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July 5, 2026

Ms. Vanessa A. Countryman
Secretary, U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Optional Semiannual Reporting for Public Companies (File No. S7-2026-15; Release No. 33-11414)

Dear Ms. Countryman:

Thank you for the opportunity to comment on the Commission's proposal to permit public companies to elect semiannual rather than quarterly interim reporting. We are faculty at the MIT Sloan School of Management who study financial reporting and capital markets; these views are our own and not those of MIT. In light of the extensive research and evidence on this topic, we believe the change as proposed is unlikely to deliver the benefits its proponents anticipate and carries real risks for investors and market quality, risks that fall most heavily on the smaller companies most likely to elect this option and the investors in these firms.

First, the benefits of more frequent reporting are well documented, and these benefits would be reversed under semiannual reporting. A large body of research in leading accounting and finance journals finds that more frequent reporting is associated with lower information asymmetry, greater market liquidity, and a lower cost of equity capital (e.g., Fu, Kraft, and Zhang 2012; Verdi 2012). More frequent reporting also strengthens managerial monitoring and market discipline (Balakrishnan and Ertan 2018) and generates broader analyst coverage (Nallareddy, Pozen, and Rajgopal 2019). Reducing the reporting frequency predictably reverses these effects: wider bid-ask spreads, larger earnings and return surprises around less frequent announcements, higher volatility, thinner analyst coverage, and possibly more fraud and pump-and-dump schemes. These negative outcomes would be especially pronounced for smaller and mid-cap firms.

Second, the principal justifications for reducing reporting frequency are weak. The main argument against frequent reporting is that it can induce short-termism. While there is evidence from the U.S. transition to quarterly reporting, documenting a decline in fixed-asset investments (Kraft, Vashishtha, and Venkatachalam 2018), more recent natural experiments do not support the premise that reduced reporting frequency solves managerial myopia: neither the UK's adoption and later removal of mandatory interim reporting (Nallareddy, Pozen, and Rajgopal 2019) nor Singapore's quarterly-reporting threshold (Kajüter, Klassmann, and Nienhaus 2019) shows a meaningful effect of frequency on real investment. Because R&D and capital-investment decisions have multi-year horizons, a manager inclined to cut investment to meet a quarterly target will do the same to meet a semiannual one; lengthening the reporting cycle does not cure myopia, it merely lengthens the window in which it can operate. Additionally, compliance-cost relief is modest by the Commission's own estimate.

Third, because the proposal is optional, its likely effect is modest for most firms and adverse for the firms that switch. We take seriously that the Commission proposes to permit, not mandate, semiannual

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reporting. But optionality does not remove the underlying trade-offs; it relocates them into firms' self-selection. The UK experience is instructive: when quarterly reporting became voluntary in 2014, fewer than 10 percent of firms stopped in the first year, that is, given a free choice, firms that value liquidity and coverage kept the more frequent cadence. The firms most likely to elect semiannual reporting are therefore those for which reduced transparency is most costly to investors—smaller, less-followed firms and firms with weaker governance—so the election itself may operate as a negative signal and concentrate the harm precisely where monitoring benefits are largest.

Finally, even if a firm decides to continue to report quarterly, it can be negatively affected by peers that switch to semiannual reporting. For instance, if a few firms, or a single leading firm, in a (narrow) industry decide to report semi-annually, certain investors may "abandon" or significantly "discount" this (narrow) industry for its deteriorating information quality, which, in turn, could lead to a severe stock price decline for firms that remain a quarterly reporter. Kajüter, Klassmann, and Nienhaus (2019) find information spillovers from quarterly reporters to other firms. Under the Commission's proposal, a negative opacity spillover from self-selected semiannual reporters to quarterly reporters could occur. A mixed composition of reporting frequency also imposes comparability costs on investors reconciling firms that report on different calendars.

Summary. For these reasons, we respectfully suggest that the Commission has not established a problem that this proposal would solve, and that broad optional semiannual reporting is unlikely to benefit investors on net. We would be glad to discuss the underlying research and to elaborate on any of these points.

Respectfully,

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