Governance Insights Center

Audit committee considerations for SEC's proposal on filer status

July 2026

What the audit committee needs to know

On May 19, the SEC issued a **proposed rule** that would streamline filer status into two primary filer categories—large accelerated filers (LAFs) and non-accelerated filers (NAFs)—and increase the threshold required to become an LAF.

NAFs would benefit from a number of accommodations and scaled disclosures, including many of those currently available to smaller reporting companies and emerging growth companies (EGCs). Based on calendar year 2024 filings, the SEC estimates the expanded NAF category would represent approximately 81% of domestic registrants collectively representing approximately 6.5% of the total market public float, compared to approximately 52% of domestic registrants and less than 1% of the total market public float today.

Any company undergoing an initial public offering (IPO) or initial registration statement would be considered an NAF for at least five years after initial registration.

The proposed changes are only applicable for registrants filing on domestic forms. The SEC indicated changes for foreign private issuers (FPIs) that file on FPI forms would be considered in its separate FPI project.

How would LAF status be determined?

The existing public float[1] threshold for an LAF would increase from $700 million to $2 billion. A registrant would need to have had an Exchange Act reporting requirement for at least 60 months before becoming an LAF (compared to 12 months under current rules). Other filing and disclosure requirements (including filing deadlines) would generally remain consistent with current requirements for LAFs.

[1] Public float is the aggregate worldwide market value of the voting and non-voting common equity held by the issuer's non-affiliates.

Who would be an NAF and what scaled disclosures and accommodations would an NAF receive?

All registrants that are not LAFs would be NAFs. The disclosure requirements for NAFs would combine the accommodations and scaled disclosures currently offered to NAFs, smaller reporting companies, and EGCs. Key differences for an NAF (compared to an LAF) would include:

- Two years of financial statements and management's discussion and analysis
- Reduced specificity on form and content of financial statements (e.g. Article 5 of Regulation S-X would not be applicable), including no requirement for financial statement schedules
- No separate financial statements required for significant equity method investees, but summarized information required at a higher 20% significance threshold
- No required auditor attestation on internal control over financial reporting (ICFR), although the SEC acknowledged that registrants may nonetheless decide to voluntarily obtain an auditor attestation (management's responsibility for establishing, maintaining, and assessing the effectiveness of ICFR under 404(a) remains unchanged)
- Certain executive compensation disclosures would not be required (e.g. pay versus performance, pay ratio, compensation discussion and analysis) and others would be scaled
- Certain Regulation S-K disclosures would not be required (e.g. risk factors, supplementary financial information, market risk disclosures)
- Filing deadlines for NAFs would remain consistent with current NAF deadlines (90 days for Form 10-K and 45 days for Form 10-Q), except as noted below for small non-accelerated filers

What would the filing deadlines be for a small non-accelerated filer (SNF)?

The proposed rule would create a subset of NAFs referred to as 'small non-accelerated filers,' which would include NAFs with total assets of $35 million or less as of the end of each of the two most recent second fiscal quarters. These registrants would get 120 days to file Form 10-K and 50 days to file Form 10-Q.

How would the public float calculation change?

Public float would be measured using the average stock price over the last ten trading days of the second fiscal quarter for each of the current fiscal year and the prior fiscal year. Entering or exiting LAF status would require a registrant to be above or below the threshold for two consecutive years.

How would initial transition work?

As proposed, all registrants would be required to perform an initial assessment as of the end of their fiscal year preceding effectiveness of the final rules, without consideration of historical filer status. The assessment would be made anytime between effectiveness and the day prior to the end of the fiscal year in which the rules are effective. Any change in status to NAF under this initial assessment could be implemented immediately.

How does the proposal impact IPOs?

A company going through an IPO or otherwise filing an initial registration statement (e.g. Form 10) would be an NAF for the initial filings and for a minimum of five years following the initial registration. As a result, all new registrants, not just those that qualify as EGCs, would be eligible for these accommodations and scaled disclosures. New registrants would also be able to elect to defer adoption of new accounting standards to the non-public company adoption dates for up to five years, consistent with current EGC accommodations.

What's next?

The proposed rule is subject to a 60-day public comment period ending on July 20. Following the comment period, the SEC will evaluate feedback and determine whether to proceed with final rulemaking, which may include revisions to what was proposed.

Why is this relevant to the audit committee?

A core responsibility of the audit committee is to assist the board in overseeing the integrity of the company's financial statements, financial reporting processes, internal controls, and disclosure practices. The SEC's filer status proposal could directly affect how audit committees fulfill these responsibilities because changes in filer classification may alter the company's disclosure requirements, reporting deadlines, and the required level of external auditor involvement with ICFR.

