

# Roadmap to Capital Markets Regulatory Changes



# Roadmap to Capital Markets Regulatory Changes

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Proposed, Potential and Recently Adopted or Enacted<sup>1</sup> Rulemaking<sup>2</sup> and Legislation<sup>3</sup> relating to the US capital markets, public company reporting and corporate governance

## Proposed

ACTIVITY DESCRIPTION	CURRENT STATUS	ANTICIPATED ACTION DATE <sup>4</sup>	CITE
<b>Amendments to Interactive Data (XBRL) Program.</b> The SEC proposed amendments to the XBRL rules to require companies to use Inline XBRL to file a single combined document.	SEC proposed rules on March 1, 2017	Comment period expires 60 days after publication of the release in the Federal Register	33-10323
<b>Pay Ratio Disclosure.</b> The SEC Acting Chair is soliciting comment on any unexpected challenges that issuers have experienced as they prepare for compliance with the new rule and whether relief is needed; and has directed the staff to reconsider the implementation of the rule based on any comments submitted and to determine as promptly as possible whether additional guidance or relief may be appropriate. See related topic under “Recently Adopted or Enacted” below.	Statement of Acting Chair Piwowar on Reconsideration of Pay Ratio Rule Implementation on February 6, 2017	Comments requested by March 23, 2017	<a href="https://www.sec.gov/news/statement/reconsideration-of-pay-ratio-rule-implementation.html">https://www.sec.gov/news/statement/reconsideration-of-pay-ratio-rule-implementation.html</a>

<sup>1</sup> Covers rulemaking and legislation adopted or enacted within the prior 3 months or that has been adopted but the effective date or implementation date has not yet been reached.

<sup>2</sup> Covers rulemaking by the US Securities and Exchange Commission, the New York Stock Exchange, the NASDAQ Stock Market, the Financial Industry Regulatory Association and the US Public Company Accounting Oversight Board.

<sup>3</sup> Any legislation not enacted before the end of the current term, must be reintroduced in the next Congress.

<sup>4</sup> For SEC matters, Anticipated Action Date is the date indicated by the SEC in the most recently issued Regulatory Flexibility Agenda.

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<p><b>Conflict Minerals.</b> The SEC Acting Chair is soliciting comment on whether the 2014 Statement of the Division of Corporation Finance on the Conflicts Minerals Decision by Keith Higgins is still appropriate and whether additional relief is appropriate.</p>	<p>Statement of Acting Chair Piwowar on the Commission's Conflict Minerals Rule issued on January 31, 2017</p>	<p>Comments requested by March 17, 2017</p>	<p><a href="https://www.sec.gov/corpfin/statement-on-sec-commission-conflict-minerals-rule.html">https://www.sec.gov/corpfin/statement-on-sec-commission-conflict-minerals-rule.html</a></p>
<p><b>Universal Proxy.</b> The SEC is proposing to amend the proxy rules to expand shareholders' ability to vote by proxy to choose among all duly-nominated candidates in a contested election of directors.</p>	<p>SEC proposed rules on October 26, 2016</p>	<p>Comment period expired on January 9, 2017</p>	<p>34-79164.</p>
<p><b>Shortening the Settlement Cycle.</b> The SEC is proposing to amend Exchange Act Rule 15c6-1 to shorten the maximum settlement period from three days to two days. See related topic under "Recently Adopted or Enacted" below.</p>	<p>SEC proposed rules on September 28, 2016</p>	<p>Comment period expired on December 5, 2016</p>	<p>34-78962</p>
<p><b>Disclosure Update and Simplification.</b> The SEC is proposing to amend certain disclosure requirements, primarily accounting and accounting related, that may have become redundant, duplicative, overlapping, outdated, or superseded, in light of other SEC disclosure requirements, U.S. GAAP, IFRS, or changes in the information environment.</p>	<p>SEC proposed rules on July 13, 2016</p>	<p>Comment period expired on November 2, 2016</p>	<p>33-10110 (33-10220)</p>
<p><b>Revisions to Smaller Reporting Company Definition.</b> The SEC is proposing to amend the smaller reporting company definitions and related provisions.</p>	<p>SEC proposed rules on June 27, 2016</p>	<p>Comment period expired on August 30, 2016</p>	<p>33-10107</p>
<p><b>Modernization of Property Disclosures for Mining Registrants.</b> The SEC is proposing to modernize the property disclosure requirements for mining registrants, and related guidance, currently set forth in Item 102 of</p>	<p>SEC proposed rules on June 16, 2016</p>	<p>Comment period expired on September 26, 2016</p>	<p>33-10098</p>

