

July 9, 2026

In this edition of the quarterly communication, we have provided information about financial reporting and accounting issues – some of which are currently being evaluated by regulatory agencies and not resolved at this time. We have also compiled a list of items for consideration in your financial reporting and disclosures for the second quarter and a summary of recently issued accounting pronouncements (see Appendices for summary of recently issued accounting pronouncements and the related effective dates).

This quarterly update is organized as follows:

	<u>Page</u>
<u>FASB Update</u>	
<i>(an overview of selected accounting standards updates (ASUs) issued during the quarter)</i>	2
<u>Regulatory Update</u>	
<i>(an overview of selected updates, releases, rules and actions during the period that might impact financial information, operations and/or governance)</i>	3
<u>On the Horizon</u>	
<i>(an overview of selected projects and exposure drafts of the FASB as well as activities of the EITF and the PCC)</i>	9
<u>Appendices</u>	
<i>A – Important Implementation Dates:</i>	
<i>FASB/EITF/PCC</i>	12
<i>B – Illustrative Disclosures for Recently Issued Accounting Pronouncements</i>	16
<i>C – Recently Issued Accounting Pronouncements</i>	20

FASB update

The following selected Accounting Standards Updates (ASUs) were issued by the Financial Accounting Standards Board (FASB) during the second quarter. A complete list of all ASUs issued or effective in 2026 is included in Appendix A.

FASB Improves Accounting for PIK Dividends on Equity-Classified Preferred Stock

In April, the FASB issued ASU 2026-01, *Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock*, providing authoritative guidance on how an issuer should initially measure paid-in-kind (PIK) dividends on equity-classified preferred stock. The ASU is based on a recommendation of the Emerging Issues Task Force (EITF).

Stakeholders noted that current generally accepted accounting principles (GAAP) does not address how an issuer should initially measure PIK dividends on equity-classified preferred stock, leading to inconsistent practice and impacts on balance sheet presentation and earnings per share. The ASU requires that PIK dividends to be initially measured on the PIK dividend rate stated in the preferred stock agreement.

Effective Dates

The amendments are effective for all entities for annual reporting periods beginning after December 15, 2026 (including interim periods). Early adoption is permitted in an interim or annual reporting period in which financial statements have not yet been issued or made available for issuance. An entity adopting the amendments in an interim reporting period should apply them at the beginning of the annual reporting period that includes that interim reporting period. An entity may apply the amendments either (1) on a prospective basis or (2) on a modified retrospective basis for equity-classified preferred stock instruments outstanding as of the initial application date.

regulatory update

SEC Proposal Could Reshape Public Company Reporting Requirements

One of the most significant financial reporting developments of the second quarter of 2026 came on May 19, when the Securities and Exchange Commission (SEC) proposed a major overhaul of the public-company reporting framework. The [proposal](#) would simplify filer classifications by reducing the current categories to two primary groups: Large Accelerated Filers (LAFs) and Nonaccelerated Filers (NAFs). It would also increase the public float threshold for LAF status to \$2 billion, potentially reducing reporting burdens for many smaller public companies.

For accounting and finance departments, the proposal could have far-reaching implications. Companies that move into the nonaccelerated filer category may face reduced compliance costs, primarily because they would no longer be subject to the auditor attestation requirement under Section 404(b) of the Sarbanes-Oxley Act. Management would still be responsible for assessing and reporting on the effectiveness of internal controls over financial reporting (ICFR) under Section 404(a), but organizations could see lower audit fees and fewer compliance-related burdens. Audit committees and CFOs should begin evaluating how potential changes could affect financial statement preparation, filing timelines, and external audit costs.

Supporters argue that the proposal would modernize disclosure requirements and encourage more companies to access public capital markets. Critics, however, caution that reducing reporting obligations could limit the amount of information available to investors. Congressional oversight committees are expected to closely monitor the proposal and its impact on market transparency.

Although the rule remains in the proposal stage, institutions should pay attention to the comment process and assess how changes in filer status could affect their organizations. If adopted, the proposal would represent one of the most consequential revisions to SEC reporting requirements in years and could significantly alter financial reporting practices across the public-company landscape.

SEC Considers Optional Semiannual Reporting Instead of Quarterly Filings

In another major development in the second quarter, the SEC proposed allowing eligible companies to replace quarterly Form 10-Q filings with a new semiannual reporting framework. Under the [proposal](#), companies could have the option to file a Form 10-S once annually while continuing to provide quarterly financial updates through earnings releases furnished on Form 8-K.

The proposal immediately drew attention from finance executives, auditors, and investors because quarterly reporting has long been central to U.S. securities regulation. Proponents argue that fewer quarterly filings could lower compliance costs and encourage a focus on long-term value creation over short-term earnings.

From a financial reporting perspective, the proposal could substantially alter reporting calendars, disclosure controls, and financial close processes. Companies would need to evaluate whether internal systems can support a hybrid reporting model that combines semiannual SEC filings with quarterly earnings disclosures. Audit committees would also need to reconsider oversight practices and investor communication strategies.

Congressional observers have expressed interest in how the proposal may affect market transparency and investor protections, with public hearings and comment letters expected to focus on whether less frequent SEC reporting could increase information asymmetry between companies and investors. As debate continues, institutions should assess operational impacts and prepare for possible changes to reporting requirements if the rule advances.

