Ending Quarterly Reporting Would Erode Investor Protection

By **William Freeland, Brandon Slotkin and George Bauer** (October 10, 2025)

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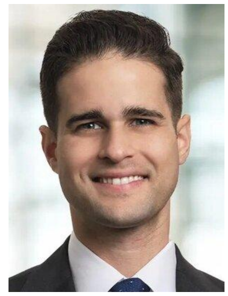

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On Sept. 15, President Donald Trump called for an overhaul of the U.S.' system of securities disclosures. In a post on Truth Social, he wrote that publicly traded companies should be required to report earnings, financial information and material operational updates only twice per year.[1]

This departs from the U.S. Securities and Exchange Commission's long-standing requirement that companies make such disclosures quarterly. The president stated that his plan would allow corporate managers to "save money" and "focus on properly running their companies."[2]

But critics have noted that a change to semiannual reporting would reduce the amount of information investors can consider when making investment decisions. The SEC has said it is prioritizing Trump's proposal, which will be subject to a lengthy rulemaking process,[3] and that it may allow certain companies to report more frequently than quarterly.[4]

The president's proposal has widespread implications, but ultimately, switching from quarterly to semiannual reporting would undermine investor protections. Historically, policymakers have prioritized increasing the amount of information available to investors; the president's proposal would subvert that priority.

While proponents of semiannual reporting believe that the regime will reduce so-called quarterly capitalism, or corporations' focus on achieving short-term earnings boosts at the expense of long-term productivity investments, the evidence does not support that.

Instead, the evidence suggests that reducing the frequency of corporate reporting will reduce transparency, create information asymmetries, provide more opportunities for corporate fraud and, according to commentators, risk increased stock price volatility, while not meaningfully increasing long-term investments.

The quarterly reporting requirement supports the long-standing policy of corporate disclosure.

The hallmark of modern securities regulation is investor protection via corporate disclosure.

The current regime emerged in the wake of the October 1929 stock market crash and the ensuing Great Depression, events so devastating that, according to one report by the House of Representatives, "[f]ully half" of publicly-traded securities "proved to be worthless," thus "spell[ing] tragedy in the lives of thousands of individuals who invested their life savings, accumulated after years of effort, in these worthless securities."[5]

Congress responded with legislation to protect investors. As part of that new investor protection regime, Congress implemented the Securities Exchange Act.[6]

Among other things, Congress required securities issuers to periodically disclose basic information about their operations and performance, though it allowed the SEC to later promulgate rules to determine the frequency and content of those reports.[7] The Exchange Act states that the purpose of this rule is "the proper protection of investors and to insure [sic] fair dealing in" the securities markets.[8]

For decades, the timing and content of corporate reporting was disjointed and inconsistent. For instance, while the New York Stock Exchange had required its issuers to publish quarterly reports since the 1930s, the American Stock Exchange did not begin requiring such reports until 1962.[9] Meanwhile, beginning in 1955, the SEC required only semiannual reporting,[10] even though some public companies voluntarily disclosed results on a quarterly basis.[11]

Not surprisingly, these measures proved inadequate to protect investors. In 1969, SEC Commissioner Francis Wheat published The Wheat Report, which "found that the quality of quarterly reports mandated by stock exchanges was not uniform."[12] In response, in 1970, the SEC adopted quarterly reporting, which has been the requirement ever since.[13]

Corporations now generally report two kinds of information in their quarterly disclosures.[14] First, corporations report investment information, such as corporate financials and management's analysis of market risks and corporate controls. Second, corporations report on their current operations and risks thereto, such as current legal proceedings, potential default proceedings and securities transactions.

The SEC's switch to quarterly reporting came as part of a sea change of enhanced disclosure requirements designed to better protect investors. For example, the SEC contemporaneously rejected a proposal to rescind the requirement for companies to disclose material events in real-time, because such events should be reported to investors on a more timely basis than quarterly reports.[15] The SEC also required additional disclosures in annual reports.[16]

In short, investors have relied on the transparency of quarterly reporting for over 50 years, and it has proven to be an effective component of increased investor understanding and confidence, and exponential growth in individual participation in corporate stock ownership.

