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On the Radar

SEC Comment Letter Considerations, Including Industry Insights

The global business landscape continues to evolve at a rapid pace. After years of increasing interest rates and inflation, these trends have begun to moderate. However, other factors such as global trade tensions and the transformative effects of generative artificial intelligence (AI) are dominating headlines and influencing world markets. At the same time, with the change of presidential administration, the SEC is charting a new course for rulemaking and priorities. The SEC's current regulatory agenda (the "RegFlex Agenda"), which is part of the Spring 2025 Unified Agenda of Regulatory and Deregulatory Actions issued by the Office of Management and Budget's Office of Information and Regulatory Affairs, provides insights into where the SEC might focus. The agenda's areas of focus include facilitating capital formation and reducing compliance burden, establishing a comprehensive regulatory framework for crypto assets, and revisiting actions of the prior administration.

To help the SEC meet its responsibilities under the Sarbanes-Oxley Act, the SEC's Division of Corporation Finance (the "Division") continues to selectively review documents filed by registrants under the Securities Act of 1933 and the Securities Exchange Act of 1934. Under the Division's filing review process, the Division performs some level of review of each registrant at least once every three years and may issue comments to such registrants. The analysis herein summarizes the comments the Division issued during its reviews of periodic filings of public companies.

Top 10 Topics in Reviews

The table below summarizes comment letter trends by topic in the 12-month period ended July 31, 2025 ("review year 2025" or the "current year").

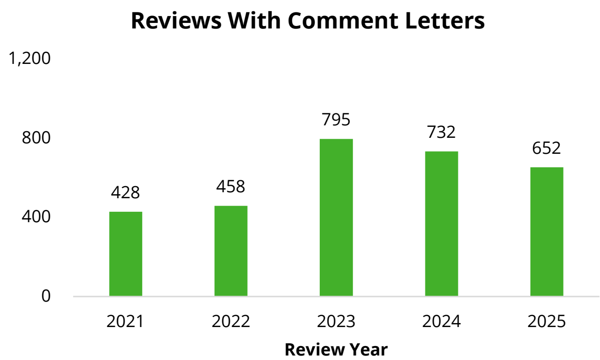
Topic	Percentage of All Reviews	Rank	Change in Rank From Prior Year
MD&A	50%	1	—
Non-GAAP measures	37%	2	—
Segment reporting	23%	3	—
Revenue recognition	16%	4	—
Inventory and cost of sales	10%	5	—
Intangible assets and goodwill	10%	6	—
Signatures, exhibits, and agreements	9%	7	↑ 9
Acquisitions, mergers, and business combinations	8%	8	↑ 1
Debt	8%	9	↑ 2
Earnings per share (EPS)	7%	10	↑ 5

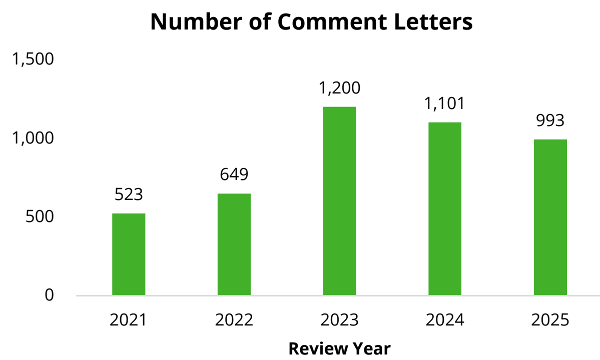
The topics that constitute the current year's top 10 list are largely consistent with the prior year's list. However, the topics of debt, EPS, and signatures, exhibits, and agreements have joined the top 10 list, while the topics of income taxes (ranked 15th in the current year), internal control over financial reporting (ranked 11th in the current year), and fair value (ranked 13th in the current year) have dropped out of the top 10. The volume of reviews with a comment on MD&A as a percentage of all reviews with comment letters has continued to increase, whereas the volume of reviews with a comment on non-GAAP measures as a percentage of all reviews with comment letters decreased slightly. These two topics are still the two most significant sources of SEC comments by a wide margin since the SEC staff remains laser-focused on them. Given the SEC staff's focus on ensuring that disclosures provide decision-useful information from management's perspective, we expect the volume of comments on MD&A to remain high. While segment reporting remained in 3rd place, the volume of reviews with a comment on this topic increased from 16 percent of all reviews with comment letters to 23 percent of all such reviews, with the increase largely attributable to the staff's comments on the implementation of the new disclosures required by ASU 2023-07, including significant segment expense disclosures. We also observed an increased number of comments related to signatures, exhibits, and agreements, which rose from 16th place in review year 2024 to 7th place in review year 2025 because of an increase in comments related to potentially missing or incorrect exhibits and certifications. In addition, both debt and EPS moved up into the top 10 list this year, indicating an increase in SEC comments related to the accounting for and disclosure of financial instruments.