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Regulation S-K under the Securities Act of 1933 and the Securities Exchange Act of 1934 and in Industry Guide 7.			
<p><b>Auditor's Report on an Audit of Financial Statements when the Auditor Expresses an Unqualified Opinion.</b> The PCAOB is to retain the pass/fail model of the existing auditor's report but is seeking to enhance the form and content of the report to make it more relevant and informative to investors and other financial statement users. In particular, the auditor's report would include a description of "critical audit matters," which would provide audit-specific information about especially challenging, subjective, or complex aspects of the audit as they relate to the relevant financial statement accounts and disclosures.</p>	<p>Rules initially proposed August 13, 2013. Rules re-proposed May 11, 2016.</p>		PCAOB 2016-003
<p><b>Rules Regarding Incentive Compensation.</b> The SEC, together with the Board of Governors of the Federal Reserve, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Housing Finance Agency, and the National Credit Union Administration (the "Agencies"), has re-proposed regulations and guidelines with respect to incentive-based compensation practices at certain financial institutions that have \$1 billion or more in total assets, as required by the Dodd Frank Act.</p> <p>Section 956 of the Dodd Frank Act requires that the Agencies prohibit incentive-based payment arrangements, or any feature of any such arrangement, at a covered financial institution that the Agencies determine encourages inappropriate risks by a financial institution by</p>	<p>Rules initially proposed April 14, 2011. Rules re-proposed on May 6, 2016.</p>	<p>Adopt final rules by April of 2017</p>	<p>34-64140 (initial proposal). 34-77776 (re-proposal).</p>

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<p>providing excessive compensation or that could lead to a material financial loss. Under the Dodd Frank Act, a covered financial institution also must disclose to its appropriate Federal regulator the structure of its incentive-based compensation arrangements sufficient to determine whether the structure provides "excessive compensation, fees, or benefits" or "could lead to material financial loss" to the institution.</p>			
<p><b>Compensation Clawbacks – Listing Standards for Recovery of Erroneously Awarded Compensation.</b> Section 954 of the Dodd Frank Act requires the SEC to adopt rules to direct national securities exchanges to prohibit the listing of securities of issuers that have not developed and implemented a policy providing for disclosure of the issuer's policy on incentive-based compensation and mandating the clawback of such compensation in certain circumstances.</p>	<p>SEC proposed rules on July 14, 2015</p>	<p>Adopt final rules by April of 2017</p>	<p>33-9861.</p>
<p><b>Pay versus Performance.</b> Section 953(a) of the Dodd Frank Act added section 14(i) to the Exchange Act to require issuers to disclose information that shows the relationship between executive compensation actually paid and the financial performance of the issuer.</p>	<p>SEC proposed rules on May 7, 2015</p>	<p>Adopt final rules by April of 2017</p>	<p>34-74835.</p>
<p><b>Disclosure of Hedging by Employees, Officers and Directors.</b> Section 955 of the Dodd Frank Act added section 14(j) to the Exchange Act to require issuers to disclose in an annual meeting proxy statement whether employees or members of the board of directors are permitted to engage in transactions to hedge or offset any</p>	<p>SEC proposed rules on February 17, 2015</p>	<p>Adopt final rules by April of 2017</p>	<p>33-9723.</p>

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decrease in the market value of equity securities granted to the employee or board member as compensation, or held directly or indirectly by the employee or board member.			
<b>Amendments to Regulation D, Form D and Rule 156 under the Securities Act.</b> The SEC proposed revisions to enhance its ability to evaluate the development of market practices in offerings under Rule 506 of Regulation D and address concerns that may arise in connection with permitting issuers to engage in general solicitation and general advertising under paragraph (c) of Rule 506.	SEC proposed rules on July 24, 2013	Adopt final rules by April of 2017	33-9416.
<b>Reporting of Proxy Votes on Executive Compensation and Other Matters.</b> The SEC is proposing to amend Exchange Act rules and Form N-PX to implement section 951 of the Dodd Frank Act that would require institutional investment managers subject to section 13(f) of the Exchange Act to report how they voted on any shareholder vote on executive compensation or golden parachutes pursuant to sections 14A(a) and (b) of the Exchange Act.	SEC proposed rules on October 28, 2010	Adopt final rules by April of 2017	34-63123

