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Investor Alert

The "On-Ramp" Gets Longer—Who's Watching the Road?

On May 19, 2026, as part of a tide of controversial and sweeping regulations,[1] the Securities and Exchange Commission ("SEC") proposed modifying its rules relating to registrants in initial public offerings ("IPOs") by lengthening the amount of time new registrants can enjoy the post-IPO "on-ramp"—a measure whose practical effect substantially decreases the amount of information registrants are required to disclose to the market.[2] The proposal also increases the public float threshold for which more comprehensive disclosures are required.[3] As shown below, the effects of this proposal seem to be in contrast to its stated purpose to protect investors and maintain efficient markets but will undoubtedly facilitate capital formation.[4] The proposed regulations do not do enough to enhance investor safeguards or ensure market efficiency. Soft deregulation over recent years warrants a closer look and signals the continued need for private enforcement of securities laws to protect investors. Below is a brief overview of the proposal and its potential impacts.

Brief Historical Background on Accelerated Filers and the "On-Ramp"

During the Great Depression, Congress passed the Securities Act of 1933 and the Securities Exchange Act of 1934 with the purpose of restoring investor confidence after corporate scandals and the market crash of 1929. These two Acts are the backbone of modern securities laws and regulations that protect financial markets and investors.

After another crisis—the accounting scandals of the early 2000s—the SEC created a new status for large public registrants: "Accelerated Filer" ("AF").[5] This status applied to companies with a public float of $75 million or above that had been subject to Exchange Act reporting for at least 12 months, and that had previously filed one or more annual reports.[6] The creation of the AF status was meant to address corporations' practice of releasing earnings before formal reporting deadlines, which created a significant information gap.[7]

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[1] These proposed changes include: (i) changing reporting requirements from quarterly to biannually (September 15, 2025); (ii) a policy statement allowing mandatory arbitration clauses (September 17, 2025); (iii) rescinding climate-related disclosure rules adopted in 2024 (May 29, 2026).

[2] Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies, RIN 3235-AN40. The proposal contains many other amendments not mentioned in this article including allowing all non-Large Accelerated Filers (including those on the on-ramp) to have two (instead of three) years of compensation information and could forgo risk disclosures. Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies at 66.

[3] *Id.* at 12-14.

[4] Registered Offering Reform, RIN 3235-AN41 (proposed May 19, 2026) at 8.

[5] SEC.gov, SEC Filer Status and Reporting Status.

[6] *Id.*

[7] Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies at 19-20.

Later, in 2005, the SEC introduced a "Large Accelerated Filer" ("LAF") status for companies with a public float of $700 million or more.[8] LAFs have an even shorter filing deadline than AFs, but have otherwise similar reporting requirements.[9] The SEC reasoned that LAFs "are more likely than smaller companies to have well-developed infrastructure and financial reporting resources to support further acceleration of the annual report deadline."[10] In 2007, the SEC added "Smaller Reporting Company" ("SRC") status for companies with a public float of less than $75 million.[11] While LAFs and AFs were subject to accelerated deadlines and robust disclosure requirements, SRCs were permitted to comply with pared-down disclosure requirements.[12]

In 2012, Congress passed the JOBS Act, which allowed for yet another category of companies: "Emerging Growth Companies" ("EGC"). These companies are given an "on-ramp" upon going public, allowing them to report less information (*e.g.*, fewer years of financial statements) for up to five years in order to acclimate to the SEC's more stringent reporting requirements, so long as the registrants remain eligible.[13]

Now, in 2026, the SEC seeks to modify the regulations that resulted from AF requirements. The SEC proposed narrowing the definition of LAF to corporations with a $2 billion public float (a significant increase from the previous threshold of $700 million), while simultaneously allowing the newly-minted LAFs to enjoy five years of on-ramp benefits.[14] Additionally, the SEC would like to eliminate the AF category altogether in favor of a "Nonaccelerated Filer" ("NAF") category, which will essentially include all registrants that are not LAFs.[15] NAFs will only be subject to the pared-down disclosure requirements of SRCs and EGCs.[16] The practical effect of these proposals is the elimination of the AF category and its associated disclosure requirements.[17]
Now, all registrants will be able to enjoy a five-year on-ramp, even LAFs, and only the largest of filers will be subject to more robust disclosure requirements.[18]

An Analysis of the Practical Effects of the "On-Ramp" Proposal

These proposals raise questions about investor protection. The SEC itself even acknowledged that its proposal would "delay compliance" with

[8] SEC Filer Status and Reporting Status.