SEC and Congress Renew Focus on Non-GAAP Financial Reporting

During the second quarter of 2026, SEC staff continued emphasizing the importance of transparent and compliant non-GAAP financial reporting. Recent guidance, comment letter trends, and enforcement discussions indicate that regulators remain concerned about adjustments that may obscure underlying operating performance or present overly favorable results.

Non-GAAP measures such as adjusted earnings per share, pre-provision net revenue, efficiency ratio, tangible book value per common share remain common in earnings releases and investor presentations for financial institutions. SEC rules require companies to present the most directly comparable GAAP measure and provide a reconciliation explaining differences between GAAP and non-GAAP results.

Accounting departments should pay particular attention to recurring expense adjustments, changes in metric definitions, and disclosure prominence. SEC reviewers continue to question companies that exclude normal operating costs or present non-GAAP measures more prominently than GAAP results. Enforcement actions in recent years have demonstrated the financial and reputational risks associated with misleading presentations.

Congressional interest in disclosure quality has also remained strong, with lawmakers examining whether investors receive sufficiently transparent information from public companies. Given the SEC's ongoing focus, audit committees should maintain active oversight of management's non-GAAP reporting policies and financial disclosure controls. Companies entering the second half of 2026 should review earnings release practices and ensure documentation supporting all non-GAAP adjustments is thorough and defensible.

SEC Signals Greater Focus on AI Controls in Financial Reporting

Artificial intelligence became a major topic in accounting and financial reporting discussions during the second quarter of 2026 as [SEC officials outlined concerns](#) about how companies are using AI within financial reporting processes. At the *SEC and Financial Reporting Conference* in June, staff from the Office of the Chief Accountant indicated that while the agency is not planning immediate prescriptive regulations, it is considering issuing formal reminders regarding appropriate governance and controls surrounding AI use in financial reporting.

The SEC's concerns center on several areas that directly affect accounting departments. These include the reliability of data used to train AI models, the use of third-party vendors whose systems influence financial reporting, and the adequacy of management's risk assessment processes. SEC officials noted that companies must understand how AI-generated outputs are developed and whether sufficient controls exist to validate those outputs before they affect reported financial results.

For finance executives, the message is clear: existing ICFR frameworks remain applicable even when AI tools are involved. Companies using AI for account reconciliations, forecasting, revenue recognition analyses, impairment testing, or disclosure preparation should evaluate whether current controls adequately address risks such as model drift, bias, data quality issues, and lack of explainability.

Congressional interest in AI governance has also continued to grow, increasing the likelihood of future hearings and regulatory scrutiny. Audit committees should ensure management has established policies governing AI use, vendor oversight, documentation, and ongoing monitoring. As AI adoption accelerates across finance functions, regulators appear focused less on restricting innovation and more on ensuring that companies maintain reliable accounting controls and transparent financial reporting practices.

CorpFin Updates Securities Act Disclosure Interpretations

On May 4, 2026, the SEC's Division of Corporation Finance (CorpFin) issued two new [Compliance and Disclosure Interpretations](#) (C&DIs) that provided guidance under the Securities Act. The updates included a new interpretation under Section 3(a)(2) of the Securities Act and a new interpretation related to Form S-8, which is commonly used to register securities issued under employee benefit plans. The guidance addressed issues involving securities offered through certain bank-sponsored retirement arrangements, including pooled employer plans (PEPs), and clarified the circumstances under which interests in those plans may qualify for the Securities Act's bank exemption and how Form S-8 may be used in connection with employee benefit plan offerings. Overall, the May 2026 C&DIs provided additional clarity for banks, public companies, and plan sponsors regarding the securities law treatment of employee retirement plan interests and related registration requirements.

SEC Proposes Rescinding Climate Disclosure Rules

In May 2026, the [SEC proposed rescinding](#) in its entirety the Climate-Related Disclosure Rules adopted in March 2024 but never became effective due to ongoing litigation and a regulatory stay. The SEC stated that the rules—which would have required public companies to disclose climate-related risks, greenhouse gas emissions, climate governance, and certain financial statement impacts—were overly burdensome, imposed substantial compliance costs, and exceeded the agency's statutory authority. The proposal reflects the SEC's return to a more traditional, materiality-based disclosure framework, under which companies disclose information that is material to investors rather than complying with a climate-specific reporting regime. The proposed rescission would eliminate all climate-related disclosure requirements adopted in 2024 and leave issuers subject to existing SEC disclosure requirements, while opening a 60-day public comment period before any final action is taken. Comments are due Aug. 3, 2026.

SEC Publishes Draft Strategic Plan

On June 2, 2026, the SEC published a [Draft Strategic Plan](#) for fiscal years 2026-2030 outlining what Chairman Paul Atkins described as a renewed focus on the agency's core statutory mission of protecting investors, maintaining fair and efficient markets, and facilitating capital formation. The draft plan is built around three strategic goals: (1) modernizing the SEC's regulatory framework to promote innovation, capital formation, and investor protection, including developing a clearer regulatory approach for digital assets and distributed ledger technology; (2) increasing stakeholder engagement, facilitating compliance, and refocusing enforcement on clear violations of established law such as fraud and market manipulation rather than expanding regulatory obligations through enforcement actions; and (3) improving operational efficiency through organizational reforms, modernization of technology platforms such as EDGAR, enhanced performance management, and responsible use of emerging technologies including artificial intelligence. The plan also emphasizes simplifying disclosure requirements, expanding capital-raising opportunities, conducting retrospective reviews of existing regulations, and strengthening the SEC's technological infrastructure to better support market oversight and regulatory effectiveness.

