Should Directors Control Reporting Frequency?

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Abstract

This essay considers whether regulators should let directors control a public firm's reporting frequency. It is prompted by the May 2026 SEC proposal to permit directors of domestic issuers to file financial reports semiannually rather than quarterly. I show that directors of non-controlled firms may cut reporting frequency even when it makes investors worse off: they reap the same benefits pro rata but bear little if any of the costs. In fact, some investor costs translate into director benefits. In controlled firms the distortion is worse. Public investors should therefore have to approve any reduction. But at IPO a firm should be free to choose the reporting frequency it prefers, potentially subject to safeguards.

Keywords: mandatory disclosure, quarterly reporting, semiannual reporting, SEC, agency costs, directors, public investors, controlling stockholder

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Should Directors Control Reporting Frequency?

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ABSTRACT

This essay considers whether regulators should let directors control a public firm's reporting frequency. It is prompted by the May 2026 SEC proposal to permit directors of domestic issuers to file financial reports semiannually rather than quarterly. I show that directors of non-controlled firms may cut reporting frequency even when it makes investors worse off: they reap the same benefits pro rata but bear little if any of the costs. In fact, some investor costs translate into director benefits. In controlled firms the distortion is worse. Public investors should therefore have to approve any reduction. But at IPO a firm should be free to choose the reporting frequency it prefers, potentially subject to safeguards.

* William Nelson Cromwell Professor of Law, Harvard Law School. Thanks to Steve Bainbridge, John Coates, Jack Coffee, Jim Cox, Merritt Fox, and Bob Pozen for helpful comments, and to Joshua Koegel HLS '27 for valuable research assistance. This working paper previously circulated under the title "*Should Regulators Allow Public-Firm Managers to Unilaterally Reduce Reporting Frequency*?."

Part I. Introduction

U.S. domestic issuers[1] are currently required to file financial reports quarterly.[2] On May 5, 2026, the Securities and Exchange Commission (SEC) proposed amendments letting domestic issuers opt for semiannual reporting.[3] Managers alone would make the choice.[4]

The SEC's rationale for this "increased regulatory flexibility":[5] halving disclosure frequency cuts compliance costs, managerial distraction, and short-termism.[6] These savings, the SEC adds, could yield another benefit: inducing more firms to go public.[7]

The proposal raises a broader question: should managers ever be allowed to cut a firm's previously-mandated reporting frequency without investor consent?[8] The question will remain relevant whether or not the SEC's proposal is adopted. For example, if the SEC allows domestic

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[1] By "domestic issuer," I mean a firm traded publicly in the United States that is not a foreign private issuer (FPI), defined *infra* note [X].

[2] Quarterly reporting developed over decades: the NYSE began requiring quarterly earnings reports in the 1920s, and the SEC's Rule 13a-13 (1970) extended quarterly Form 10-Q filing to all Exchange Act reporting companies. *See* James J. Park, Do the Securities Laws Promote Short-Termism?, 10 U.C. IRVINE L. REV. 991 (2020).

[3] Semiannual Reporting, Securities Act Release No. 33-11414, Exchange Act Release No. 34-105368, 91 Fed. Reg. 24,968 (proposed May 7, 2026) (to be codified at 17 C.F.R. pts. 210, 229, 232, 240, 249)(Proposed Amendments to Exchange Act Rules 13a-13 and 15d-13—Optional Semi-annual Reporting in Lieu of Quarterly Reports on Form 10-Q), SEC Proposed Rule, Release No. 33-11414 (PDF), https://www.sec.gov/files/rules/proposed/2026/33-11414.pdf (hereinafter, "SEC Release").

[4] Under the proposal, the issuer—meaning its board—chooses the frequency. SEC Release, at 7. I use "managers" to mean both directors and officers: on reporting frequency their interests are likely to generally align, and directors are unlikely to cut reporting frequency if officers object.

[5] *See* Statement on Proposing Release for Semiannual Reporting, Paul S. Atkins, Chairman**,** U.S. Sec. & Exch. Comm'n, at 1, https://www.sec.gov/newsroom/speeches-statements/atkins-statement-proposing-release-semiannual-reporting-050526 ("Today's proposed amendments, if ultimately adopted, would provide companies with increased regulatory flexibility in this regard").

[6] SEC Release, at 16-17.

[7] SEC Release, at 17-18, 23.

