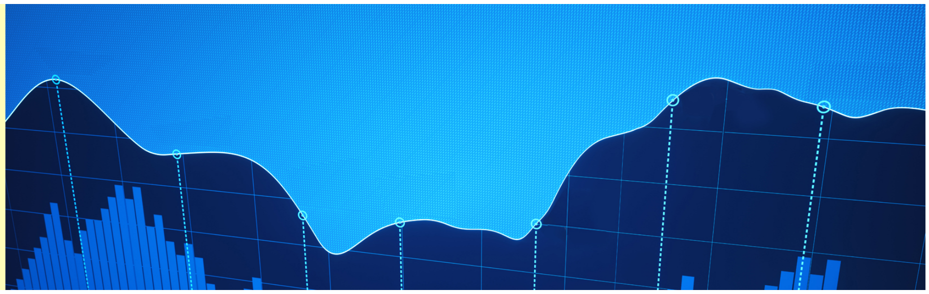

Securities Quarterly Update

June 2026 | Summer Edition

Welcome to the summer edition of Securities Quarterly Update*, a publication that provides updates and guidance on securities regulatory and compliance issues. In this edition, we review considerations for quarterly reports on Form 10-Q; recent insider trading enforcement actions; recent SEC, Nasdaq, CA CARB and corporate governance updates; and SEC rulemaking activity.*

Form 10-Q Disclosure Considerations

Artificial Intelligence (AI)

Companies should revisit whether AI-related developments require updates to risk factors, MD&A or disclosure controls, including developments involving the company's deployment of AI tools, reliance on third-party AI vendors, cybersecurity implications, or executive and employee use of public chatbots.

AI Chatbots and Discoverability

Recently, the Delaware Court of Chancery (Delaware Court) issued a significant post-trial opinion, which serves as a reminder that AI communications may be discoverable. In this case, the Delaware Court found a buyer breached an equity purchase agreement by terminating key seller executives without cause and seizing operational control to avoid paying a contractual earnout. Key evidence came from the buyer CEO's AI chatbot prompts, in which the CEO used the AI chatbot to develop a strategy to renegotiate the earnout or execute a takeover of the acquired company, and the chatbot's detailed suggestions. The CEO also admitted that he deleted AI chat logs, compounding concerns about intent and evidence preservation. The opinion does not establish a new legal standard governing AI use, but it is a clear warning that AI communications may be discoverable, may not be privileged, and may be used as evidence against the party that generated them.

Tariffs

Tariff uncertainty continues, with the Office of the U.S. Trade Representative proposing additional tariffs of up to 12.5% on imports from 60 economies over their failure to ban goods made with forced labor. Companies should continue to consider whether additional or updated disclosure is required.

Insider Trading Enforcement Actions

Prediction Markets

In April, the Southern District of New York (SDNY) and Commodity Futures Trading Commission (CFTC) announced parallel criminal and civil enforcement actions against an active-duty U.S. soldier in the first insider trading case involving prediction markets. The indictment and complaint allege that the soldier used sensitive classified information to make wagers on a popular prediction marketplace related to the U.S. military operation to capture Nicolás Maduro. If convicted, the soldier faces imprisonment, forfeiture of any gains, civil monetary penalties, restitution, and broad trading and registration prohibitions.

Additionally, the SDNY and CFTC recently announced parallel charges against a former employee of a large technology company for allegedly using confidential corporate information to make wagers on a popular prediction marketplace, generating around $1.2 million in profits. If convicted, the former employee faces imprisonment, forfeiture of any gains, civil monetary penalties, restitution, and broad trading and registration prohibitions.

In these cases, both defendants confirmed, one by signing a nondisclosure agreement and one by certifying his understanding of the company's confidentiality and ethics policies, that they were aware that they should not disclose confidential information. Companies should review and update their insider trading policies and employee codes of conduct to expressly prohibit the use of confidential or proprietary information to trade on prediction markets and consider whether existing confidentiality and employment agreements adequately address the risk of insider trading related to prediction markets.

SEC Updates

New Guidance on Form S-8 for Pooled Employer Plans

On May 4, 2026, the SEC issued a new Corporation Finance Interpretation (CFI) relating to pooled employer plans (PEPs), which allow multiple, unrelated employers to join a single retirement plan, reducing some of the costs, administrative burdens, and potential liability attached to sponsoring a plan on their own.

The CFI provides that an employer participant in a PEP may register offers and sales of its own securities to employees on Form S-8. The PEP is also required to register the offer and sale of plan interests to the employees of that employer on the same Form S-8. However, the parties are permitted to file separate Forms S-8, subject to certain conditions.

SEC Publishes Draft Strategic Plan

On June 2, 2026, the SEC released a draft Strategic Plan for fiscal years 2026 through 2030, focused on returning the SEC to its original mission. It sets forth the following three goals that Chairman Paul S. Atkins believes are important to advance the SEC's mandate:

- *Renewing the SEC's regulatory policy focus to support innovation, capital formation, market efficiency, and investor protection*. The SEC aims to modernize the regulatory framework for digital assets; facilitate access to public markets for all types of issuers, including small businesses; and reduce burdens that suffocate innovation or create market inefficiency.
- *Shifting regulatory practices to increase stakeholder engagement, facilitate market participants' compliance efforts, and effectively return enforcement to Congress' original intent*. The SEC hopes to increase staff engagement with business and industry groups and refocus its enforcement approach on violations involving fraud, deception, and market manipulation.
- *Optimizing operational efficiency by enhancing organizational structure, modernizing technology, reforming employee performance management, and promoting employee performance and accountability*. The SEC plans to review and modernize its technological infrastructure, including conducting a comprehensive review of the EDGAR system and increasing the agency's use of AI.

Comments on the draft Strategic Plan are due by July 2, 2026.

SEC Rulemaking

Semiannual Reporting

On May 5, 2026, the SEC proposed amendments to allow public companies the option of filing semiannual reports on a new Form 10-S instead of quarterly reports on Form 10-Q as part of their interim reporting obligations. See our recent *Securities Law Update* for more information.

Simplified Reporting Requirements

On May 19, 2026, the SEC released two sets of proposed rule amendments intended to simplify the public company reporting framework and to assist companies in conducting registered offerings. See our recent *Securities Law Update* for more information.

Rescission of Climate-Related Disclosure Rules

On May 29, 2026, the SEC proposed the rescission of its 2024 climate-related disclosure rules, which required companies to provide climate-related information in their annual reports and registration statements. Comments on the proposed rescission are due by August 3, 2026.

Nasdaq 23/5 Trading

The SEC recently approved Nasdaq's proposal to extend trading hours from 16 hours a day to 23 hours a day, five days a week ("23/5" trading), introducing a new overnight

"Night Session" while reserving a one-hour daily pause from 8:00 to 9:00 p.m. ET for system maintenance and the processing of corporate actions. Nasdaq has publicly targeted a launch date of December 6, 2026 for 23/5 trading.

Companies should revisit the timing of material disclosures and earnings releases, reassess Regulation FD and leak-response procedures to account for price-moving developments during overnight sessions, and consider how insider-trading-window and insider-trading policies, investor-relations practices, securities offerings, and corporate actions should be adapted to a 23-hour trading day.

California Extends Scope 1 and 2 Emissions Reporting Deadline

On June 24, 2026, the California Air Resources Board announced that it is deferring the reporting deadline for entities to report Scope 1 and 2 greenhouse gas emissions from August 10, 2026 to November 10, 2026.

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Previous Editions of Securities Quarterly Update

- Spring 2026
- Winter 2026
- Fall 2025
- Summer 2025