Recent proposals to reform quarterly capitalism support maintaining quarterly disclosures.

While the quarterly reporting requirement has been a bedrock regulatory principle for more than a half-century, recent commentary has questioned whether quarterly reporting has led to quarterly capitalism.

These commentators are concerned that corporations focus on reporting positive earnings each quarter at the expense of long-term investments in growth, which may have negative short-term returns. Many prominent commentators and public figures, however, have implied, if not concluded, that addressing quarterly capitalism need not come at the expense of quarterly reporting.

Notably, in June 2018, Jamie Dimon and Warren Buffett argued that companies could change some of their quarterly announcements to reduce the focus on short-term profits.[17] However, Dimon and Buffett distinguished this change from quarterly reporting, which they characterized as "an essential aspect of U.S. public markets" because of the "[t]ransparency about financial and operating results" that they provide.[18]

By contrast, Trump has repeatedly targeted the quarterly reporting system. Prior to his Sept. 15 statement, Trump tweeted in August 2018 that he asked the SEC to study a move from quarterly reporting "to a six month system."[19]

On Dec. 18, 2018, the SEC issued a release requesting comments on a range of issues relating to periodic disclosures, including "the nature and timing of the disclosures that reporting companies are required to provide in their quarterly reports filed on Form 10-Q."[20] While the SEC held a roundtable with investors, issuers and other market participants in July 2019,[21] it ultimately took no action to change Form 10-Q, and it later dropped the issue in 2021.[22]

Similarly, Congress has not taken up quarterly reporting legislation.[23] Currently, the SEC is considering allowing just smaller companies to report semiannually,[24] but this would return corporations to the pre-1970 era of inconsistent, nonstandardized corporate reporting.

The evidence on quarterly reporting shows compatability with robust investment.

UCLA School of Law professor James Park examined the empirical evidence of whether the securities laws encourage quarterly capitalism. He concluded that "the empirical evidence does not definitively establish that increasing the frequency of disclosure significantly impacts firm behavior."[25]

While Park noted that the infrequent changes in disclosure requirements make it "difficult to test the hypothesis that increasing the number of periodic filings significantly increases short-termism," he concluded that "[g]iven the weak evidence that the frequency of periodic disclosure is the primary cause of short-termism, radical change to the mandate of quarterly disclosure is unwarranted at this time."[26]

By contrast, there is strong evidence that transparent, quarterly reporting is compatible with robust investment. One study of the shift from semiannual to quarterly reporting in the U.S. from 1955 to 1970 showed that quarterly reporting decreased the cost of equity capital for public companies.[27]

In other words, investors are more likely to invest in companies that issue disclosures more frequently, lowering corporations' investment costs and encouraging investment. Indeed, the Wall Street Journal noted that corporations' investment spending as a percentage of GDP significantly increased after mandatory reporting was introduced in 1970 — i.e., not only has corporate investment increased, that increase has outpaced the rate of normal economic growth.[28]

Researchers have also concluded that the U.K.'s switch from quarterly to semiannual reporting in 2014 did not affect corporations' investment decisions. While investment spending remained relatively constant, analyst coverage decreased — a net negative for investors.[29]

Abolishing quarterly reporting harms investors, corporations and markets.

As discussed above, abolishing quarterly reporting is not likely to achieve its purported goal of addressing quarterly capitalism. The remaining arguments in favor also do not outweigh the harms of such a regime.

For instance, semiannual reporting proponents argue that less frequent reporting will reduce the financial and time costs associated with preparing quarterly reports. But, more frequent reporting lowers corporations' cost of capital, which lowers costs and encourages long-term investment.

Meanwhile, abandoning quarterly disclosures poses substantial risks to investors, the market and public companies themselves. Park concluded that "[r]educing mandatory disclosure would likely increase the volatility of stock prices, reduce liquidity, and increase insider trading."[30] These, and other substantial risks, loom should the SEC retreat from the past 55 years of uniform disclosure rules.