Federal Banking Agencies Propose Broad Capital Framework Changes

In March 2026, the FDIC, Federal Reserve, and OCC [proposed](#) updates to bank capital framework, designed to simplify capital requirements, improve risk sensitivity, and complete implementation of the final Basel III reforms. For regional and community banks, the proposal would revise the standardized capital framework by recalibrating risk weights for certain lending activities and reducing capital disincentives related to mortgage servicing and mortgage origination. The proposal would also require certain larger banks to recognize unrealized gains and losses on some securities in regulatory capital over a transition period. In addition, the Federal Reserve proposed changes to the Global Systemically Important Bank (GSIB) surcharge methodology to better measure systemic risk and align surcharge requirements with the risks posed by the largest banking organizations. Overall, the agencies sought to maintain the strength of the banking system while tailoring capital requirements to different types of institutions.

Federal Banking Agencies Update Model Risk Management Guidance

On April 17, 2026, the FDIC, Federal Reserve, and OCC issued [revised model risk guidance](#), replacing the agencies' prior guidance issued in 2011 and 2021. The update adopts a more tailored, risk-based approach based on an institution's size, complexity, and model risk profile, while narrowing the definition of "model" and excluding simple calculations and rule-based processes. The guidance highlights sound practices for model development and use, validation and monitoring, governance and controls, and oversight of vendor and third-party models. It is expected to be most relevant for banking organizations with more than \$30 billion in assets, although smaller institutions with significant model risk may also find it applicable. Importantly, the agencies clarified that the guidance does not establish enforceable standards and that noncompliance alone will not result in supervisory criticism. The guidance also excludes generative AI and agentic AI models from its scope, with the agencies indicating they intend to further evaluate AI-related model risk management separately.

Federal Banking Agencies Ease Community Bank Capital Requirements

On April 23, 2026, the FDIC, Federal Reserve, and OCC [finalized revisions to the Community Bank Leverage Ratio \(CBLR\)](#) framework, lowering the leverage ratio requirement from 9% to 8% and extending the compliance grace period. The changes are intended to provide greater flexibility, encourage use of the simplified capital framework, and reduce regulatory burden while maintaining safety and soundness. The rule became effective on July 1, 2026.

OCC Affirms Authority Over Bank Interchange Fees

On April 24, 2026, the OCC issued [interim actions](#) confirming that national banks and federal savings associations may charge noninterest fees, including credit and debit card interchange fees, even when pricing is established with third parties. The actions were prompted by the Illinois Interchange Fee Prohibition Act (IFPA), a state law scheduled to take effect on July 1, 2026, that would restrict the collection of interchange fees on portions of card transactions related to taxes and gratuities. The OCC concluded that the IFPA would create operational complexity and conflict with federally granted banking powers and therefore issued an order confirming that federal law preempts the Illinois law for OCC-regulated institutions. The OCC stated that these actions preserve nationally consistent standards for payment card activities and reaffirm the federal government's authority to regulate the powers of national banks and federal savings associations. The actions took effect June 30, 2026.

Fed Publishes Semiannual Stability Report

In its May 2026 [Financial Stability Report](#), the Federal Reserve noted that the U.S. financial system remains generally resilient, but several vulnerabilities continue to warrant attention. The report identified elevated asset valuations, financial-sector leverage, and funding risks as the primary areas of concern. Equity valuations remained high relative to historical norms, corporate bond spreads stayed compressed, and certain real estate sectors continued to face refinancing pressures despite signs of stabilization. The report also highlighted rapid growth in private credit markets and elevated leverage among some hedge funds, particularly those engaged in Treasury and basis-trading strategies.

The Fed reported that business and household debt levels remain moderate overall, while banks continue to be well capitalized with strong liquidity positions. However, funding risks remain present in areas such as prime money market funds, short-term funding markets, and private credit vehicles that rely on less stable funding structures. Looking ahead, survey respondents identified geopolitical tensions as the most significant near-term risk to financial stability, followed by concerns related to inflation, an oil-price shock, risks associated with AI, and potential vulnerabilities within private credit markets. The Fed noted that adverse shocks affecting these areas could interact with existing market vulnerabilities and amplify financial stress.

OCC Identifies Key Risks Facing the Banking Sector

The OCC's Spring 2026 [Semiannual Risk Perspective](#) reported that the federal banking system remains in a generally sound condition, supported by improved earnings, strong capital levels, healthy liquidity positions, and manageable credit risk. However, the OCC emphasized several areas requiring ongoing attention, including credit, market, operational, and compliance risks. In particular, the report identified refinancing risk in certain commercial real estate segments and evolving risks within private credit markets as areas that warrant continued monitoring. While overall credit quality remains stable, modest increases in past-due loans have emerged in some consumer portfolios.

The OCC also highlighted growing operational and compliance challenges. Cybersecurity threats, fraud, and scams continue to increase in sophistication, driven by both cybercriminal organizations and foreign state-sponsored actors. The report notes that advances in AI may provide benefits for cybersecurity and risk management but also require strong governance and risk oversight. In addition, the OCC warned that geopolitical tensions could heighten sanctions and anti-money laundering (AML) compliance risks, placing additional pressure on bank compliance programs. The agency emphasized the importance of maintaining strong risk management practices while continuing efforts to tailor supervision and reduce regulatory burden so banks can better support economic growth.