Initial considerations

The audit committee should understand and evaluate management's assessment of the company's expected filer status, the potential use of scaled disclosure accommodations, and any related impacts on financial reporting quality, ICFR, investor communications, and overall governance. Questions the audit committee may ask include:

- How would the company's filer status change under the proposal, based on current and projected public float, Exchange Act reporting history, and IPO or registration timing?
- Would the company become or remain an NAF, and if so, which scaled disclosures and accommodations would management expect to use?
- How might investors, analysts, lenders, proxy advisors, and other stakeholders view a reduction in disclosure or audit-related requirements, if applicable?
- How does the proposal affect the company's long-term capital markets strategy, including future securities offerings, debt covenant requirements, and investor relations practices?
- How does the company's potential status compare to its peers, and how will any disclosure accommodations adopted impact comparability to peers?
- What are the key benefits, costs, and risks of using NAF accommodations, including potential (1) savings from no auditor attestation on ICFR, (2) higher cost of capital, and (3) increased risk of undiscovered material weaknesses or misstatements?
- Would management continue certain voluntary disclosures, and would the company continue to obtain auditor attestation on ICFR, even if no longer required?

The audit committee should understand and evaluate management's assessment with the following additional questions—aligned with the audit committee's oversight responsibilities—in mind.

Financial statements, financial reporting, and internal controls

- How might reduced disclosure affect the completeness, transparency, and comparability of the company's financial reporting? And how might investors perceive a company that qualifies as an NAF and elects to use reduced disclosures, particularly when its peers may be LAFs?
- How will management confirm that scaled disclosures still provide sufficient context for trends, uncertainties, liquidity, and capital resources so that the broad principles of Regulation S-K 303 are met?
- How might the control environment change if the company is no longer subject to auditor attestation on ICFR?
- How might disclosure committee processes change if fewer disclosures are required?
- How will management evaluate whether use of accommodations could create gaps in information available to investors or increase the risk of misunderstanding by investors?

External audit

- How might the absence of auditor attestation on ICFR affect the audit committee's ability to oversee ICFR effectiveness?
- If auditor attestation on ICFR is no longer required, should the company continue to obtain it voluntarily?
- How would the external auditor's audit plan change if auditor attestation on ICFR is no longer performed? Would the auditor perform less control testing, and if so, how might that affect the nature, timing, and extent of substantive audit procedures?
- What are the expected cost savings from eliminating the auditor attestation on ICFR, and how do those savings compare with potential governance, investor confidence, and control risk considerations?
- Are there processes that rely heavily on automated controls, system-generated information, interfaces, or other IT dependencies on which the auditor expects continued testing of operating effectiveness would be necessary or more effective to obtain sufficient appropriate audit evidence?

- Given the rapidly changing technology environment, including the implementation of AI, automation, and other advanced technologies, what controls might the auditor expect it would need to test?
- How would the audit committee communications and expectations of the auditor change regarding control deficiencies, significant deficiencies, material weaknesses, and remediation efforts, including the potential for less timely auditor awareness if the auditor is no longer testing controls or attesting to ICFR?
- Would lenders, underwriters, investors, or other stakeholders expect continued auditor attestation on ICFR even if not required?

Internal audit

- How might internal audit's risk assessment and internal audit plan change if auditor attestation on ICFR is no longer required?
- How would internal audit's plan need to evolve to address higher-risk financial reporting controls, entity-level controls, disclosure controls, IT general controls, cybersecurity, or fraud risks?
- How will internal audit coordinate with management to avoid possible control gaps?
- How should internal audit consider the nature, frequency, and extent of testing of key controls, particularly in areas involving estimates, revenue recognition, income taxes, impairments, and related-party transactions?

Compliance and deterring fraud

- How would fewer required disclosures reduce the frequency with which legal, compliance, finance, and investor relations teams review emerging issues?
- Would the company's disclosure policy or committee charters need updates?

Risk management

- What are the key risks (compared to the benefits) of moving into, or remaining in, NAF status?
- How might reduced disclosure affect the company's credit ratings or investor confidence?
- How might investors react if the company uses all available accommodations versus selectively retaining certain disclosures?
- How might reduced disclosure comparability increase market uncertainty or volatility?
- What litigation or regulatory risk could arise from scaled disclosures?

Audit committee operations

- How would the audit committee benefit from additional education on the proposed filer status framework and its implications?
- How should the audit committee charter address oversight of filer status determination, auditor attestation on ICFR, and use of disclosure accommodations?

How we can help

For more information and an in-depth discussion, contact:

Ray Garcia
Partner, Governance Insights Center Leader
ray.r.garcia@pwc.com

Kathy Nieland
Partner, Governance Insights Center
kathy.nieland@pwc.com

Tracey-Lee Brown
Senior Director, Governance Insights Center
tracey-lee.y.brown@pwc.com

Gregory Johnson
Director, Governance Insights Center
gregory.johnson@pwc.com