## Potential

<b>Request for Comment on possible changes to Industry Guide 3 (Statistical Disclosure by Bank Holding Companies).</b> The SEC issued a request for comment to seek public input as to the disclosures called for by Industry Guide 3, noting that the financial services industry has changed dramatically since Guide 3 was first published and that the existing disclosure guidance may not in all cases reflect recent industry developments or	SEC issued request for comment on March 1, 2017	Comment period ends 60 days after publication of the release in the Federal Register	33-10321
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changes in accounting standards related to financial and other reporting requirements.			
<b>Request for Comment on Subpart 400 of Regulation S-K Disclosure Requirements Relating to Management, Certain Security Holders and Corporate Governance Matters.</b> The SEC issued a notice for public comment on disclosure requirements in Subpart 400 – Items 401 through Item 407 – of Regulation S-K.	SEC issued notice on August 25, 2016	Comment period ended on October 31, 2016	33-10198
<b>Implementation of Title I of the JOBS Act.</b> The Division of Corporation Finance is considering recommending that the SEC propose conforming rule amendments to implement Title I of the Jobs Act with respect to emerging growth companies.		Indicated intent to propose rules by April of 2017	
<b>Amendments to Financial Disclosures About Entities Other Than the Registrant.</b> The Division of Corporation Finance is considering recommending that the SEC propose rules revising the financial disclosure requirements in Regulation S-X in connection with financial statements to be included in filings with respect to certain entities other than a registrant.	Concept release issued October 1, 2015	Indicated intent to propose rules by April of 2017	33-9929
<b>Amendments to Regulation S-K and Regulation S-X.</b> The Division of Corporation Finance is considering recommending that the SEC propose rules to update certain disclosure requirements in Regulations S-X and S-K.		Indicated intent to propose rules by April of 2017	
<b>Corporate Board Diversity.</b> The Division of Corporation Finance is considering recommending that the SEC propose amendments to the proxy rules to require additional disclosure about the diversity of board		Indicated intent to propose rules by April of 2017	

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members and nominees.			
<p><b>Concept Release on Possible Revisions to Audit Committee Disclosures.</b> The SEC published a concept release to obtain information about the extent and nature of the public’s interest in revising the audit committee disclosure requirements, which exist in their current form principally in Item 407 of Regulation S-K under the Securities Act and the Securities Exchange Act.</p>	Concept release issued July 8, 2015	Indicated intent to propose rules by April of 2017	33-9862
<p><b>Business and Financial Disclosures.</b> The SEC published for comment a concept release on modernizing certain disclosure requirements in Regulation S-K.</p>	Concept release issued April 22, 2016		33-10064.
<p><b>Guide 3 Bank Holding Company Disclosure.</b> The Division of Corporation is considering recommending that the SEC seek public comment on revising and updating the general instructions and statistical disclosures in Industry Guide 3.</p>		Indicated intent to issue concept release by April of 2017	
<p><b>SEC Regulatory Accountability Act</b> would, among other things, amend the Securities Exchange Act of 1934 to direct the SEC, to: before issuing a regulation under the securities laws, identify the nature and source of the problem that the proposed regulation is designed to address; adopt a regulation only upon a reasoned determination that its benefits justify its costs; identify and assess available alternatives to any regulation; and ensure that any regulation is accessible, consistent, written in plain language, and easy to understand. In determining the costs and benefits of a proposed regulation, the SEC shall consider its impact on investor choice, market liquidity, and small businesses. In addition, the SEC shall: (1) periodically review its existing regulations to</p>	Approved by the House. Referred to the Senate Banking, Housing and Urban Affairs Committee on January 17, 2017.		H.R. 78

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<p>determine if they are outmoded, ineffective, insufficient, or excessively burdensome; and (2) in accordance with such review, modify, streamline, expand, or repeal them. Whenever it adopts or amends a rule that is "major" (in terms of economic impact), the SEC shall state in its adopting release: (1) the regulation's purposes and intended consequences, (2) metrics for measuring the regulation's economic impact, (3) the assessment plan to be used to assess whether the regulation has achieved its stated purposes, and (4) any foreseeable unintended or negative consequences of the regulation.</p>			
<p><b>Helping Angels Lead Our Startups (HALOS) Act</b> would direct the SEC to revise Regulation D to provide that the prohibition against general solicitation or general advertising will not apply to events with specified kinds of sponsors (including angel investor groups not connected to broker-dealers or investment advisers) where: presentations or communications are made by or on behalf of an issuer, but the advertising does not refer to any specific offering of securities by the issuer, the sponsor does not provide investment recommendations or advice to attendees, engage in investment negotiations with attendees, charge certain fees, or receive certain compensation; and no specific information regarding a securities offering is communicated beyond the type and amount of securities being offered, the amount of securities already subscribed for, and the intended use of proceeds from the offering.</p>	<p>Approved by the House. Referred to the Senate Committee on Banking, Housing and Urban Affairs on January 11, 2017.</p>		<p>H.R. 79</p>