FDIC Reviews Banking Industry Risks and Performance

The FDIC's [2026 Risk Review](#) found that the banking industry remained generally stable in 2025, supported by strong earnings, loan growth, and improving net interest margins. Deposit growth remained steady, liquidity conditions were stable, and unrealized securities losses decreased from prior-year levels, although they remained elevated compared to historical norms. The report noted that overall credit risks were generally contained and that the banking sector continued to demonstrate resilience despite a slowing economic environment and evolving market conditions.

The FDIC highlighted several areas for continued monitoring, including ongoing weakness in certain commercial real estate and consumer lending segments, growing exposure to private credit and nonbank financial institutions, elevated unrealized securities losses, and interest rate uncertainty. While credit risks remain manageable overall, conditions vary across asset classes, underscoring the importance of continued risk management.

FASB Reviews CECL Standard Following Implementation

On May 12, 2026, the FASB held a [public roundtable](#) to evaluate the implementation of the Current Expected Credit Loss (CECL) standard to gather feedback from banks, credit unions, auditors, regulators, investors, and other stakeholders regarding the standard's effectiveness and implementation challenges. Participants generally agreed that CECL improved forward-looking credit loss estimates but raised concerns about the significant cost, complexity, modeling requirements, and documentation burden associated with compliance, particularly for community banks and smaller financial institutions. Several stakeholders suggested that FASB consider exemptions, practical expedients, or simplified approaches for smaller institutions, while others questioned whether the benefits of CECL justify its operational burden. Feedback from the roundtable will be considered by FASB as it evaluates whether future changes or relief measures are warranted as part of the ongoing review process.

Banking Agencies Propose CAMELS Rating Framework Revisions

On May 19, 2026, the Federal Financial Institutions Examination Council (FFIEC) and the federal banking agencies proposed the first significant revisions to the [CAMELS rating framework](#) in nearly 30 years. The proposal would retain the existing CAMELS structure while updating rating definitions and evaluation factors to place greater emphasis on material financial risks and an institution's overall risk profile. A key change is the reduced influence of the Management component in both component and composite ratings, with supervisory ratings more closely tied to financial condition and risk outcomes rather than examiner assessments of processes and governance. The agencies stated that the revisions are intended to make ratings more predictable, improve consistency across institutions, and strengthen the connection between CAMELS ratings and a bank's actual financial risk profile while maintaining the framework's role as a primary supervisory tool.

FDIC Quarterly Banking Profile First Quarter 2026

On May 27, 2026, the FDIC released its most recent [Quarterly Banking Profile](#) covering the first quarter of 2026. The Quarterly Banking Profile provides the earliest comprehensive summary of financial results for all FDIC-insured institutions. The report includes data from 4,278 commercial banks. Highlights are included below:

- In the first quarter of 2026, net income for FDIC-insured institutions increased by 3.6%, or \$2.8 billion, to \$80.5 billion, driven primarily by robust growth in noninterest income at larger institutions. Insured depository institutions reported a return on assets (ROA) of 1.26%, up from 1.23% in fourth quarter 2025.
- Community bank income increased 3.9% to \$8.1 billion, driven by lower provisions and noninterest expense that offset lower noninterest income and net interest income.
- Net interest income decreased by \$1.6 billion (0.8%) as interest income had a larger dollar decline relative to interest expense. The net interest margin (NIM) declined 8 basis points to 3.31%. Community bank NIM decreased 6 basis points from the prior quarter to 3.71%.
- Asset quality remained generally favorable, though weakness is still emerging in certain categories.
- Loan growth continued and domestic deposits increased for the seventh consecutive quarter. Nearly 58% of community banks reported quarterly growth in total loan balances.
- The Deposit Insurance Fund reserve ratio climbed to 1.43%, an increase of 1 basis point from the fourth quarter of 2025.
- The FDIC noted that credit quality trends, funding costs, and margin pressure remain areas to monitor as economic conditions and interest rates fluctuate.

on the horizon

The following selected FASB exposure drafts and projects are outstanding as of June 30, 2026.

Proposed ASU on Accounting for Debt Exchanges

The FASB proposed clarifying when a debt exchange should be treated as issuing new debt and extinguishing existing debt. Under current US GAAP, entities must determine whether a transaction is (1) a modification of the existing debt obligation or (2) the issuance of a new debt obligation and an extinguishment of the existing debt obligation. Stakeholders note that treating some debt exchanges as modifications can misrepresent their economics and requires complex, costly cash flow analyses.

To address these concerns, when certain requirements are met, an exchange of debt instruments should be accounted for as the issuance of a new debt obligation and an extinguishment of the existing debt obligation without requiring a quantitative test. If those requirements are not met, an entity would be required to evaluate whether the debt instruments have substantially different terms based on the guidance in Subtopic 470-50, *Debt—Modifications and Extinguishments*, to determine how the transactions should be accounted for.

During its March 18, 2026, meeting, the FASB discussed recent feedback on the proposal and decided to pause further deliberations until it evaluates broader feedback received from the Private Company Council.

Proposed ASU Expected on Disclosure and Classification of Certain Digital Assets

On October 29, 2025, the FASB added a project to its technical agenda that includes:

- Clarifying whether certain digital assets may meet the definition of cash equivalents
- Providing transparency about the amount of an entity's significant classes of cash equivalents.

