

SEC ALERT

SEC Changes the Accelerated and Large Accelerated Filer Definitions

Details

On March 12th, the SEC adopted the highly anticipated [amendments](#) to the accelerated and large accelerated filer definitions. As a result, an issuer that is eligible to be a smaller reporting company (SRC) with less than \$100 million in annual revenue will no longer be required to obtain an audit of its internal control over financial reporting (ICFR) and will have more time to file its periodic reports on Forms 10-K and 10-Q.

What Has Changed?

A summary of the revised initial qualification thresholds for determination of filer status compared to the current thresholds is as follows:

	Current thresholds	Revised thresholds
Non-accelerated filer	Public float is less than \$75 million	Public float is less than \$75 million -OR- Public float is between \$75 million and \$700 million and annual revenue is less than \$100 million
Accelerated filer	Public float is at least \$75 million, but less than \$700 million	Public float is at least \$75 million, but less than \$700 million and annual revenue is \$100 million or more
Large accelerated filer	Public float is \$700 million or more	Public float is \$700 million or more or more

Accordingly, registrants that will no longer qualify as accelerated filers are those with annual revenue of less than \$100 million and public float between \$75 million and \$700 million.

In addition to amendments that add a conforming revenue rest for exiting accelerated filer and large accelerated filer status, the SEC also increased the public float transition thresholds for exiting accelerated and large accelerated filer status to 80% of the initial qualification thresholds as follows:

	Current public float threshold for exiting status	Revised public float threshold for exiting status
Accelerated filer	Public float is less than \$50 million	Public float is less than \$60 million
Large accelerated filer	Public float is less than \$500 million	Public float is less than \$560 million

A Business Development Company (BDC) will also be excluded from the definition of an accelerated filer if the BDC has (1) public float of at least \$75 million, but less than \$700 million and (2) investment income¹ of less than \$100 million. BDCs will apply the same transition provisions for accelerated and large accelerated filer status that apply to other issuers (as outlined above, using investment income instead of revenue).

What Hasn't Changed?

The amendments do not change other key protections from the Sarbanes-Oxley Act of 2002, such as CEO and CFO certifications of financial reports, or the requirement that companies continue to establish, maintain, assess and report on the effectiveness of their ICFR and disclosure controls and procedures. Further, auditors are still required to obtain an understanding of a company's ICFR in order to plan their audits, are required to consider control defects that come to their attention, and may test controls in order to place reliance on internal controls and reduce substantive audit testing.

When Are the New Rules Effective?

The amendments are effective 30 days after publication in the Federal Register and apply to annual reports due on or after the effective date.

Refer to the **Appendix** for a summary of how an issuer will evaluate its filer status following the effective date of the amendments.

Appendix

The following table summarizes how an issuer will evaluate its filer status (and the corresponding filing requirements) as a result of the amendments:

	Public float²	Annual revenue³	ICFR audit⁴	Filing deadlines⁵
Non-accelerated filer and SRC	Less than \$75 million	N/A	No	10Q – 45 Days 10K – 90 Days
	\$75 million, but less than \$700 million	Less than \$100 million	No	10Q – 45 Days 10K – 90 Days
Accelerated filer and SRC	\$75 million, but less than \$250 million	\$100 million or more	Yes	10Q – 40 Days 10K – 75 Days
Accelerated filer and not an SRC	\$250 million, but less than \$700 million	\$100 million or more	Yes	10Q – 40 Days 10K – 75 Days
Large accelerated filer	\$700 million or more	N/A	Yes	10Q – 40 Days 10K – 60 Days

¹ Investment income as defined in Rule 6-07.1 of Regulation S-X.

² Public float is calculated as the aggregated worldwide market value of an entity's voting and non-voting common equity held by non-affiliates and is measured at the end of an issuer's second fiscal quarter.

³ Annual revenue is based on an issuer's most recently completed fiscal year.

⁴ In connection with the amendments, annual reports will be revised to include a check box on the cover page indicating whether an attestation report on ICFR has been included in the filing.

⁵ Due dates are based on the number of days after the most recent fiscal year end or quarter end, as applicable.

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