A number of the aforementioned trends are likely to continue in years to come since comment letter topics have been largely consistent year over year. While it is difficult to predict what new comment letter trends are on the horizon, the SEC staff has historically focused on emerging issues such as macroeconomic issues as well as new accounting standards and regulations. Accordingly, we might expect a focus on AI and global trade issues as well as new income tax disclosures that go into effect this year. It remains to be seen how the recent change in SEC leadership and the corresponding changes in the SEC's priorities will affect the Division's filing reviews and resulting comment letters, if at all.

Long-Term Review Trends

The charts below show, for each of the review years 2021 through 2025, (1) the number of reviews with comment letters and (2) the total number of SEC comment letters issued.





As the charts above illustrate, while there was a notable increase in the number of reviews with comment letters and the number of comment letters issued on Forms 10-K and 10-Q from the beginning of review year 2021 through the end of review year 2023, the trend started to reverse in review year 2024, with a decrease in (1) review year 2024 (8 percent year-over-year decrease in both the number of reviews with comment letters and the number of comment letters issued) and (2) review year 2025 (11 percent year-over-year decrease in the number of reviews with comment letters, 10 percent year-over-year decrease in the number of comment letters issued). This overall trend is most likely attributable to capital markets activity. Throughout calendar years 2020 and 2021, the volume of traditional initial public offerings (IPOs) and special-purpose acquisition company (SPAC) transactions reached record levels, with more than 800 companies going public during this time frame. During that period, SEC staff most likely focused on registration statements for IPOs and SPAC transactions and reduced discretionary reviews of annual reports. In 2022, the capital markets slowed, but the earlier activity led to an increase in the number of Forms 10-K filed by public companies, which are subject to recurring SEC staff review. With more public companies subject to review and lower levels of capital markets activity, we saw elevated levels of comment letters in review years 2023 and 2024, although the number of comment letters declined in review year 2024 from its peak in review year 2023. In review year 2025, we observed a more significant year-over-year decrease that is most likely attributable to increased capital markets activity as well as to ongoing changes to staffing levels at the SEC (similar to changes in staffing levels at other federal agencies). We believe that this reversal may continue into next year and that we may see further changes as the new director of the Division establishes the Division's priorities for the disclosure review program.

Although the number of reviews with comment letters remains elevated, the vast majority of reviews conducted by the SEC staff do not result in a comment letter. For example, in the SEC's fiscal year ended September 30, 2024, the SEC staff reviewed approximately 3,400 companies as part of the annual review process. However, only about a quarter of the reviews of those companies resulted in a comment letter.