On April 15, 2026, the FASB completed initial deliberations and directed staff to draft a proposed ASU for vote.

Proposed ASU on Subjective Acceleration Clauses and Debt Default Disclosures

During its May 27, 2026, meeting, the FASB added a project to its technical agenda on subjective acceleration clauses and made the following decisions.

- Remove the probability assessment guidance in paragraph 470-10-45-2 and instead require that a subjective acceleration clause affect debt classification only when it is triggered. The Board decided that long-term debt subject to a subjective acceleration clause should be classified as a current liability when the subjective acceleration clause is triggered.
- Describe a trigger as an event in which a lender demands repayment of the underlying long-term debt in accordance with a subjective acceleration clause.
- Add an example on how to apply the subsequent events guidance when a subjective acceleration clause is triggered.
- Make conforming changes to the guidance on (1) the intent and ability to refinance on a long-term basis and (2) the classification of revolving credit agreements with subjective acceleration clauses.
- Require disclosures about events of default for all entities similar to those required for public business entities by the SEC in Regulation S-X Rule 4.08(c), General Notes to Financial Statements.

The FASB directed the staff to draft a proposed ASU for vote by written ballot.

FASB Explores Expanding Portfolio Layer Hedging to Liabilities

At its April 22, 2026, meeting, the FASB [added a project](#) to its technical agenda to evaluate extending the portfolio layer method—currently available for certain portfolios of financial assets—to financial liabilities. The decision was driven by stakeholder feedback, including requests from the financial services industry and comments received during the FASB’s 2025 agenda consultation, which indicated that extending the method could better align hedge accounting with institutions’ risk management practices. If ultimately adopted, the project could allow entities to apply portfolio-layer fair value hedge accounting to groups of liabilities, potentially improving the accounting representation of interest rate risk management strategies. The project is in its early stages, and the Board has indicated that future deliberations will be needed before any changes to current accounting requirements are proposed.

EITF Agenda Items

The EITF met on June 23, 2026, and deliberated guidance on electricity contracts and consideration payable to a customer.

- **Electricity Contracts:** The Task Force evaluated applying the ASC 815 Normal Purchases and Normal Sales (MPNS) scope exception to varying retail electricity contracts.
- **Consideration Payable to a Customer:** Task force discussions targeted specific challenges around how entities evaluate vendor-offered consideration and incentives paid to customers.
- **Mortgage Servicing Rights (MSRs):** Following the prior March 2026 session, the EITF recommended that the FASB treat MSRs and recapture as a single unit of account, ensuring that the effects of recapture are explicitly included in MSR fair value measurements.

The next meeting is scheduled for September 22, 2026.

PCC Activities

The Private Company Council (PCC) met June 1–2, 2026 to discuss agenda priorities and projects:

- **Employee Stock Ownership Plans (ESOPs):** PCC members discussed stakeholder feedback and identified areas for further research and outreach. Users cited the need for enhanced information on repurchase obligations, noting concerns about key assumptions and diversity in practice. Members supported focusing efforts on closing gaps between current disclosure requirements and user needs, exploring more objective and auditable disclosure alternatives, and evaluating the need for more education or implementation support.
- **Lease Accounting Simplifications:** PCC members supported conducting additional outreach focused on lease modifications, embedded leases, and lease classification criteria.
- **Agenda Consultation (2025 Invitation to Comment):** Members evaluated topics not added to the FASB’s technical agenda to determine whether they present private-company-specific issues. Some noted multi-element software arrangements as an area to explore for a practical expedient but were unsure whether the issue is pervasive. The PCC encouraged continued monitoring of similar topics.
- **Subjective Acceleration Clauses and Debt Default Disclosures:** PCC members discussed the FASB’s decision to add a project to its technical agenda on subjective acceleration clauses and its recent tentative decisions, most of which aligned with the PCC’s recommendations. PCC members also discussed the FASB’s tentative decision to propose expanded disclosures on events of default and supported the tentative decisions.
- **Indexation—Debt and Equity:** Members discussed stakeholder feedback received on the project and generally supported pursuing targeted improvements to Step 2 of the indexation guidance.
- **Definition of Common Control:** Members provided input on the project’s direction, noting that transactions between entities under common control (including those involving family relationships) are prevalent in

private companies and noted that underlying transactions can be complex. They emphasized the importance of sound judgment and careful consideration of facts and circumstances to avoid unintended consequences.

- **Cash Equivalents and Digital Assets:** Members discussed the FASB's recent tentative decisions. Some emphasized the importance of assets being low risk to qualify as cash equivalents and asked whether a full retrospective transition method had been considered. Others supported the expanded cash equivalents disclosures, noting minimal cost to implement
- **Accounting for Transfers of Crypto Assets:** FASB staff gave updates on tentative decisions and next steps.
- **Equity Method of Accounting—Targeted Improvements:** Members supported the single threshold for applying the equity method and the other tentative decisions, noting the potential to reduce cost and complexity.
- **FASB Agenda Consultation:** Members received an update on the FASB's decisions on Agenda Consultation topics, including topics added to the technical agenda and research agenda, areas for further research, and topics not added to or removed from the technical agenda.
- **Town Hall and Liaison Meetings:** Members discussed feedback from the AICPA Technical Issues Committee (TIC). FASB staff noted plans for a town hall session at the AICPA ENGAGE conference in June 2026 and that future liaison meetings are scheduled with the TIC, the ProSight Financial Association Accounting Working Group, the AICPA Group of 400 (G400), and the Auditing Standards Board Audit Issues Task Force (ASB AITF).
- **Other Business:** The PCC chair noted that the FAF is seeking nominations for new PCC members.

