

SEC Expands Scope of Smaller Reporting Company Definition and Requires Inline XBRL for Tagged Data

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On June 28, 2018, the Securities and Exchange Commission adopted amendments expanding the definition of a smaller reporting company ("SRC") and requiring the use of Inline eXtensible Business Reporting Language ("XBRL") for reporting companies. The SEC issued separate press releases discussing the [SRC](#) and [XBRL](#) amendments.

The cover pages of SEC reports and registration statements will be revised to reflect the amendments, including the fact that qualifying as a SRC no longer automatically makes a company a non-accelerated filer.

Smaller Reporting Company Amendments

The SEC estimates just under 1000 additional companies will now qualify for existing scaled disclosure accommodations under the newly adopted definition of SRC. The amendments will become effective 60 days after their publication in the Federal Register. Companies that did not qualify under the previous definition will be eligible to freshly assess their status under the new qualification thresholds.

A summary of the amendments to the SRC definition is below:

Criteria	Current SRC Definition	Newly Adopted SRC Defin
Public Float	Less than \$75 million	Less than \$250 million
Revenues	Less than \$50 million in annual revenue and no public float	Less than \$100 million in ann (1) no public float; or (2) publi

A company that qualifies under the public float test is a SRC regardless of its revenues.

If a company determines (after effectiveness of the amendments) that it does not qualify as a SRC, the amendment specifies more stringent standards under which the company may later become a SRC. These standards are set at 80% of the initial qualification thresholds described above.

The amendments also make a corresponding increase (from \$50 million to \$100 million) in the net revenue threshold of business acquisitions entitled to relief from certain financial statement requirements under Rule 3-05(b)(2)(iv) of Regulation S-X.

As a result of the amendments, companies with between \$75 million and \$250 million of public float will now be considered SRCs. However, they will still be required to comply with requirements for accelerated filers, such as the accelerated reporting deadlines for periodic reports and auditor's attestation of management's assessment of internal control over financial reporting under the Sarbanes-Oxley Act of 2002. The SEC plans to consider further changes to these existing requirements.

The amendments do not alter the scaled disclosure accommodations available to SRCs. While newly qualified SRCs may elect whether or not to take advantage of the scaled disclosure accommodations, they are required to comply with the potentially more stringent disclosure requirement relating to related person transactions.

Adoption of Inline XBRL for Tagged Data

The SEC adopted the mandatory use of Inline XBRL for financial statement information of reporting companies. Inline XBRL involves embedding XBRL data tags directly into the underlying filing, rather than the current system of tagging the information in a separate exhibit. Filings made under Inline XBRL will generally continue to have a portion that is filed as an exhibit. The amendments also eliminate the current requirement for reporting companies to post XBRL data on their websites.

The Inline XBRL requirement will go into effect in phases as detailed in the chart below, but a company's phase-in will not start until its first quarterly report after the applicable effective date:

Filer Type	Effective Date
Large Accelerated filers that use U.S. GAAP	Fiscal period ending on or after June 15, 2019
Accelerated filers that use U.S. GAAP	Fiscal period ending on or after June 15, 2020
All other filers	Fiscal period ending on or after June 15, 2021

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