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## Recently Adopted or Enacted

<p><b>Exhibit Hyperlinks and HTML Format.</b> On March 1, 2017, the SEC adopted rules requiring registrants that file registration statements and periodic and current reports that are subject to the exhibit requirements under Item 601 of Regulation S-K, or that file on Forms F-10 or 20-F, to include a hyperlink to each exhibit listed in the exhibit index of these filings.</p>	<p>SEC approved rules on March 1, 2017</p>	<p>Effective September 1, 2017 for filings made by large accelerated filers and accelerated filers; effective September 1, 2018 for all other filers</p>	<p>33-10322</p>
<p><b>Resource Extraction.</b> On June 27, 2016, the SEC adopted rules requiring resource extraction issuers to disclose in an annual report payments made to foreign governments or the Federal government for the purpose of commercial development of oil, natural gas or miners.</p>	<p>On February 14, 2017, President Trump signed a joint resolution approved by Congress pursuant to the Congressional Review Act nullifying the SEC's resource extraction issuer payment disclosure rule.</p>	<p>Immediate</p>	<p>Public Law 115-4 (H.R. Res. 41)</p>
<p><b>Shortening the Settlement Cycle.</b> The SEC has adopted rule changes proposed by the NYSE, NASDAQ and FINRA to conform their rules to the currently proposed change to amend Exchange Act Rule 15c6-1 to shorten the maximum settlement period from three days to two days.</p>	<p>FINRA rules adopted on February 9, 2017; NYSE and NASDAQ rules adopted on February 10, 2017</p>	<p>The SEC has not yet amended Rule 15c6-1. The rules will not become effective until the effective date of the SEC rule</p>	<p>34-80004 (FINRA) 34-80013 (NASDAQ) 34-80021 (NYSE)</p>

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		change. Currently it is contemplated that this could occur on September 5, 2017.	
<p><b>SEC Small Business Advocate Act</b> amends the Exchange Act to establish within the SEC an Office of the Advocate for Small Business Capital Formation and establish the Small Business Capital Formation Advisory Committee to provide the SEC with advice on SEC rules, regulations, and policies regarding its mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation, as they relate to: capital raising by emerging, privately held small businesses and publicly traded companies with less than \$250 million in public market capitalization through securities offerings; trading in the securities of such businesses and companies; and public reporting and corporate governance requirements of such businesses and companies.</p>	Enacted December 16, 2016		Public Law 114-284 (H.R. 3784)
<p><b>Amendments to Facilitate Intrastate and Regional Securities Offerings.</b> The SEC proposes to modernize Rules 147 and 504 under the Securities Act, adopt new Rule 147A and repeal Rule 505 to facilitate intrastate and regional securities offerings.</p>	SEC approved rules on October 26, 2016	Amended Rule 147 and new Rule 147A are effective April 20, 2017; amended Rule 504 effective January 20, 2017; repeal of Rule 505 effective May 22, 2017	33-10238

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<p><b>Improving the Transparency of Audits: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form and Related Amendments to Auditing Standards.</b></p> <p>The PCAOB adopted new rules and related amendments to its auditing standards that will improve transparency regarding the engagement partner and other accounting firms that took part in the audit. The rules will require disclosure of the name of the engagement partner and information about other accounting firms on new PCAOB Form AP, <i>Auditor Reporting of Certain Audit Participants</i> to be filed with the PCAOB by the independent auditor.</p>	<p>SEC approved rules on May 9, 2016</p>	<p>Effective for audit reports issued on or after January 31, 2017 with respect to disclosure of the engagement partner and for audit reports issued June 30, 2017 with respect to disclosure of other accounting firms</p>	<p>34-77787</p>
<p><b>Pay Ratio Disclosure.</b> The SEC adopted rules to require disclosure of the median of the annual total compensation of all employees of a registrant (excluding the chief executive officer), the annual total compensation of that registrant's chief executive officer, and the ratio of the median of the annual total compensation of all employees to the annual total compensation of the chief executive officer.</p>	<p>SEC adopted rules on August 5, 2015</p>	<p>Registrants must comply with the final rule for the first full fiscal year beginning on or after January 1, 2017</p>	<p>33-9887.</p>

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