A Shift To Semiannual Reporting May Reshape Litigation Risk

By **Pavithra Kumar** (November 3, 2025)

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The U.S. Securities and Exchange Commission's proposed shift from quarterly to semiannual reporting has reignited debate over the role of disclosure in shaping investor behavior.

Proponents argue that less frequent reporting will reduce compliance burdens and discourage short-termism. Critics warn of diminished transparency and increased risk of securities fraud.

But both camps may be missing the deeper truth: Changing the cadence of reporting won't alter the fundamental nature of how markets price securities. It will, however, reshape litigation risk and market dynamics in ways that legal practitioners must prepare for.

The Myth of Short-Termism: Reporting Frequency Isn't Culprit

The debate over shifting from quarterly to semiannual reporting is not new, but recent momentum from regulators and executives has put it back in the spotlight.

Quarterly reporting has long faced criticism for encouraging so-called short-termism, i.e., prioritizing short-term earnings targets to the detriment of the longer-term shareholder interests.[1] Studies have indicated that managers sometimes defer or cancel value-accretive projects with long-term value because the costs would reduce quarterly earnings per share.[2]

Despite this commonly espoused rhetoric, the periodicity of reporting is not the root cause of short-termism. Stock prices reflect the present value of long-term expected future cash flows — not just next quarter's earnings.

Rational investors, especially institutional ones, anchor their decisions in long-term fundamentals. Whether updates arrive every three or six months, the valuation lens remains forward-looking and perpetual.

What truly fuels short-termism is the culture of earnings guidance and the pressure to meet or beat consensus estimates. Changing the reporting schedule won't eliminate that dynamic, but it will just make it occur twice a year instead of four times a year. If anything, it may push companies toward more frequent voluntary — and sometimes more informal — disclosures, which carry their own litigation risks if deemed misleading or incomplete.

Economic Impacts of Shifting From Quarterly to Semiannual Reporting

Industry commentary and academic literature reveal a nuanced landscape of the benefits and drawbacks of shifting to semiannual reporting. Potential benefits include the following.

- Reduced short-term pressure: Fewer reporting cycles and less attention paid to near-term earnings per share performance may allow management to focus on strategic initiatives rather than quarterly earnings choreography. This could foster innovation, long-term capital allocation and more thoughtful guidance.[3]

- Lower compliance costs: Preparing and auditing quarterly reports is resource-intensive. Semiannual filings could reduce administrative burden, especially for smaller firms, freeing capital for growth and investor engagement.[4]
- Global alignment: Many jurisdictions — including the EU, U.K. and Australia — already operate under semiannual reporting norms. Harmonizing U.S. standards could enhance cross-border comparability and reduce competitive disadvantages.[5]
- Smoother volatility: With fewer earnings day shocks and a longer-term lens for viewing events, markets may experience less speculative trading and more stable pricing, benefiting long-term investors.[6]

However, the major drawback of shifting to less frequent reporting is an increased information gap between disclosures and reduced transparency. Fewer mandated disclosures would leave investors with fewer data points upon which to assess performance and risk,[7] impairing informational efficiency, particularly for retail investors and smaller issuers with limited analyst coverage. Reducing the frequency of the regular quarterly reporting schedule may also reduce comparability across companies and result in greater market uncertainty for investors.[8]

Further, longer gaps between disclosures may obscure emerging risks, making it harder for investors to monitor performance and boards to exercise oversight.[9] Quarterly scrutiny provides a form of ongoing accountability, pressuring management teams to correct underperformance quickly. With only two reporting windows each year, underperforming strategies could persist unmonitored for longer.[10]

Another key disadvantage of less frequent disclosures is greater informational asymmetry. Specifically, corporate insiders would continue to have access to detailed, current data, while public shareholders would have to wait months longer for official numbers. This may create a greater potential for insider trading and selective disclosures.[11]

