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## Corp Fin Director Discusses Policy, Outreach and Future Areas of Focus

FEBRUARY 12, 2018

Earlier this month, SEC Division of Corporation Finance Director William Hinman delivered the [keynote address](#) at the Practising Law Institute's Seventeenth Annual Institute on Securities Regulation in Europe. Director Hinman commented on recent guidance and policy updates, recent and ongoing outreach efforts and future areas of focus. As a general theme, Director Hinman emphasized the Division's focus on both near- and long-term regulatory changes that could be made to "make a difference" while applying "three hallmarks of good regulation – collaboration, transparency, and efficiency."

*Guidance and Policy Updates.* Summarizing changes since the JOBS Act of 2012, Director Hinman observed that many of the Commission's "accommodations" have made "a positive difference to issuers," including the expansion of the non-public review process for certain draft registration statements and accommodations regarding the financial information included in draft registration statements. Director Hinman also commented on recent disclosure guidance, including that for pay ratio disclosures and disclosures regarding the impact of the 2017 Tax Cuts and Jobs Act ([see our January 4, 2018 post](#)). He suggested that such guidance was developed with issuers in mind and intended to reflect a practical regulatory approach.

*Outreach.* Director Hinman reminded companies that the SEC staff is available to engage on disclosure questions and requests for accommodation. As an example, Director Hinman noted that the SEC staff will consider requests made under Rule 3-13 for modified financial statements. In this regard, Director Hinman stated, "We encourage companies and their advisers to reach out to discuss the matter with us before developing extensive applications for relief. This should ultimately save companies time and money." The Financial Reporting Manual includes names and contact information of SEC staff who can assist with such requests.

In keeping with the Commission's focus on facilitating entry to the public capital markets, Director Hinman also discussed the Commission's efforts to "better understand" private offering markets and their participants. Such efforts have included engaging with a variety of stakeholders at meetings and conferences around the United States.

*Future Areas of Focus.* Turning to next steps on the Division's agenda, Director Hinman first

emphasized that the Division “will continue to keep transparency, efficiency, and collaboration in mind in everything we do.” Top on the Division’s agenda are ways to improve the efficiency of the Division’s internal processes. For example, the Division is “considering areas such as filing reviews and no-action requests and examining whether [it] may be able to better [its] response times.” The Division is also updating the Financial Reporting Manual and its Compliance and Disclosure Interpretations for improved transparency and ease of use.

Further, the Division is considering whether additional areas exist where guidance is needed. In this regard, Director Hinman noted that the Division is preparing recommendations to the Commission about providing “further guidance on the disclosure requirements that may be implicated by cybersecurity risk and incidents, such as risk factors, MD&A, and board risk oversight.”

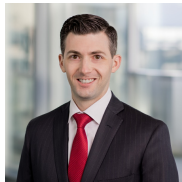
Other rulemaking efforts, on which Director Hinman encouraged interested parties to comment, include:

- Rules to implement Dodd-Frank disclosure requirements for resource extraction issuers;
- Proposed changes to disclosure requirements that could be simplified and made more effective, without reducing investor protection;
- Rules to update and simplify disclosure requirements that are outdated, or that overlap or duplicate other Commission rules or U.S. GAAP;
- Amendments to the rules for financial information required for acquired entities (Regulation S-X Rule 3-05), as well as Regulation S-X Rule 3-10 for disclosures by guarantors and issuers of guaranteed securities; and
- Recommendations for updating Industry Guide 3 to modernize the disclosure requirements for financial institutions.

Director Hinman also indicated that he expects the Commission, in the coming months, to consider a rulemaking that would increase the threshold below which companies need to stay to qualify for smaller reporting company status.

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