[9] Form 10-K Instructions at 1.

[10] Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies at 21.

[11] *Id.* at 26-27.

[12] For example, AFs are subject to the requirement for auditor attestation. *Id.* at 23-25. On the other hand, SRCs do not have that requirement. *Id.* at 28-29.

[13] *Id.* at 49.

[14] *Id.* at 39-40.

[15] *Id.* at 54-55.

[16] *Id.* at 54.

[17] Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies at 38 n.124, 49.

[18] *Id.*

certain reporting requirements.[19] Despite the likelihood of reduced transparency that will affect the market, the SEC still believes their proposal would ultimately "encourage more companies to go public and stay public."[20] The SEC also noted that registrants may voluntarily comply with previous disclosure requirements anyway.[21]

From a quantitative perspective, as the SEC notes, "this change would effectively create a minimum five-year on-ramp for every new registrant, regardless of public float,"[22] delaying the total mix of information entering the market. And while some of those companies would eventually have to file, many would not. The SEC's relaxation of auditor attestations is especially impactful for smaller companies that have a higher likelihood of having an ineffective auditor report.[23] In combination with the change to raise the LAF classification threshold, the number of registrants who will be required to report less information as NAFs will almost double, rising from approximately 44% to 81%.[24] Further, the number of LAFs would drop from 35.4% to 19.2% of the total market. Fewer LAFs and no AFs at all means a significantly less transparent market.[25]

Ultimately, these proposals may undercut the SEC's goals of protecting investors and ensuring an efficient market. With less information available to investors, the market could become less efficient, and prices could become more volatile in the face of increasing uncertainty. The Government Accountability Office has acknowledged the benefits of transparency, noting that "auditor attestation instills rigor and discipline over internal controls, raising investor confidence."[26] Allowing all filers to avoid filing auditor attestations during their five-year on-ramp, which is what the SEC proposes, will severely undercut investors' faith in the market—a result that benefits no one.

These scaled down disclosure requirements could be seen as a step back from prior practices that enhanced investor protections, facilitated enforcement, and increased market efficiency. While capital formation is an important goal, investor confidence is paramount to a functioning, successful and efficient market.

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[19] Other requirements include, but are not limited to, accelerated reporting timelines, risk disclosures, executive compensation disclosures, and decreased frequency of say-on-pay votes. *Id.* at 65-68.

[20] *Id.* at 48-49.

[21] *Id.* at 49.

[22] Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies, RIN 3235-AN40 (proposed May 19, 2026) at 48.

[23] John Coates et al Shadow SEC Statement No. 9: Shock and Awe—The Commission's 1934 Act Blunderbuss Revisions (2026). About 15% of current accelerated filers (companies with public float less than $700 million but more than $75 million) have auditor reports that find the company has ineffective internal controls. *Id.* Smaller companies have even higher rates, at about 40%. *Id.*

[24] Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies at 54, 65.

[25] *Id.* at 40.

[26] GAO Report on Section 404(b) GAO-25-107500, SARBANES-OXLEY ACT: Compliance Costs Are Higher for Larger Companies but More Burdensome for Smaller Ones ("Auditor Attestation Exemption May Free Up Resources but Could Reduce Investor Confidence to Varying Degrees").

The SEC's acknowledgment that registrants may voluntarily provide more robust disclosures suggests a potential opening for shareholders: where companies choose the bare minimum, private litigation may serve as a check that the rulemaking no longer provides. As mandatory disclosure requirements narrow, private enforcement—through securities fraud claims, derivative suits, and other common-law remedies—may need to fill the gap the SEC's rulemaking leaves behind.

Labaton Keller Sucharow's lawyers are available to address any questions you may have regarding these developments. Please contact the Labaton Keller Sucharow lawyer with whom you usually work or the contacts below.

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