The next PCC meeting is scheduled for September 28–29, 2026.

APPENDIX A

important implementation dates

The following table contains significant implementation dates and deadlines for standards issued.

Selected Implementation Dates (FASB/EITF/PCC)

Pronouncement	Affects	Effective Date and Transition
ASU 2026-02, Environmental Credits and Environmental Credit Obligations (Topic 818)	All reporting entities	For public business entities, the amendments are effective for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. For entities other than public business entities, the amendments are effective for annual reporting periods beginning after December 15, 2028, and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period.
ASU 2026-01, Equity (Topic 505): Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock	All entities that issue PIK dividends on equity-classified preferred stock	The amendments are effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted in an interim or annual reporting period in which financial statements have not yet been issued or made available for issuance. An entity adopting the amendments in an interim reporting period should apply them as of the beginning of the annual reporting period that includes that interim reporting period.
ASU 2025-12, Codification Improvements	All reporting entities within the scope of the affected accounting guidance	Effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance.
ASU 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements	All entities that provide interim financial statements and notes in accordance with U.S. GAAP	Effective for interim reporting periods within annual reporting periods beginning after December 15, 2027, for public business entities and for interim reporting periods within annual reporting periods beginning after December 15, 2028, for entities other than public business entities. Early adoption is permitted for all entities.

Pronouncement	Affects	Effective Date and Transition
ASU 2025-10, Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities	All business entities that receive a government grant	Effective for annual reporting periods beginning after December 15, 2028, and interim reporting periods within those annual reporting periods for public business entities and annual reporting periods beginning after December 15, 2029, and interim reporting periods within those annual reporting periods for all other entities. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance.
ASU 2025-09, Derivatives and Hedging (Topic 815): Hedge Accounting Improvements	All entities that elect to apply hedge accounting in accordance with U.S. GAAP	Effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods for public business entities and annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods for all other entities. Early adoption is permitted on any date on or after the issuance of this ASU.
ASU 2025-08, Financial Instruments—Credit Losses (Topic 326): Purchased Loans	All entities subject to the guidance on credit losses	Effective for all entities for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods. Early adoption is permitted in an interim or annual reporting period in which financial statements have not yet been issued or made available for issuance.
ASU 2025-07, Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract	All entities that enter into nonexchange-traded contracts with underlyings based on operations or activities specific to one of the parties to the contract	Effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted.
ASU 2025-06, Intangibles, Goodwill and Other Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software	All entities subject to the internal-use software guidance	Effective for all entities for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period.

Pronouncement	Affects	Effective Date and Transition
ASU 2025-05, <i>Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses for Accounts Receivable and Contract Assets</i>	All entities that apply the practical expedient and entities other than public business entities that apply the accounting policy election	Effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. An entity that elects the practical expedient and the accounting policy election, if applicable, should apply the amendments prospectively.
ASU 2025-04, <i>Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer</i>	All entities that issue share-based consideration to a customer	Effective for all entities for annual reporting periods (including interim reporting periods within annual reporting periods) beginning after December 15, 2026. Early adoption is permitted for all entities. The amendments permit a grantor to apply the new guidance on either a modified retrospective or a retrospective basis.
ASU 2025-03, <i>Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity</i>	All entities engaging in acquisition transactions involving a VIE	Effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. The amendments require that an entity apply the new guidance prospectively to any acquisition transaction that occurs after the initial application date. Early adoption is permitted as of the beginning of an interim or annual reporting period.
ASU 2025-01, <i>Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)</i>	All public business entities	Effective for annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted.
ASU 2024-04, <i>Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments</i>	All entities that settle convertible debt instruments for which the conversion privileges were changed to induce conversion	Effective for all entities for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities that have adopted the amendments in ASU 2020-06. The amendments may be applied on either a prospective or a retrospective basis.

Pronouncement	Affects	Effective Date and Transition
ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses	All public business entities	Effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this ASU or (2) retrospectively to any or all prior periods presented in the financial statements.
ASU 2024-02, Codification Improvements—Amendments to Remove References to the Concepts Statements	All reporting entities within the scope of the affected accounting guidance	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2024. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025. Early application of the amendments in this Update is permitted for all entities, for any fiscal year or interim period for which financial statements have not yet been issued (or made available for issuance).
ASU 2024-01, Scope Application of Profits Interest and Similar Awards	All entities that account for profits interest awards as compensation to employees or nonemployees in return for goods or services	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025, including interim periods within those years. Early adoption is permitted. If an entity intends to adopt the amendments in an interim period, it must do so as of the beginning of the fiscal year that includes that interim period.
ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures	All entities subject to ASC 740, <i>Income Taxes</i>	For public business entities, the amendments are effective for annual periods beginning after December 15, 2024. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments should be applied on a prospective basis. Retrospective application is permitted.

