of the Sarbanes-Oxley Act of 2002.

Public comment on the proposed amendments should be received by the Commission no later than 60 days after publication in the Federal Register.

Source: SEC.GOV