

SEC Guidance on Coronavirus Disclosures

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Please see our updated post [here](#).

The SEC, together with the PCAOB, recently updated guidance to reporting companies on issues arising from the coronavirus (COVID-19) outbreak. On February 19, 2020, SEC Chairman Clayton, PCAOB Chairman William Duhnke, and senior members of the SEC staff advised that, while specific analysis of the impact of the coronavirus may not be feasible, information about a company's plan and response to its outbreak could be material and may need to be disclosed. That advice referred to the effect of the outbreak on the audit process and financial reporting. The SEC also updated its guidance to companies for evaluating general disclosure and reporting requirements in light of the quickly developing coronavirus situation.

U.S. listed companies with significant operations in China and other affected areas, whether based in those areas or not, may be affected by the continued spread of the coronavirus. The SEC observed that companies that do not themselves have operations in affected areas, but who depend on suppliers, distributors, and/or customers in those areas, may suffer financial and operational impacts. The reactions of other countries to the spread of the coronavirus, including potential travel bans, can have adverse impacts on companies. The coronavirus can affect the availability, timeliness and accuracy of financial information necessary for financial disclosures. This could then affect the quality of any financial audit.

Practical Takeaways:

- Companies should consider including disclosures in upcoming filings to the extent relevant to their industries and operations. These disclosures should be targeted to the company's particular circumstances and may be made, for example, in the Risk Factors section or in relation to known trends and uncertainties in the MD&A.
- Management may want to develop contingency plans, including employee safety protocols, to respond to the threats posed by the coronavirus to the extent material to operations or financial results. Audit committees can provide oversight of the contingency planning and any effect the outbreak might have on the preparation and audit of the financial statements.
- Companies should have discussions with their independent auditors to ensure the quality or timing of an audit is not compromised due to a lack of access caused by the coronavirus. If the quality or timing of an audit poses a concern to a company, it should contact the SEC to request appropriate relief.
- Companies may want to review the force majeure clauses in material contracts and their business interruption plans and insurance.

Your regular Locke Lord contact and any of the authors would be happy to assist you with these matters.

Visit our [COVID-19 Resource Center](#) often for up-to-date information to help you stay informed of the legal issues

related to COVID-19.

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