[8] Throughout, "reducing reporting [or disclosure] frequency" means cutting it below a previously-mandated level. As Part IV explains, a firm might go public committed to semiannual reporting, raise the frequency to quarterly, then drop back—a cut that could also harm investors, but one I would not subject to an investor vote. *See infra* Part IV.

issuers to opt for semiannual reporting, it may in the future allow them to opt for annual reporting, as it allows private issuers[9] listed on U.S. exchanges.[10]

Giving managers that power, I argue, is undesirable.

The essay makes four claims.

First, managers of non-controlled firms will be inclined to cut disclosure frequency even when it leaves investors[11] worse off. They reap the same benefits pro rata but bear few if any of the costs; in fact, some costs translate into benefits for managers (Part II.A).

Second, in controlled firms this distortion is worse (Part II.B).

Third, investors should have to approve any reduction, whether the firm is controlled or not. A veto makes investor harm less likely—and makes any reduction more likely to be "firm-optimal," one that increases the pie shared by investors and insiders[12] (Part III).

Fourth, a firm should be free to choose its disclosure frequency at the IPO, potentially subject to safeguards. When investors are informed, IPO terms are unlikely to be very inefficient, and investors who dislike them can simply walk away (Part IV).

One caveat: a firm's disclosure frequency may well have externality effects on other firms and their investors.[13] I assume that spillover is small enough to ignore. If it is not, regulators should bar the cut entirely, even with investor consent or at the IPO.

A conclusion follows (Part V).

Part II. Managers' Distorted Incentives When Choosing Disclosure Frequency

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[9] An FPI is a firm publicly traded in the United States that is incorporated elsewhere, unless it meets both (1) a shareholders test—U.S. residents own, directly or indirectly, more than 50% of its voting securities—and (2) a business-contacts test. See 17 C.F.R. § 230.405 ("Rule 405") under the Securities Act of 1933, as amended, and 17 C.F.R. § 240.3b-4 ("Rule 3b-4") under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

[10] *See* Jesse M. Fried & Ehud Kamar, *China and the Rise of Law-Proof Insiders*, 48 J. CORP. L. 215, 247 (2023) (explaining that FPIs, including China-based FPIs, are required to report only annually).

[11] By "investors," I mean shareholders other than the firm's insiders—its managers and controller, if any.

[12] By "insiders," I mean the firm's managers and controller (if any).

[13] For arguments that disclosure creates positive externalities across the market, *see* John C. Coffee, Jr., *Market Failure and the Economic Case for a Mandatory Disclosure System,* 70 VA. L. REV. 717 (1984) (firm disclosure has public-good and third-party features—benefiting the broader market and capital allocation—so private actors undersupply it relative to the social optimum)*;* Merritt B. Fox, *Retaining Mandatory Securities Disclosure: Why Issuer Choice is Not Investors Empowerment,* 85 VA. L. REV. 1135 (1999) (arguing that firms will choose less disclosure than is socially optimal).

Managers face distorted incentives over disclosure frequency. They may cut it even when that hurts investors and shrinks the economic pie—and the distortion is worse in controlled firms. Section A takes up non-controlled firms. Section B turns to controlled firms. Section C presents evidence that managers' and investors' interests can diverge over disclosure.

A. Non-Controlled Firms

Consider a non-controlled firm—one where investors can oust managers through a proxy fight or hostile takeover. Managers reap the same benefits from a cut as investors do but bear almost none of the costs. Indeed, managers experience some costs as benefits. Thus, all else equal, they will favor cutting frequency even when it harms investors. But fear of ouster may hold them back.

1. Reducing Disclosure Frequency: Potential Benefits and Costs for Investors

a. Benefits

In non-controlled firms, reducing reporting frequency can yield three benefits for investors.

i. Reduced Firm Direct Costs

Fewer reports mean lower compliance costs—preparing, reviewing, and filing them. Moving from quarterly to semiannual reporting, for instance, spares the firm the costs of filing quarterly reports on Form 10-Q for the first and third quarters.[14] All else equal, that lifts firm value and so indirectly benefits investors.

ii. Reduced Supply of Sensitive Information to Competitors

Less-frequent reporting withholds, or at least delays, competitively sensitive information that could erode firm value.[15] This indirectly benefits investors.[16]

iii. Reduced Managerial Distraction and Short-Termism

[14] The SEC estimates that on average, moving from quarterly to semiannual filing saves firms more than roughly $200K a year—savings that indirectly benefit investors. SEC Release, at 106.

[15] *See, e.g.*, Robert E. Verrecchia, *Discretionary Disclosure*, 5 J. ACCT. & ECON. 179 (1983) (explaining that managers will, if given a choice, have an incentive to withhold information that could benefit competitors).

[16] As noted in the Introduction, I assume that market-wide externalities from changing disclosure frequency are not significant. For a single firm, though, releasing sensitive information could both cost it and benefit others significantly.