In the absence of regular updates, companies may also feel pressure to provide informal guidance to select stakeholders.[12] Prices may become more sensitive to alternative data sources — press releases, social media or earnings whispers — raising questions about selective disclosure and Regulation FD compliance.[13] In addition, when earnings are released less frequently, the magnitude of surprises — positive or negative — may be larger, potentially increasing volatility rather than reducing it.[14][15]

Finally, the market's appetite for information won't shrink with fewer filings. Investor relations teams may face intensified demands for interim updates, press releases and non-generally accepted accounting principles metrics to fill the void.[16]

In sum, this potential reform introduces many economic complexities. While semiannual reporting may ease operational burdens and encourage longer-term and more strategic focus, it also introduces new risks — particularly around market efficiency, volatility and transparency, and corresponding litigation.

Legal teams should anticipate increased scrutiny of forward-looking statements and earnings guidance, especially when market reactions are outsized.

Litigation Risk: Fewer Reports, More Exposure

Quarterly earnings reports serve as anchor points for investor expectations and regulatory oversight. Moving to semiannual disclosures creates longer gaps between official updates — gaps that may become fertile ground for securities fraud claims under the SEC's Rule 10b-5. If material misstatements or omissions persist undetected for six months, plaintiffs may argue that the harm was compounded by the absence of timely corrective disclosures.

This shift also raises questions about the timing and scope of materiality.

Under the U.S. Supreme Court's 1988 decision in Basic Inc. v. Levinson, materiality hinges on whether a reasonable investor would consider the information important in making an investment decision.[17] With fewer mandated disclosures, plaintiffs may argue that any interim statements — press releases, investor presentations or social media posts — carry heightened weight and thus greater liability if found to be misleading.

The litigation landscape could shift toward scrutinizing informal communications more aggressively.

Moreover, insider trading enforcement may become more complex as a result of shifting to less frequent reporting. Quarterly information released by companies serves to prevent fraud and market manipulation in general.[18] Earnings release dates traditionally anchor blackout periods and insider trading policies.

Thus, a semiannual cadence could create ambiguity around when insiders possess material nonpublic information, especially if companies issue voluntary updates or guidance between formal reports. This ambiguity could increase exposure to SEC enforcement actions under Section 10(b) of the Securities Exchange Act and Rule 10b-5, as well as private litigation under Section 20A of the Exchange Act.[19]

The move may also complicate class certification dynamics. In securities class actions, plaintiffs must establish that alleged misstatements caused a price impact — a requirement central to the fraud-on-the-market theory.[20] With fewer earnings reports, however, plaintiffs may rely more heavily on event studies tied to alternative disclosures, which may be less precise or more contested.

Defense counsel should anticipate Daubert challenges to expert methodologies and increased motion practice around loss causation.

Finally, companies may feel compelled to issue voluntary interim disclosures to mitigate litigation risk. But these disclosures, if not carefully vetted, can themselves become grounds for liability.

The SEC has made clear that voluntary statements are subject to the same antifraud standards as mandated filings.[21] In practice, this means that legal teams must treat every investor-facing communication — whether in a tweet or a town hall — as potentially actionable.

In sum, while semiannual reporting may reduce the volume of formal filings, it does not reduce litigation risk. If anything, it shifts that risk into less predictable terrain — where informal disclosures, timing ambiguities, broader materiality debates and more scope for earnings surprises will dominate the courtroom.

Conclusion: Reform With Eyes Wide Open

The SEC's proposal may offer relief from compliance fatigue, but it also introduces new challenges for legal practitioners, regulators and market participants.

Securities fraud litigation may become more complex and frequent, market efficiency may be reduced, volatility may rise, and the burden of transparency may shift from mandated reports to voluntary communications.

What won't change is the long-term nature of stock valuation — and that's where investor focus should remain.

