

FACT SHEET
Amendments to the
Smaller Reporting Company Definition
SEC Open Meeting
June 28, 2018

Background

Today the Commission approved amendments to raise the thresholds in the smaller reporting company definition, thereby expanding the number of smaller companies eligible to comply with our current scaled disclosure requirements. These amendments are intended to promote capital formation and reduce compliance costs for smaller companies while maintaining appropriate investor protections.

The Commission established the smaller reporting company (“SRC”) category of companies in 2008 in an effort to provide general regulatory relief for smaller companies. SRCs may provide scaled disclosures under Regulation S-K and Regulation S-X. Under the previous definition, SRCs generally were companies with less than \$75 million in public float. Companies with no public float – because they have no public equity outstanding or no market price for their public equity – were considered SRCs if they had less than \$50 million in annual revenues.

Amendments to the Smaller Reporting Company Definition

Under the amendments, companies with a public float of less than \$250 million will qualify as SRCs. A company with no public float or with a public float of less than \$700 million will qualify as a SRC if it had annual revenues of less than \$100 million during its most recently completed fiscal year.

The following table summarizes the amendments to the SRC definition.

Criteria	Previous SRC Definition	Revised SRC Definition
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Public Float	Public float of less than \$75 million	Public float of less than \$250 million
Revenues	Less than \$50 million of annual revenues and no public float	Less than \$100 million of annual revenues and <ul style="list-style-type: none"> • no public float, or • public float of less than \$700 million

Consistent with the previous definition, under the amendments, a company that determines that it does not qualify as a SRC under the above thresholds will remain unqualified until it determines that it meets one or more lower qualification thresholds. The subsequent qualification thresholds, set forth in the table below, are set at 80% of the initial qualification thresholds.

Criteria	Previous SRC Definition	Revised SRC Definition
Public Float	Public float of less than \$50 million	Public float of less than \$250 million
Revenues	Less than \$40 million of annual revenues and no public float	Less than \$80 million of annual revenues, if it previously had \$100 million or more of annual revenues; and Less than \$560 million of public float, if it previously had \$700 million or more of public float.

Commission staff estimates that 966 additional companies will be eligible for SRC status in the first year under the new definition. These include: 779 companies with a public float of \$75 million or more and less than \$250 million;

161 companies with a public float of \$250 million or more and less than \$700 million and revenues of less than \$100 million; and 26 companies with no public float and revenues of \$50 million or more and less than \$100 million.

Amendments to Rule 3-05 of Regulation S-X

The amendments to Rule 3-05(b)(2)(iv) of Regulation S-X increase the net revenue threshold in that rule from \$50 million to \$100 million. As a result, companies may omit financial statements of businesses acquired or to be acquired for the earliest of the three fiscal years otherwise required by Rule 3-05 if the net revenues of that business are less than \$100 million.

Amendments to the Accelerated Filer and Large Accelerated Filer Definitions

The final amendments preserve the application of the current thresholds contained in the “accelerated filer” and “large accelerated filer” definitions in Exchange Act Rule 12b-2. As a result, companies with \$75 million or more of public float that qualify as SRCs will remain subject to the requirements that apply to accelerated filers, including the timing of the filing of periodic reports and the requirement that accelerated filers provide the auditor’s attestation of management’s assessment of internal control over financial reporting required by Section 404(b) of the Sarbanes-Oxley Act of 2002. However, the Chairman has directed the staff, and the staff has begun, to formulate recommendations to the Commission for possible additional changes to the “accelerated filer” definition that, if adopted, would have the effect of reducing the number of companies that qualify as accelerated filers in order to promote capital formation by reducing compliance costs for those companies, while maintaining appropriate investor protections.