

quarterly financial services update

THIRD QUARTER 2026

October 7, 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 third 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:

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FASB update

The following selected Accounting Standards Updates (ASUs) were issued by the Financial Accounting Standards Board (FASB) during the third quarter. A complete list of all ASUs issued or effective in 2026, together with selected standards becoming effective in upcoming periods, is included in Appendix A.

FASB Improves Fair Value Measurement for Investment Companies

In September, the FASB issued ASU 2026-03, *Investment Companies with Equity Securities Subject to Contractual Sale Restrictions*, that improves how investment companies such as mutual funds measure the fair value of an equity security that is subject to a contractual sale restriction. The new standard addresses stakeholder concerns that current guidance can produce fair value measurements that do not reflect how market participants would value equity securities with contractual sale restrictions.

Under current generally accepted accounting principles (U.S. GAAP), a contractual restriction on the sale of an equity security is not considered when measuring the fair value of that security. As a result, an entity holding a restricted equity security and an entity holding an unrestricted equity security issued by the same investee generally would measure fair value using the market price of the unrestricted security. Stakeholders told the FASB that applying current guidance can overstate the net asset value (NAV) reported by investment companies, distort performance reporting and management fees, and create different outcomes for purchasing, redeeming, and remaining shareholders. For investment companies within the scope of Accounting Standards Codification (ASC) 946, *Financial Services—Investment Companies*, the amendments in the ASU provide an exception to ASC 820, *Fair Value Measurement*, requiring that a contractual restriction on the sale of an equity security be considered in measuring the fair value of the equity security. The amendments also require those investment companies to disclose the amount of the discount attributable to the contractual sale restriction.

Effective Dates

The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. Early adoption is permitted. An investment company within the scope of ASC 946 that early adopts the amendments is permitted to do so on any date on or after the issuance date of this ASU. An investment company within the scope of ASC 946 is required to apply the amendments prospectively to all equity securities with any adjustments from the adoption of the amendments recognized in earnings.

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regulatory update

The following updates include late second quarter developments that were not included in our prior communication.

FinCEN Expands Information-Sharing Guidance to Combat Fraud

On June 12, 2026, FinCEN released [updated guidance](#) clarifying how financial institutions may share information under Section 314(b) of the USA PATRIOT Act. The guidance supports collaboration to detect fraud, money laundering, terrorist financing, sanctions evasion, and other illicit activity, while replacing several previous interpretations and administrative rulings. The update highlights FinCEN's broader effort to encourage information sharing as a key tool for identifying financial crime and strengthening fraud prevention across the banking sector.

FASB Seeks Input on Targeted Hedge Accounting Changes

On June 17, 2026, the FASB issued a [proposed ASU aimed at refining hedge accounting requirements](#). The proposal would expand permitted interest rate hedging strategies for held-to-maturity securities, broaden the use of SOFR-based benchmarks, and allow certain cross-currency swaps to qualify as net investment hedges. The changes are designed to provide financial institutions with greater flexibility in managing interest rate and currency risks while preserving the objectives of hedge accounting.

FDIC Advances Broad Regulatory Modernization Effort for Banks

On June 25, 2026, the FDIC approved [three proposed rulemakings](#) focused on deposit insurance assessments, resolution planning requirements, and the disclosure of confidential supervisory information. The proposals would adjust assessment thresholds and rate schedules, increase the asset threshold for resolution plan filings from \$50 billion to \$100 billion, and update rules governing supervisory information. Together, the proposals would update longstanding regulatory requirements, improve supervisory efficiency, and maintain safety and soundness objectives.

OCC Releases Updated Guidance on Credit Risk Management

On June 25, 2026, the OCC issued the ["Lending and Loan Portfolio Risk Management"](#) booklet of the *Comptroller's Handbook*, while withdrawing certain prior guidance materials. The publication outlines examiner expectations for managing lending activities, credit risk, underwriting practices, ongoing loan monitoring, and portfolio oversight. Although not a formal rule, the handbook serves as an important supervisory resource and may influence examination focus areas, helping institutions evaluate and strengthen risk management practices across the lending life cycle.

