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A Case for Eliminating Quarterly Periodic Reporting: Addressing the Malady of Short-Termism in U.S. Markets with Real Medicine

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The author maintains that “short-termism” is a serious malady for which the only effective remedy is (1) elimination of quarterly periodic reporting on Form 10-Q, and the companion disclosure regime of quarterly earnings releases and conference calls, (2) conversion to annual-only periodic reporting on Form 10-K, coupled with a new annual earnings guidance requirement, and (3) retention of current interim disclosure of select material events on Form 8-K. The author reviews how the current quarterly disclosure regimes lead inevitably to short-termism behaviors, and are temptations to other problematic conduct, by corporate actors and market participants. The author contends that the proposed disclosure regime would reduce substantially such behavior and temptations, without compromising the quality of disclosures, protection of investors, or effectiveness of the capital markets system. The author argues that only such a fundamental change from the short-term timetable of the current disclosure regimes can curb short-termism, promote longer term and more strategic focus by corporate actors, and lead analysts, investors, and other market participants to focus on longer-term value propositions.

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