Less-frequent reporting may also reduce managerial distraction and short-termism.[17] For example, managers might have less incentive to engage in "real earnings management" that can reduce long-term value by small amounts.[18] Investors would indirectly benefit.

b. Costs

But less-frequent reporting also can impose three costs on investors.

i. Increased Investor-Assessment Costs

Investors must now "estimate" the results the firm no longer reports—say, by extrapolating from peers that still report.[19] Summed across investors, that effort likely exceeds the firm's cost of disclosing what it already knows—and the estimates are worse besides.[20]

ii. Increased Information Asymmetry and Its Associated Costs

Less-frequent reporting delays disclosure of material information about the issuer's finances and operations and strips out fine-grained detail, widening the information gap between insiders and the market.[21]

Increased information asymmetry harms investors in three ways:

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[17] *See* Frank Gigler et al., *How Frequent Financial Reporting Can Cause Managerial Short-Termism: An Analysis of the Costs and Benefits of Increasing Reporting Frequency*, 52 J. ACCT. RSCH. 357 (2014) (showing, theoretically, that higher reporting frequency could increase managerial short-termism). However, evidence from the U.K. suggests that firms moving from quarterly to semiannual reporting do not appear to increase investment. *See* Robert Pozen, Suresh Nallareddy, and Shivaram Rajgopal, *Impact of Reporting Frequency on UK Public Companies* (CFA Institute Research Foundation 2017) (finding that companies that moved to semiannual reporting after 2014 without supplementing with voluntary quarterly reports did not have detectable increases in investment).

[18] *See, e.g.*, John R. Graham et al., *The Economic Implications of Corporate Financial Reporting*, 40 J. ACCT. & ECON. 3 (2005) (finding, based on a survey of 400 executives, that managers place a great deal of importance on meeting earnings benchmarks, with 78% of the surveyed executives indicating a willingness to sacrifice at least a small amount of long-term value to smooth earnings). However, to the extent the significance of missing a less frequent (say, semi-annual) target is much greater than that of missing a quarterly target, managers subject to less frequent disclosure might be incentivized to sacrifice even more long-term value in real earnings management.

[19] *See* John C. Coffee, Jr., *Market Failure and the Economic Case for a Mandatory Disclosure System*, 70 VA. L. REV. 717, 733-34 (1984) (arguing that mandatory disclosure "reduces wasteful duplication by establishing a central information repository").

[20] *See, e.g.*, Salman Arif & Emmanuel De George, *The Dark Side of Low Financial Reporting Frequency: Investors' Reliance on Alternative Sources of Earnings News and Excessive Information Spillovers*, 95 ACCT. REV. 6 23, 23 (2020) (concluding that "investors are unable to successfully offset the information loss arising from low reporting frequency, thus impairing their ability to value firms and adversely affecting the quality of financial markets").

[21] *See, e.g.,* Renhui Fu et al., *Financial Reporting Frequency, Information Asymmetry, and the Cost of Equity*, 54 J. ACCT. & ECON. 132, 132 (2012) ("[u]sing hand-collected data on [US] firms' interim reporting frequency from 1951 to 1973" and finding that "higher reporting frequency reduces information asymmetry and the cost of equity").

(1) by boosting insiders' ability to engage in insider trading on material (as well as important but "sub-material"[22]) nonpublic information[23], which reduces investors' returns, either through insiders' direct trading[24] or their indirect insider trading via the corporation.[25]

(2) by increasing uncertainty, which tends to lower the stock price.[26]

(3) by reducing analysts' incentives to cover the issuer,[27] which can further reduce liquidity[28] and lower the stock price.[29]

iii. Reduced Managerial Effort

Less reporting cuts both ways: it can not only reduce managerial distraction and short-termism but also managerial effort.

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[22] *See* Jesse M. Fried, *Reducing the Profitability of Corporate Insider Trading Through Pretrading Disclosure*, 71 S. CAL. L. REV. 307, 311-13 (1998) [hereinafter, Fried, *Reducing the Profitability*] (explaining why insider trading on sub-material nonpublic information generates similar harms to trading on material nonpublic information).

[23] *Cf.* Robert C. Pozen & Mark J. Roe, Those Short-Sighted Attacks on Quarterly Earnings, Harvard Law School Forum on Corporate Governance (October 8, 2015), https://corpgov.law.harvard.edu/2015/10/08/those-short-sighted-attacks-on-quarterly-earnings/ (noting that increasing the "going dark" period between reports will increase "the temptation for insider trading"). For a contrary view, *see* Stephen M. Bainbridge, Letter of Comment Re Proposed Amendments to Exchange Act Rules 13A-13 and 15D-13 – Optional Semi-Annual Reporting In Lieu of Quarterly Reports on Form 10-Q (May 11, 2026) at 7, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6750300 [hereinafter, Bainbridge, Comment Letter].