Priorities on the Horizon

Broader SEC priorities often influence comment letter trends. As registrants start to prepare for the 2025 annual reporting cycle, they may find it helpful to consider the following SEC priorities:

Facilitating capital formation	Current SEC leadership has emphasized that it is evaluating opportunities to ease the regulatory burden on small companies and companies in the IPO process. Recent actions taken by the SEC include: • Enhancing draft registration statement accommodations, reviewing the definition of an emerging growth company and the duration of EGC status, and considering scaled disclosure requirements for public companies. • Soliciting input from stakeholders on the foreign private issuer regime and how to balance the objectives of attracting foreign companies to U.S. markets, providing investors with material information, and ensuring that U.S. companies are not competitively disadvantaged. • Committing to undertake rulemaking to transition from quarterly reporting to semiannual reporting in accordance with a request from President Trump. Although the ultimate outcome of this rule change is unknown, we believe that many companies may maintain a quarterly reporting cadence because of investor expectations.
Crypto regulatory framework	SEC Chair Paul Atkins has continually emphasized that development of a rational regulatory framework for crypto asset markets is a priority of the SEC. To this end, under new leadership, the SEC: • Issued Staff Accounting Bulletin (SAB) No. 122 in January 2025 to rescind SAB 121, which contained interpretive guidance related to accounting for obligations to safeguard crypto assets held for platform users. • Formed a crypto task force, which an SEC press release describes as “dedicated to developing a comprehensive and clear regulatory framework for crypto assets.” The new task force has actively sought public input on the development of such a framework. • Provided guidance, through statements from the SEC staff, on the application of existing SEC rules and regulations to crypto assets and activities related to them, including meme coins, certain stablecoins, crypto mining, protocol staking, and liquid staking. • Shared the SEC staff’s views on the application of certain disclosure requirements for (1) offerings and registrations of securities in the crypto asset markets and (2) issuers of crypto asset exchange-traded products.
Revisiting actions of the prior administration	Chair Atkins has emphasized that he is examining actions by the former SEC leadership, noting upon the release of the RegFlex Agenda that this agenda reflects the removal of a number of items pending from the last administration that do not align with the SEC’s current priorities. Accordingly, the SEC is likely to consider revising or rescinding the rule on climate-related disclosures that is currently stayed. Although the SEC withdrew its defense of the rule in litigation before the U.S. Court of Appeals for the Eighth Circuit, the court ordered the case paused until the rule is “repealed, modified, or defended in litigation.”

(Table continued)

AI	Many registrants have included disclosures about AI in their SEC filings. These disclosures have largely focused on (1) AI regulation such as the EU Artificial Intelligence Act; (2) increased cybersecurity threats fueled by AI; and (3) market competition, innovation, and disruption from AI. The SEC staff has cautioned registrants to avoid "AI washing" (i.e., making unfounded AI-related claims), emphasizing that companies should have a basis for any claims they disclose about AI and that disclosures about a company's use of AI should be accurate, complete, and balanced with the related risks. The staff has also encouraged companies with material AI risks to consider disclosing information about AI risk management and corporate governance policies.
Global trade issues	The macroeconomic landscape has been changing rapidly in response to increased global trade tensions associated with the implementation of new tariffs, affecting various industries and market dynamics. Registrants have disclosed, primarily in the risk factors section, that these tariffs are likely to affect their cost structures, their profitability, and consumer demand and that they may need to make strategic adjustments to avoid potential issues with global supply chains. Further, many registrants have disclosed that these tariffs, along with retaliatory tariffs and related regulations and restrictions, may lead to increased volatility in operating costs and sales margins. Although we have not yet seen SEC staff comments to registrants on these disclosures, we expect such disclosures to remain an area of focus for companies and investors alike.

For a comprehensive discussion of comment letter trends affecting SEC filers, see Deloitte's Roadmap *SEC Comment Letter Considerations, Including Industry Insights*.

Contacts

John Wilde
Audit & Assurance
Partner
Deloitte & Touche LLP
+1 415 783 6613
johnwilde@deloitte.com

If you are interested in Deloitte's SEC reporting offerings, please contact:

Will Braeutigam
Audit & Assurance
Partner
Deloitte & Touche LLP
+1 713 982 3436
wbraeutigam@deloitte.com

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