

RCA – July 1995 – Ask The Analyst - Footnotes

Q: Is bringing disclosure into the text instead of putting information in a footnote a "rule," or just a strong suggestion?

A: Under the current rules, members may not rely on footnotes to ensure that a presentation is fair and not misleading. Disclosure that is material to an investor's decision to invest, such as risk factors, must be included in the relevant portion of the text. However, foot-notes may still be used for non-material information such as sources of charts or tables. Please see the section titled, "The Overall Clarity of the Communication in Article III, Section 35(d)(l)(D)(iii) of the Rules of Fair Practice that lists important factors in determining whether a communication is misleading. The rule specifically states that "... material disclosure relegated to legends or footnotes realistically may not enhance the reader's understanding of the communication."