[24] *See* Fried, *Reducing the Profitability, supra* note [X], at 307 (insider trading profits reduce, dollar-for-dollar, the profits of other stockholders).

[25] *See* Jesse M. Fried, *Insider Trading via the Corporation*, 164 U. PA. L. REV. 801 (2014) (explaining how insiders can exploit inside information to enrich themselves via the firm's transactions in its own shares).

[26] *Cf.* Richard Lambert et al., *Accounting Information, Disclosure and the Cost of Capital*, 45 J. ACCT. RSCH. 385 (2007) (using model to show that higher quality disclosures raise a firm's stock price).

[27] *See* Robert Pozen, Suresh Nallareddy & Shivaram Rajgopal, *Impact of Reporting Frequency on UK Public Companies* (Colum. Bus. Sch. Rsch. Paper No. 17-59, 2017) (finding that analyst following increased after imposition of mandatory quarterly reporting in 2007, and that companies that moved to semiannual reporting after 2014 without supplementing with voluntary quarterly reports experienced a reduction in analyst coverage).

[28] *See, e.g.*, Karthik Balakrishnan et al., *Shaping Liquidity: On the Causal Effects of Voluntary Disclosure*, 69 J. FIN. 2237 (2014) (finding that a reduction in analyst coverage reduces liquidity).

[29] Yakov Amihud & Haim Mendelson, *Asset Pricing and the Bid-Ask Spread*, 17 J. FIN. ECON. 223 (1986).

First, less frequent disclosure makes managers harder to monitor (and then potentially replace), increasing the incentive to slack off.[30]

Second, a wider information gap makes it riskier and thus potentially less likely for activist funds to build stakes, weakening that discipline further. Both effects tend to lower firm value and indirectly harm investors.

2. Reducing Disclosure Frequency: Managers' Distorted Incentives

Managers' cost-benefit considerations are different. As shareholders they share the potential benefits of a disclosure-frequency cut pro rata, yet bear almost none of the costs—and some of investors' costs are, for managers, benefits.

So managers will always prefer a cut when investors do—and often when investors don't, even if this would shrink the shared pie.[31]

a. Same Pro-Rata Benefits as Public Investors

Equity-owning managers enjoy the same three benefits as investors, pro rata:

(1) Reduced firm direct costs.

(2) Reduced supply of sensitive information to competitors.

(3) Reduced managerial distraction and short-termism.

b. Lower Costs than Public Investors

But managers do not bear investors' costs—and some of those costs are, for managers, benefits. Consider them in turn.

(1) Investor-assessment costs. Managers, who know how the firm is doing, avoid these entirely.

(2) Increased information asymmetry and related costs. Everything else equal, the value of managers' shares declines. But they can trade more profitably on what they alone know. On net, they experience this cost less than investors do—or as a gain.

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[30] *See* Zohar Goshen and Gideon Parchomovsky, *The Essential Role of Securities Regulation*, 55 DUKE L. J. 711, 760 (2006) (noting how increased disclosure puts poorly performing management teams at greater risk of replacement); Benedikt Downar et al., *The Monitoring Effect of More Frequent Disclosure*, 35 CONTEMP. ACCT. RSCH. 2058 (2018) (finding evidence consistent with the argument that more frequent disclosure provides shareholders with the opportunity for timelier monitoring and the ability to better constrain managers from misusing corporate resources).

[31] One caveat: reducing reporting frequency in the United States can impose additional personal costs on directors. For example, they might have to work harder figuring out insider trading policy and issuing more Forms 8-K ("current report" capturing material events between periodic filings), and worry about reputational risks. To the extent that these concerns loom sufficiently large for a particular board, that firm is unlikely to be inclined to reduce reporting frequency.

(3) Reduced effort. Managers slack off only when the non-pecuniary payoff outweighs the hit to their shares—so for them, this too is a net benefit.

Table 1 below summarizes the different perspectives of managers and investors in non-controlled public firms.