APPENDIX B**recently issued accounting pronouncements**

The illustrative disclosures below are presented in plain English. Please review each disclosure for its applicability to your organization and the need for disclosure in your organization's financial statements. For all of the below, the Company expects no material effect from these amendments on its financial statements, results of operations, or cash flows.

{Please give careful consideration to appropriateness of highlighted text.}

ASU 2023-09 – Applicable to all entities subject to ASC 740, Income Taxes:

In December 2023, the FASB amended the Income Taxes topic in the Accounting Standards Codification (ASC) to improve the transparency of income tax disclosures. The amendments are effective for ~~[annual periods beginning after December 15, 2024. -public business entities]~~ [annual periods beginning after December 15, 2025. -all other entities] Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance.

ASU 2024-01 – Applicable to all entities that account for profits interest awards as compensation to employees or nonemployees in return for goods or services:

In March 2024, the FASB amended the Compensation—Stock Compensation topic in the ASC to demonstrate how an entity should apply the guidance to determine whether profits interest and similar awards should be accounted for in accordance with that topic. The amendments are effective for ~~[annual periods beginning after December 15, 2024, and interim periods within those annual periods. -public business entities]~~ [annual periods beginning after December 15, 2025 and interim periods within those annual periods. -all other entities] Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Company will apply the amendments ~~[retrospectively to all prior periods presented in the financial statements]~~ [prospectively to profits interest and similar awards granted or modified on or after the date at which the Company first applies the amendments].

ASU 2024-02 – Applicable to all entities within the scope of the affected accounting guidance:

In March 2024, the FASB issued amendments to the Codification that remove references to various FASB Concepts Statements. The amendments are effective for ~~[fiscal years beginning after December 15, 2024. -public business entities]~~ [fiscal years beginning after December 15, 2025. -all other entities] Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Company will apply the amendments ~~[retrospectively to the beginning of the earliest comparative period presented in which the amendments were first applied]~~ [prospectively to all new transactions recognized on or after the date that the Company first applies the amendments].

ASU 2024-03 – Applicable to all public business entities:

In November 2024, the FASB amended the Income Statement—Reporting Comprehensive Income topic in the ASC to require public companies to disclose, in interim and annual reporting periods, additional information about certain expenses in the notes to financial statements. The amendments are effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company will apply the amendments ~~[prospectively to financial statements issued for reporting periods after the effective date.]~~ [retrospectively to all prior periods presented in the financial statements].

APPENDIX B**recently issued accounting pronouncements****ASU 2024-04 – Applicable to all entities that settle convertible debt instruments for which the conversion privileges were changed to induce conversion:**

In November 2024, the FASB amended the Debt topic in the ASC to clarify requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. The amendments are effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities that have adopted the amendments in ASU 2020-06. The Company will apply the amendments *[prospectively to any settlements of convertible debt instruments that occur after the effective date of the guidance.] [retrospectively by recasting prior periods and recognizing a cumulative-effect adjustment to equity as of the later of the following dates: (1) the beginning of the earliest period presented and (2) the date the Company adopted the amendments in ASU 2020-06.]*

ASU 2025-01 – Applicable to all public business entities:

In January 2025, the FASB amended the effective date of ASU 2024-03 to clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027.

ASU 2025-03 – Applicable to all entities that issue share-based consideration to a customer:

In May 2025, the FASB amended the Business Combinations and Consolidation topics in the ASC to revise current guidance for determining the accounting acquirer for a transaction effected primarily by exchanging equity interests in which the legal acquiree is a VIE that meets the definition of a business. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods. The amendments require an entity to apply the new guidance prospectively to any acquisition transaction that occurs after the initial application date. Early adoption is permitted at the beginning of an interim or annual reporting period.

ASU 2025-04 – Applicable to all entities engaging in acquisition transactions involving a VIE:

In May 2025, the FASB amended the Stock Compensation and Revenue from Contracts with Customers topics in the ASC to clarify the requirements for share-based consideration payable to a customer that vests upon purchasing a specified amount of goods and services from the entity. The amendments are effective for annual reporting periods (including interim reporting periods within annual reporting periods) beginning after December 15, 2026. Early adoption is permitted. The Company will apply the amendments *[on a modified retrospective basis, by recognizing a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the period of adoption.] [on a retrospective basis, by recasting comparative periods and recognizing a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the earliest period presented].*

ASU 2025-05 – Applicable to all entities engaging in acquisition transactions involving a VIE:

In July 2025, the FASB amended the Financial Instruments—Credit Losses topic in the ASC to introduce a practical expedient for all entities and an accounting policy election for entities other than public business entities related to applying the current expected credit loss model to current accounts receivable and current contract assets. The amendments are effective for annual reporting periods beginning after December 15, 2025, and interim periods within those periods. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. The amendments require an entity that elects the practical expedient and the accounting policy election, if applicable, apply the new guidance prospectively.