Federal Reserve Proposes More Risk-Focused AML Requirements

On July 7, 2026, the Federal Reserve requested comment on [proposed revisions to banks' anti-money laundering \(AML\) program requirements](#). The proposal would align the Fed's framework with pending AML and countering the financing of terrorism (CFT) rules from other federal agencies, emphasizing risk-based resource allocation and incorporation of FinCEN's AML priorities into institutional risk assessments. If adopted, the changes would further connect AML compliance programs to an organization's unique risk profile while maintaining expectations for effective program implementation.

Federal Reserve Holds Rates, Reaffirms Long-Term Policy Goals

On July 29, 2026, the Federal Open Market Committee (FOMC) [voted to maintain the federal funds target range](#) at 3.5% to 3.75%. The committee pointed to continued economic growth, resilient labor market conditions, low unemployment, and inflation that remains above its long-term target. While rates were left unchanged, the announcement provides valuable insight into the Fed's outlook and policy priorities. Financial institutions can use this guidance when evaluating funding strategies, loan pricing, deposit management, and other balance sheet decisions.

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FASB Launches Review of Goodwill Impairment Testing

At its July 29, 2026, board meeting, the FASB added a project to its technical agenda focused on [targeted improvements to goodwill impairment testing](#). The project will examine both the level at which goodwill is evaluated for impairment and how frequently testing should occur. Although no specific accounting changes have been proposed, the initiative signals continued attention to an area that affects organizations with acquisition-related goodwill.

OCC Updates Community Bank Leverage Ratio Resources

On July 30, 2026, the OCC issued a revised compliance guide for the [Community Bank Leverage Ratio \(CBLR\)](#) framework, a simplified capital option designed for qualifying community banks. According to the OCC, approximately 95% of community banks are eligible to use the framework, which the agency estimates could free up roughly \$64 billion in capital to support lending and other banking activities.

The updated guide refreshes the OCC's compliance materials related to the CBLR framework and provides additional explanatory resources for eligible institutions. The framework allows qualifying banks to satisfy regulatory capital requirements through a simple leverage ratio rather than the traditional risk-based capital approach. The OCC stated that the revisions are intended to support consistent application of the framework while reducing regulatory burden for community banks.

Banking Regulators Propose Changes to CRA Requirements

On July 31, 2026, the FDIC and OCC proposed targeted revisions to their [Community Reinvestment Act \(CRA\)](#) regulations. The proposal seeks to better align the rules with statutory requirements, improve the treatment of community development activities, reduce compliance burden, and provide greater clarity around CRA credit eligibility. While preserving the framework's core structure, the changes could affect how banks document qualifying lending and community development efforts, particularly among community and regional institutions.

Federal Reserve Seeks Feedback on Regulatory Modernization

On July 31, 2026, the Federal Reserve [proposed updates](#) to two long-standing regulatory frameworks. One proposal would provide additional flexibility for certain mutual banking organizations to raise capital and streamline administrative requirements. The other would modernize Regulation O by updating lending thresholds, adjusting limits over time, and simplifying compliance requirements related to insider lending. Together, the proposals reflect a broader effort to make established regulatory frameworks more efficient while preserving key governance protections.

SEC Creates Specialized Financial Reporting and Accounting Enforcement Unit

On Aug. 5, 2026, the agency announced the creation of a new [Financial Reporting and Accounting Unit](#) within its Division of Enforcement. The specialized unit will focus on financial reporting fraud as well as misconduct involving accountants and auditors. Timothy Zimmerman, who joined the Enforcement Division in May, was selected to lead the new unit.

According to the SEC, the unit will be staffed by attorneys and accountants with specialized expertise in accounting, auditing, and securities regulation. The group will work with other SEC divisions and offices as part of the agency's enforcement activities and broader investor protection efforts. The unit reflects the SEC's continued focus on financial reporting, accounting, and auditor misconduct, particularly in areas involving significant accounting judgments and estimates.