First, semiannual reporting could increase volatility. According to University of Minnesota Carlson School of Management professor Salman Arif, abolishing quarterly reporting would decrease the amount of information available to investors, leading to an "information vacuum."[31]

Second, semiannual reporting could decrease market liquidity. Less frequent reporting may increase investment costs and decrease investment spending, just as more frequent reporting lowered investment costs and increased investment spending. Increased cost of equity, decreased investment spending and increased volatility may, together or separately, decrease liquidity.

Finally, semiannual reporting could increase information asymmetries between issuers and investors. This will make it more difficult for investors to reach informed investment decisions while undermining competition and heightening the potential for insider trading, fraud and other corporate abuses.

Disclosures "level the playing field — for investors, issuers, and the public," according to Georgetown University Law Center professor Hillary Sale, by increasing the amount of material information available to all market participants.[32] This, in turn, instills confidence in the markets, promotes growth and shields the broader public from the threat of another market crash.[33]

University of Colorado Law School professor Ann Lipton has explained how fewer disclosures may also undermine competition. Corporations rely on their competitors' disclosures to benchmark their own performance and inform their own investment decisions.[34]

Lipton discusses the example of the art dealer Sotheby's, which went private after decades of being publicly traded. As a result, "the entire industry braced for the loss of critical data concerning 'margins, executive compensation, strategy, capital allocation and the stock's reaction to major economic and political forces.'"[35]

Information asymmetries also harm less sophisticated investors. More sophisticated investors have the access and ability to meet frequently with company management, gaining more information with which to evaluate their investment decisions. Investors without such access will make less informed decisions, undermining the level playing field that is a mainstay of a rigorous disclosure regime.

This dynamic may also increase insider trading. Arif explained that quarterly reporting increases corporate transparency and helps prevent fraud.[36] Less frequent reporting means fewer opportunities for investor scrutiny, increasing the potential for fraud.[37]

Similarly, longer gaps between disclosures give managers more opportunity to conceal losses, hide misconduct or manipulate results before facing public scrutiny. As Ernst & Young explained, quarterly reporting "facilitat[es] timely identification and resolution of potential accounting and reporting issues."[38]

Investors rely on this transparency. A 2019 survey conducted by the CFA Institute found that "quarterly reports remain more important to investors than earnings releases," because "quarterly reports provide a structured information set that follows accounting standards and regulatory guidelines and include incremental financial statement disclosures and management discussion and analysis."[39] Three-quarters of respondents agreed that quarterly reports "offer incremental information that compared with information in an earnings release can affect or change views about a company."[40]

Conclusion

While updates to public company reporting requirements are worthy of debate, there is little reason to believe that abandoning quarterly reporting will benefit investors or corporations. Rather, the evidence suggests that reduced transparency will result in heightened information asymmetries and more opportunities for corporate fraud, and may increase volatility.

Even if the SEC rulemaking becomes effective, and quarterly reporting is no longer required, it will remain to be seen whether public companies follow along. Some may choose to voluntarily issue quarterly reports — for example, in response to investor or analyst pressure — but this will only result in a patchwork system in which some companies disclose more frequently than others, and in which those disclosures are not uniform, exacerbating information asymmetries.

The SEC's mission is protecting investors while ensuring fair and efficient markets. Abolishing quarterly reporting undermines that mission.

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[6] 15 U.S.C. §78b(3)–(4) (2024).

[7] 15 U.S.C. §78b (2024); 15 U.S.C. §78m(a)(1) (2024) (a.k.a. Exchange Act, § 13(a)(1)), https://www.law.cornell.edu/uscode/text/15/78m; John C. Coffee, Jr., Hillary A. Sale & Charles K. Whitehead, Securities Regulation: Cases and Materials 3 (Foundation Press, 14th ed. 2021).

[8] 15 U.S.C. §78m(a) (2024) (a.k.a. Exchange Act, § 13(a)), https://www.law.cornell.edu/uscode/text/15/78m.

[9] James J. Park, Do the Securities Laws Promote Short-Termism?, 10 UC Irvine L. Rev. 991, 998 (2020).

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[14] See generally Michal Posner, Why Quarterly Reporting from Business Makes Sense, Forbes (Aug. 17, 2018), https://www.forbes.com/sites/michaelposner/2018/08/17/why-quarterly-reporting-from-business-makes-sense/#1416b5c67ed8.

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