APPENDIX B**recently issued accounting pronouncements****ASU 2025-06 – Applicable to all entities subject to the internal-use software guidance:**

In September 2025, the FASB amended the Internal-Use Software subtopic in the ASC to update the guidance on accounting for internal-use software costs. The amendments are effective for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period. The Company will apply the amendments using *[a prospective transition approach, by applying the amendments to new software costs incurred as of the beginning of the period of adoption for all projects, including in-process projects.] [a modified transition approach, by applying the amendments prospectively to new software costs incurred, except for in-process projects that, as of the date of adoption, the Company determines do not meet the capitalization requirements under the amendments but meet the capitalization requirements under current guidance. For those in-process projects, the Company will derecognize any capitalized costs through a cumulative-effect adjustment to the opening balance of retained earnings as of the date of adoption.] [a retrospective transition approach, by recasting comparative periods and recognizing a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the first period presented.]*

ASU 2025-07 – Applicable to all entities that enter into nonexchange-traded contracts with underlyings based on operations or activities specific to one of the parties to the contract:

In September 2025, the FASB amended Derivatives and Hedging topic and the Revenue from Contracts with Customers topic in the ASC to exclude from derivative accounting nonexchange-traded contracts with underlyings that are based on operations or activities specific to one of the parties to the contract. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted. The Company will apply the amendments *[prospectively to new contracts entered into on or after the date of adoption] [on a modified retrospective basis through a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the annual reporting period of adoption for contracts existing as of the beginning of the annual reporting period of adoption].*

ASU 2025-08 – Applicable to all entities subject to the guidance on credit losses:

In November 2025, the FASB amended the Financial Instruments—Credit Losses topic in the ASC to expand the population of acquired financial assets subject to the gross-up approach. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance.

ASU 2025-09 – Applicable to all entities that elect to apply hedge accounting in accordance with U.S. GAAP:

In November 2025, the FASB amended the Derivatives and Hedging topic in the ASC to clarify certain aspects of the guidance on hedge accounting and to address several incremental hedge accounting issues arising from the global reference rate reform initiative. The amendments are effective for *[annual reporting periods beginning after December 15, 2026, and interim periods within those periods. -public business entities] [annual reporting periods beginning after December 15, 2027, and interim periods within those periods. -all other entities]* Early adoption is permitted on any date on or after the issuance of this ASU. Upon adoption of the amendments, entities are permitted to modify certain critical terms of certain existing hedging relationships without redesignating the hedge.

APPENDIX B**recently issued accounting pronouncements****ASU 2025-10 – Applicable to all business entities that receive a government grant:**

In December 2025, the FASB created the Government Grants topic in the ASC to establish the accounting for government grants received by a business entity. The amendments are effective for *[annual reporting periods beginning after December 15, 2028, and interim periods within those periods. -public business entities]* *[annual reporting periods beginning after December 15, 2029, and interim periods within those periods. -all other entities]* Early adoption is permitted in interim and annual reporting periods where financial statements have not yet been issued or made available for issuance. The Company will apply the amendments using a *[modified prospective approach to government grants that are entered into on or after the effective date and government grants that are not complete as of the effective date.]* *[modified retrospective approach to government grants that are entered into on or after the beginning of the earliest period presented and government grants that are not complete as of the beginning of the earliest period presented.]* *[retrospective approach to all government grants through a cumulative effect adjustment to the opening balance of retained earnings at the beginning of the earliest period presented.]*

ASU 2025-11 – Applicable to all entities providing interim financial statements and notes under U.S. GAAP:

In December 2025, the FASB amended the Interim Reporting topic in the ASC to clarify current interim reporting requirements. The amendments are effective for *[interim reporting periods within annual reporting periods beginning after December 15, 2027. -public business entities]* *[interim reporting periods within annual reporting periods beginning after December 15, 2028. -all other entities]* Early adoption is permitted. The Company will apply the amendments *[prospectively]* *[retrospectively to any or all prior periods presented in the financial statements.]*

ASU 2025-12 – Applicable to all entities within the scope of the affected accounting guidance:

In December 2025, the FASB issued amendments to the ASC to make incremental improvements to US GAAP. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods. Early adoption is permitted for interim and annual financial statements that have not yet been issued or made available for issuance. The Company will apply the amendments *[retrospectively to the beginning of the earliest comparative period presented in which the amendments were first applied]* *[prospectively to all transactions recognized on or after the date that the Company first applies the amendments].*

ASU 2026-01 – Applicable to all entities that issue PIK dividends on equity-classified preferred stock:

In April 2026, the FASB amended the Equity topic in the ASC to provide guidance on how an issuer should initially measure paid-in-kind dividends on equity-classified preferred stock. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods. Early adoption is permitted in an interim or annual reporting period in which financial statements have not yet been issued or made available for issuance. The Company will apply the amendments *[on a modified retrospective basis for equity-classified preferred stock instruments that are outstanding as of the initial application date]* *[prospectively].*

ASU 2026-02 – Applicable to all entities:

In May 2026, the FASB issued guidance to improve the financial accounting and disclosure of activities related to environmental credits and environmental credit obligations. The amendments are effective for *[annual reporting periods beginning after December 15, 2027, and the interim periods within. -public business entities]* *[annual reporting periods beginning after December 15, 2028, and interim periods within. -all other entities]* Early adoption is permitted at the beginning of an annual reporting period. The Company will apply the amendments retrospectively through a cumulative-effect adjustment to the opening balance of retained at the start of the reporting period of adoption.

APPENDIX C

recently issued accounting pronouncements

NOTE: The disclosures in the previous appendix are not intended to be all inclusive. All pronouncements issued during the period should be evaluated to determine whether they are applicable to your Company. Through June 30, 2026, the FASB has issued the following Accounting Standard Updates during the year.

- **ASU 2026-01**, Equity (Topic 505): Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock
- **ASU 2026-02**, Environmental Credits and Environmental Credit Obligations (Topic 818)