Table 1: Benefits and Costs of Reduced Disclosure Frequency in Non-Controlled Firms

Benefits	Investors (pro rata)	Managers (pro rata)	Costs	Investors	Managers
Reduced Firm Direct Costs	B1	B1	**Increased Investor-Assessment Costs**	C1	0
Reduced Supply of Sensitive Information to Competitors	B2	B2	**Increased Information Asymmetry and Related Costs**	C2	< C2 [or net benefit]
Reduced Managerial Distraction and Short-Termism	B3	B3	**Reduced Managerial Effort**	C3	[net benefit]

3. Reducing Disclosure Frequency: Managers' Overall Incentives

Because managers reap the same benefits pro rata as investors, and bear less if any of the costs (some of which managers experience as additional benefits), they will, all else equal, want to cut disclosure frequency even when it harms investors.

But in a non-controlled firm, managers may decide it's better not to do so over investor objections: unhappy investors are likelier to back a proxy challenger or hostile bidder who throws at least some of the managers out. If managers are not so deterred, investors lose—and the pie can be expected to shrink, because investors' loss will tend to exceed managers' gains. [32]

B. Controlled Firms

Now consider controlled firms, where a controller appoints the managers. Four things change:

First, every benefit and cost from the non-controlled case carries over, *with two important, related exceptions*. Because the controller, not investors, can remove managers, a cut can neither (1) reduce managerial distraction and short-termism (a potential benefit of cutting disclosure frequency) nor (2) reduce managerial effort (a potential cost).

[32] Managers' gain comes from insider-trading profits (extracted from investors) and from slacking off—gains that likely fall short of the resulting direct harm to investors directly (because of losses to insider trading, etc.) and indirectly (because of a drop in firm value).

Second, managers may nominally set frequency, but the controller calls the shots, so the remaining benefits and costs must be considered from the controller-and-managers' combined perspective. Fortunately, for the controller they look much the same as for managers.[33]

Table 2 below summarizes the different perspectives of investors and the controller/managers in controlled firms.

Table 2: Benefits and Costs of Reduced Disclosure Frequency in Controlled Firms					
Benefits	**Investors (pro rata)**	**Controller and Managers (pro rata)**	**Costs**	**Investors**	**Controller and Managers**
Reduced Firm Direct Costs	B1	B1	**Increased Investor-Assessment Costs**	C1	0
Reduced Supply of Sensitive Information to Competitors	B2	B2	**Increased Information Asymmetry and Related Costs**	C2	< C2 [or net benefit]

Third, the restraint that fear of ouster creates in a non-controlled firm is gone: the controller has nothing to fear from investors unhappy about reduced disclosure frequency.

Fourth, a reduction in disclosure frequency opposed by investors usually shrinks the pie in controlled firms too—but not always. If the controller owns, say, 90% of the equity, few outside investors absorb the loss, and the controller/managers' gain can exceed it.

C. Evidence that Managers Often Prefer Less Disclosure than Investors

The evidence that managers and investors diverge over the amount of disclosure—with managers often wanting less—is substantial.[34] The evidence takes two forms: (1) the disclosure practices of publicly-traded firms that are not subject to mandatory disclosure, and (2) stock price reactions to publicly-traded firms (a) becoming subject to mandatory disclosure (against managers' wishes) or (b) being removed by managers from the mandatory disclosure regime.

1. When Disclosure is Voluntary, Managers Often Fail to Disclose Anything

Over-the-counter (OTC) firms were exempt from mandatory disclosure until 1965, when it reached all firms with sufficient assets and more than 500 recordholders.[35] Because a

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[33] Controller and managers both share pro rata in the two remaining benefits—lower direct costs and less leakage to competitors—while escaping investors' costs: they bear no investor-assessment costs, and experience information asymmetry as less of a cost, or as a net gain.

[34] So far as I know, no one has studied this manager-investor divergence over disclosure frequency.

[35] *See* Allen Ferrell, *Mandatory Disclosure and Stock Returns: Evidence from the Over-the-counter Market*, 36 J. LEG. STUD. 213, 223-25 (2007) (describing the 1964 legislation). Today a company enters the regime when, at fiscal

recordholder is whoever the firm's books name as owner—usually a nominee institution, not the beneficial owner—a firm with 500 recordholders can have thousands of real shareholders.[36]

Pre-1965, many OTC firms disclosed nothing at all—plainly less than investors would have wanted. In a 1963 SEC sample of OTC firms traded in late 1961, more than a quarter reported nothing about their financial position or results.[37]

Today, publicly-traded firms can exit the regime and remain publicly-traded if (1) trading in their securities is moved exclusively to the "Pink Sheets" market; and (2) the firm does not have any class of securities outstanding with at least 300 recordholders.[38] Hundreds of U.S. companies—some with thousands of shareholders—have used the recordholder test to escape mandatory disclosure while their shares keep trading.[39]

Once out, insiders may disclose whatever they like.[40] However, firms exiting mandatory disclosure are said to "go dark": afterward, insiders typically refuse to tell public investors anything. In a study of 500 firms that went dark between 1998 and 2004, only 10% provided any financial statements to investors on a website, not all of which were audited.[41]

2. Stock-Price Reactions to Changes in Disclosure Regime

Stock-price reactions—when firms are forced into the regime, and when managers take them out—tell the same story.