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[1] "The Forecast on Quarterly Reporting," David A. Katz and Laura A. McIntosh, Wachtell, Lipton, Rosen & Katz, September 27, 2025, Harvard Law School Forum on Corporate Governance, available at: https://corpgov.law.harvard.edu/2025/09/27/the-forecast-on-quarterly-reporting/?utm_source=feedly&utm_medium=rss&utm_campaign=the-forecast-on-quarterly-reporting&_bhlid=52f6b6357f6fdcc1ed6d65f7c32cd4e49b79065d.

[2] "Is Abandoning Quarterly Earnings Report Requirements A Good Idea?," Peter C. Earle, October 1, 2025, Seeking Alpha, available at: https://seekingalpha.com/article/4827214-is-abandoning-quarterly-earnings-report-requirements-good-idea.

[3] "Should U.S. Companies Shift to Semi-Annual Earnings Reporting?," Julia Hisher, Stacy Turnof, Jessica Resnick-Ault, Lauren Torres, September 25, 2025, Edelman Smithfield, available at: https://www.edelmansmithfield.com/should-us-companies-shift-semi-annual-earnings-reporting-0.

[4] "Should Companies Move to Semiannual Reporting? The Pros, Cons, and Financial Planning Impact," Jason Bryan Ball, September 15, 2025, JasonFinTips, available at: https://jasonfintips.com/saving-and-investing-blog/should-companies-move-to-semiannual-reporting-the-pros-cons-and-financial-planning-impact/.

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reporting/?utm_source=feedly&utm_medium=rss&utm_campaign=the-forecast-on-quarterly-reporting&_bhlid=52f6b6357f6fdcc1ed6d65f7c32cd4e49b79065d.

[7] "Is Abandoning Quarterly Earnings Report Requirements A Good Idea?," Peter C. Earle, October 1, 2025, Seeking Alpha, available at: https://seekingalpha.com/article/4827214-is-abandoning-quarterly-earnings-report-requirements-good-idea.

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[9] "Should U.S. Companies Shift to Semi-Annual Earnings Reporting?," Julia Hisher, Stacy Turnof, Jessica Resnick-Ault, Lauren Torres, September 25, 2025, Edelman Smithfield, available at: https://www.edelmansmithfield.com/should-us-companies-shift-semi-annual-earnings-reporting-0.

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[13] See Regulation FD, 17 C.F.R. § 243.100 et seq.

[14] "Should U.S. Companies Shift to Semi-Annual Earnings Reporting?," Julia Hisher, Stacy Turnof, Jessica Resnick-Ault, Lauren Torres, September 25, 2025, Edelman Smithfield, available at: https://www.edelmansmithfield.com/should-us-companies-shift-semi-annual-earnings-reporting-0.

[15] See e.g., "Earnings Announcements and Stock Price Volatility," Journal of Financial Economics, Vol. 53, Issue 3.

[16] "Quarterly vs. Semiannual Earnings Reporting: Is That the Right Question?," Jeff Huber, Paul Scarpetta and Liz Sale, September 18, 2025, FGS Global, available at: https://fgsglobal.com/insights/quarterly-vs-semiannual-earnings-reporting-is-that-the-right-question.

[17] See 17 C.F.R. § 240.10b-5; Basic Inc. v. Levinson, 485 U.S. 224 (1988).

[18] "The End of Quarterly Reporting in the United States? The SEC Signals Support for Shift to Semiannual Reporting," Eric T. Juergens, Matthew E. Kaplan, Peter J Loughran, Benjamin R. Pedersen, September 19, 2025, Debevoise & Plimpton, available at: https://www.debevoise.com/insights/publications/2025/09/the-end-of-quarterly-reporting-in-the-united-state#:~:text=Key%20Takeaways:,again%20on%20September%2015%2C%202025.

[19] See SEC v. Texas Gulf Sulphur Co., 401 F.2d 833 (2d Cir. 1968); 15 U.S.C. § 78t-1.

[20] Halliburton Co. v. Erica P. John Fund, Inc., 573 U.S. 258 (2014).

[21] SEC Staff Accounting Bulletin No. 99.