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OCC Revises Bank Accounting Advisory Series Guidance

On Aug. 14, 2026, the OCC released its annual update to the [Bank Accounting Advisory Series \(BAAS\)](#), incorporating new guidance, revisions tied to recently issued accounting standards, and updates addressing emerging issues. New topics include nonaccrual loans, grants received by banks, and acquired loans, while several existing entries were clarified or reorganized. Although the BAAS does not carry the force of regulation, it reflects the OCC's interpretations of accounting and supervisory guidance and remains a widely referenced resource for financial institutions.

SEC Proposes New Financial Reporting Framework for Crypto Offerings

On Aug. 18, 2026, the SEC proposed [Regulation Crypto Assets](#), a new framework designed to clarify how certain investment contracts involving crypto assets could be offered under federal securities laws. The proposal would establish two exemptions from Securities Act registration. A startup exemption would permit offerings of up to \$5 million during a four-year period, while a broader fundraising exemption would permit offerings of up to \$75 million during each 12-month period. Both would require specified principles-based disclosures.

The expanded fundraising exemption would require issuers to provide financial statements, ongoing reporting, and audited financial statements once specified fundraising thresholds are met.

FDIC Releases Second Quarter 2026 Quarterly Banking Profile

On Aug 25, 2026, the FDIC released its most recent [Quarterly Banking Profile](#) covering the second 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 4,238 commercial banks. Highlights are included below:

- In the second quarter of 2026, net income for FDIC-insured institutions increased by 12%, or \$9.7 billion, to \$90.1 billion, driven primarily by higher trading revenue and fee income. Insured depository institutions reported a return on assets (ROA) ratio of 1.37%, up from 1.26% in first quarter 2026.
- Community bank income increased 8.2% to \$8.7 billion, driven by higher net interest income that offset an increase in noninterest expense.
- Net interest income increased by \$5.3 billion (2.8%) as growth in interest income outpaced growth in interest expense. The net interest margin (NIM) increased 1 basis point to 3.32%. Community bank NIM increased 10 basis points from the prior quarter to 3.81%.
- Asset quality remained generally favorable and metrics improved.
- Loan growth continued and domestic deposits increased for the eighth consecutive quarter. Nearly 69% of community banks reported a quarterly increase in net income.
- The Deposit Insurance Fund reserve ratio climbed to 1.48%, an increase of 5 basis points from first quarter 2026.
- The FDIC noted that weakness in certain loan portfolios and elevated unrealized losses remain key areas to monitor.

FDIC and OCC Establish Risk-Focused Supervisory Framework

On Aug. 27, 2026, the FDIC and OCC issued a [final rule](#) that creates a common definition of an “unsafe or unsound practice” and establishes consistent standards for issuing matters requiring attention (MRAs) and communicating examination findings. Effective Nov. 2, 2026, the framework is intended to focus supervisory action on material financial risks and significant legal violations rather than documentation, process, or other nonfinancial matters. Banks may see changes in how examination issues are identified, prioritized, and remediated, with regulatory scrutiny increasingly tied to the significance of the underlying risk.

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OCC Revises Supervisory and Enforcement Expectations

On Aug. 27, 2026, the OCC introduced updates to its [enforcement and supervisory framework](#) intended to improve consistency, transparency, and proportionality. The agency released its MRA policy manual and proposed distinguishing substantive legal violations from technical violations, with some technical matters potentially handled outside the MRA process. The changes are expected to provide banks with greater clarity around examination findings and could affect how compliance issues are classified, prioritized, monitored, and resolved.

FDIC Expands Reciprocal Deposit Flexibility for Banks

The FDIC approved an [interim final rule](#) on Aug. 27, 2026, revising how reciprocal deposits are treated under brokered deposit regulations. The rule increases the amount eligible institutions can exclude from brokered deposit classification through a tiered calculation tied to liabilities, with a cap of \$30 billion. It also broadens eligibility for agent institution status and clarifies application requirements. Banks participating in reciprocal deposit networks should assess the effect on funding strategies, deposit classifications, regulatory reporting, and qualification status.