Two studies examine OTC firms forced into the regime in 1965 after their managers had chosen to stay out. One study estimated that affected OTC firms experienced statistically

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year-end, it holds more than $10 million in assets and a class of equity held of record by 2,000 persons—or 500 who are not accredited investors. *See* Section 12(g) of the Securities Exchange Act of 1934.

[36] *See* Jesse M. Fried, *Firms Gone Dark*, 76 U. CHI. L. REV. 135, 135-36 (2009). *See also* Section 12(g) of the Securities Exchange Act of 1934.

[37] *See* Joel Seligman, *The Historical Need for a Mandatory Corporate Disclosure System*, 9 J. CORP. L. 1, 39-40 (1983) (also reporting that a 1957 SEC study found that "more than 25 percent of the issuers responding did not disseminate any financial information to shareholders at all").

[38] *See* Jesse M. Fried, *Firms Gone Dark*, *supra* note [X], at 135–36. If total assets did not exceed $10 million on the last day of each of the three most recent fiscal years, the recordholder threshold for exit is 500. *See* Section 12(h)(3) of the Securities Exchange Act of 1934. Banks, holding companies, and savings-and-loan companies may suspend reporting if they have fewer than 1,200 holders of record. See JOBS Act, Pub. L. No. 112-106, §§ 601–602, 126 Stat. 306 (2012); 15 U.S.C. § 78l(g)(4).

[39] Some firms had more than 300 recordholders shortly before exiting but used a reverse stock split or repurchase tender offer to get below the 300 recordholder threshold. *See* Fried, *Firms Gone Dark, supra* note [X], at 136.

[40] Firms may still be subject to state law disclosure requirements, which tend to be minimal. *See* Fried, *Firms Gone Dark, supra* note [X], at 139

[41] Christian Leuz et al., *Why do firms go dark? Causes and economic consequences of voluntary SEC registrations*, 45 J. ACCT. & ECON. 181, 203 (2008).

significant, positive abnormal returns ranging between 11% and 22% during the period from January 1, 1963 (around the time regulatory change began to appear likely) through November 15, 1965.[42] The second study reported a 6% abnormal return for 1963.[43] Investors, in short, gained from disclosure their managers had resisted.

Exit announcements run the other way: the stock usually drops sharply, a sign that managers will cut disclosure even at investors' expense. In a ten-day window around the time firms announce their intention to go dark, abnormal (market-adjusted) cumulative returns are -10%.[44] In contrast, firms announcing going-private transactions (transactions in which all public shareholders are cashed out) experience positive market-adjusted returns in a comparable window.[45]

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Managers cannot yet set disclosure frequency, but they can sometimes choose whether to be subject to mandatory disclosure at all. When they opt out, they often tell investors nothing—clearly less than investors want. The 1960s and going-dark studies show, in stock prices, that investors do better when managers must disclose more than they prefer and worse when managers can decide how much to disclose. Together they support, if indirectly, the claim that managers given the choice will cut frequency even when it harms investors.

Part III. For Post-IPO Firms, Give Investors the Vote

A. A Shareholder-Veto Rule

My proposed rule is simple: a firm—controlled or not—may cut reporting frequency only with the consent of a majority of the firm's public investors (or at least a majority of their voted shares).[46] An exception could be made for a firm where a controller owns almost all of the shares (say, 90%).[47]

The logic is straightforward. Managers, as Part II showed, will cut frequency even when it harms investors and shrinks the shared pie. Requiring their consent makes both outcomes less likely.

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[42] *See* Ferrell, *supra* note [X], at 214.

[43] Michael Greenstone, Paul Oyer, and Annette Vissing-Jorgensen, Mandated Disclosure, Stock Returns and the 1964 Securities Acts Amendments, 121 Q.J. ECON. 399, 402-403 (2006).

[44] *See* Leuz et al., *supra* note [X], at 182

[45] *Id*.

[46] This builds on my work in *Firms Gone Dark*, where I proposed that public investors approve any exit from mandatory disclosure that does not cash them out. *See* Fried, *Firms Gone Dark*, *supra* note [X].

[47] Because investors own so little equity, the cost imposed on them by reducing disclosure frequency is likely to be insignificant, making it unlikely that such a reduction is pie-shrinking.

A vote does impose costs on the firm that are indirectly borne by investors (and insiders). But investors already vote not once but every year[48] on say-on-pay and shareholder resolutions that likely matter far less than disclosure frequency.[49]

B. Would a Precatory Vote Suffice?

After the SEC's proposal, prominent securities scholars suggested giving shareholders a precatory vote.[50] They write:

> "Hypothetically, if 90 percent of shareholders voted in favor of retaining quarterly reports, this would be important for management to know. Ignoring such information or failing to obtain it could result in activist hedge funds seeking board representation in order to challenge management's decision. This would be expensive to both sides and could be avoided if management sought a serious census of its shareholders before proceeding." [51]

If the SEC can compel a precatory vote but not a binding one, a precatory vote is worth requiring—it can only help. But in both controlled and non-controlled firms, its value is limited.

1. Non-controlled firms

In a non-controlled firm, managers are likely to care about investors' attitudes towards reducing disclosure frequency (because they may be ousted by unhappy investors). If they do, without a formal precatory vote, they will seek feedback from institutional investors (who hold

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[48] Dodd-Frank Wall Street Reform and Consumer Protection Act § 951, 15 U.S.C. § 78n-1 (2018) (requiring a shareholder advisory vote on executive compensation at least once every three years); *see also* Dodd-Frank's Unintended Consequences: Lawsuits Seeking To Enjoin Say-On-Pay And Equity Plan Shareholder Votes, CCB J. (June 24, 2013), https://ccbjournal.com/articles/dodd-franks-unintended-consequences-lawsuits-seeking-enjoin-say-pay-and-equity-plan- (noting that most public companies now hold say-on-pay votes annually).

[49] One could require public investors to re-approve semiannual reporting every X years, with the firm reverting to quarterly if the vote fails.

[50] John Coates, John C. Coffee, James D. Cox, Merritt Fox, and Joel Seligman, Shadow SEC Statement No. 8: Comment on SEC Proposal to Allow Companies to File Semiannual Reports on New Form 10-S in Lieu of Quarterly Form 10-Q Filings, The CLS Blue Sky Blog (June 1, 2026) https://clsbluesky.law.columbia.edu/2026/06/01/shadow-sec-statement-no-8-comment-on-sec-proposal-to-allow-companies-to-file-semiannual-reports-on-new-form-10-s-in-lieu-of-quarterly-form-10-q-filings/.

[51] *Id.*

less than 50% of smaller firms' shares,[52] but 70-80% of larger firms' shares[53]) about their views on such a reduction. A precatory vote cannot add much value here.[54]

2. Controlled firms

In a controlled firm it makes no difference at all: managers answer to the controller, not to investors, and can ignore the vote.[55]

Part IV. IPO Firms

The problems arising from allowing managers of already-public firms to reduce disclosure frequency do not arise when a firm indicates at the IPO that it is choosing (or may in the future choose) the lowest reporting frequency allowed by regulators.[56] So firms should be free to do exactly that, without any need for an investor vote.

Section A explains that arrangements in place at the IPO—before public investors decide how much (if anything) they are willing to pay for shares—cannot harm informed investors. Section B argues that if investors are informed, arrangements chosen by managers are also likely to be firm-optimal, or at least not too far from it. Section C discusses further considerations, including potential safeguards.[57]

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[52] Garnet Roach, *Only Small Caps See Minority of Shares Held by Institutions, Shows Research*, IR Impact (Jan. 18, 2022), https://www.ir-impact.com/2022/01/only-small-caps-see-minority-shares-held-institutions-shows-research/.

[53] OECD, *OECD Corporate Governance Factbook 2025: Global Public Markets and Corporate Ownership* (2025), https://www.oecd.org/en/publications/oecd-corporate-governance-factbook-2025_f4f43735-en/full-report/global-public-markets-and-corporate-ownership_c5012184.html.

[54] Where a non-controlled firm's managers shrug off investor opinion—say, because ouster is unlikely, the firm being unattractive to activists or acquirers—a precatory vote changes little there too. Such a firm is, for our purposes, effectively controlled.

[55] In the context of the SEC's proposal to allow managers to opt for semiannual reporting, which he supports, Steve Bainbridge suggests that managers be required to issue a press release explaining the switch and file the press release with a Form 8-K. *See* Bainbridge, *supra* note [X], at 11-12. I don't see how issuing a press release would deter managers of non-controlled firms and controlled firms from reducing reporting frequency even when it hurts investors. In my view, it would be even less effective than a precatory vote. *See generally* Stephen Bainbridge, *Is the Sky Falling? SEC Prepares Proposal to Eliminate Quarterly Reporting Requirement,* BainbridgeOnCorporations.com (Mar. 17, 2026), https://www.bainbridgeoncorporations.com/p/is-the-sky-falling-sec-prepares-proposal (defending the elimination of mandatory quarterly reporting).

[56] The firm could later raise its frequency and perhaps cut it again. No vote should be needed for that cut: investors already consented to the low baseline, and we should not deter firms from voluntarily reporting more. The firm could also commit to giving investors a vote on any subsequent reduction in frequency.

[57] As the Introduction notes, I assume the regulator has concluded that the spillover benefits of more frequent disclosure are too small to mandate it.

A. IPO Arrangements Cannot Harm Informed Investors

Securities regulation and corporate law alike assume investors are informed and rational enough to trade and vote in their own interest. Institutional investors buy around 90% of shares at IPOs,[58] and own a large percentage of shares, often exceeding 50%, in post-IPO firms.[59] U.S. investors can fairly be presumed to understand an IPO firm's governance terms.

To the extent investors are informed about disclosure—they can understand the disclosure arrangements of a firm at the IPO (and thereafter) and take them into account in assessing the value of the shares—the frequency the firm picks cannot be said to harm them. If they dislike the frequency, they can value the shares less. If they think the price exceeds the value, they don't need to buy. Those who do buy have no grounds to complain.

IPO investors already weigh single- versus dual-class stock and Delaware versus Nevada charters. Considering disclosure frequencies is no harder—indeed, they already buy FPIs that report just once a year. [60]

B. The Presumptive Firm-Optimality of IPO Disclosure Arrangements

With informed investors, firms going public tend to choose terms that are not too far from firm-optimal—disclosure included—because investors pay more for terms they like and less for terms they don't. Insiders will choose a lower frequency only when it helps both them and investors, or when their gain exceeds investors' loss.

C. Further Considerations

Once a regulator sets a floor, I see no reason an IPO firm can't elect that frequency—or give itself an option to drop to that frequency subsequently, without an investor vote.

If regulators believe that IPO terms do not stray too far from the firm-optimal, they may want to consider setting a lower minimum frequency for IPO firms than for already-public firms. FPIs already list here while being allowed to report just once a year, on the SEC's apparent view that annual disclosure suffices. If it suffices for FPIs, perhaps it should suffice for domestic issuers, which typically give U.S. investors stronger corporate-law protections and better enforceability.[61]

And, if regulators worry that small issuers might exploit unsophisticated buyers, they could demand more frequent disclosure except where the offering either clears a dollar threshold or draws enough institutional investors, or both.

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[58] *Fidelity, Understanding the IPO Share Allocation Process* (2025), https://www.fidelity.com/learning-center/trading-investing/trading/ipo-share-allocation-process (institutional investors receive "the lion's share" of an IPO; the historical institutional-to-retail split is about 90/10, varying deal to deal).

[59] *See supra* note [X].

[60] *See supra* note [X].

[61] *See e.g.,* Fried & Kamar, *supra* note [X] (documenting the limited enforceability of U.S. corporate and securities law against insiders of China-based FPIs).

Part V. Conclusion

A public firm's disclosure generates positive externalities for other firms and their investors. Assuming that a reduction in reporting cadence does not significantly reduce these externalities, regulators should enable firms to choose a lower reporting frequency.

However, this choice should not be made by managers alone. Managers of non-controlled firms will, if permitted, be inclined to cut disclosure frequency even when it harms investors and shrinks the pie they share with them. The reason is structural: managers capture the benefits pro rata but bear less of the costs—and some costs, like greater information asymmetry and weaker monitoring, actually translate into benefits for them. In a controlled firm, where a controller fears no ouster from unhappy investors, the distortion is worse.

I thus propose that no firm cut a previously-mandated reporting frequency without public-investor approval. A shareholder veto screens out value-destroying reductions, while permitting those that increase firm value. The cost of such a one-time vote is trivial next to annual say-on-pay votes and shareholder resolutions, which matter less.

For disclosure arrangements adopted at the IPO, no vote is needed. Arrangements adopted before investors decide what to pay cannot expropriate informed investors, who simply discount the price to reflect any disclosure frequency they dislike. And because pre-IPO insiders bear that discount, they have every reason to pick the frequency that maximizes firm value. Regulators should therefore permit firms to go public with the reporting frequency of their choice, without the need for any investor vote, down to the regulatory floor deemed appropriate for IPO firms.

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