Community Bank CECL Relief Gains Regulatory Attention

On Sept. 8, 2026, Federal Reserve Vice Chair for Supervision Michelle Bowman published an opinion article, “How To Make Life Hard for Small Banks,” in The Wall Street Journal. She urged the FASB to provide community banks relief from the CECL standard, arguing that implementation costs often outweigh the benefits for smaller institutions. She pointed to expenses related to modeling, data, technology, consultants, and staffing, while also warning that CECL may increase reserve volatility during economic downturns. Her comments coincide with the FASB’s ongoing post-implementation review of Topic 326, including a survey seeking input from financial statement preparers on the costs and effectiveness of the standard.

SEC Examines AI’s Growing Role in Corporate Financial Reporting

On Sept. 10, 2026, the SEC’s Investor Advisory Committee held a public meeting that included a panel devoted specifically to AI technologies and the public-markets information ecosystem. The discussion addressed how companies are beginning to use AI to collect and reconcile financial data, draft and revise disclosures, compare disclosures with peers, identify inconsistencies, prepare structured data, and manage SEC filing workflows.

The committee also examined the importance of machine-readable information—including structured data and taxonomies—as AI increasingly becomes part of both financial statement preparation and investment analysis. In the Aug. 6, 2026 episode of the SEC’s [Material Matters](#) podcast, SEC Chairman Paul Atkins and Chief Accountant Kurt Hohl emphasized that regardless of the technology companies use, management remains ultimately responsible for its financial statements and must understand the associated risks.

SEC Advances Broad Changes to Proxy Governance Rules

On Sept. 16, 2026, the SEC proposed [rescinding Rule 14a-8](#), which governs shareholder proposals in company proxy materials, shifting greater authority to state corporate law and individual governance structures. The agency also proposed updates to Rule 14a-4(c) that would expand discretionary proxy voting authority while allowing shareholders to opt out. In a separate proposal, the SEC outlined several proxy process modernization measures, including reducing document delivery timelines and eliminating certain notice requirements. Comments on both proposals are due Nov. 20, 2026.

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Congress Proposes Audit Relief for Smaller Broker-Dealers

On Sept. 22, 2026, members of Congress introduced the [Small Business Audit Correction Act](#), legislation that would modify the audit requirements applicable to certain privately held broker-dealers.

Under current requirements, broker-dealers subject to the legislation generally must comply with PCAOB-related audit requirements. The proposed legislation would exempt qualifying privately held, non-carrying broker-dealers in good standing from the PCAOB audit requirement for their annual reporting obligation. Instead, qualifying firms could satisfy the annual audit requirement under Exchange Act Rule 17a-5 through an audit conducted in accordance with generally accepted auditing standards.

Eligibility would be limited. Among other criteria, the bill defines a qualifying non-carrying broker or dealer using a threshold of no more than 150 registered persons as of the end of its most recently completed fiscal year. Certain firms subject to disciplinary actions or other specified conditions would not qualify.

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other developments

AI Spending Raises New Questions About Capitalization

As companies spend more on developing AI-enabled applications, finance departments are confronting a deceptively simple question: Should those costs be expensed or capitalized? Immediate expensing reduces current-period income, while capitalization creates an asset that generally affects earnings through subsequent amortization. AI projects can make the analysis more difficult because development may be iterative, and companies may incur costs at different stages of a project.

Accounting departments should be able to demonstrate when a project reached the development stage, which expenditures qualify for capitalization, and how costs were allocated. For controllers, AI is increasingly an asset recognition, expense classification, amortization, impairment, and financial statement presentation issue requiring accounting involvement early in the development process.

AI Boom Creates Unexpected Inventory and Financing Accounting Issues

The enormous capital investment surrounding AI is creating financial reporting consequences beyond accounting for AI software itself. Arrangements involving third-party logistics companies may require a business to recognize inventory and a financing obligation before taking physical possession. While the arrangement may initially resemble an ordinary purchase commitment, the accounting can be different if the company effectively controls the inventory and retains substantially all economic risks.

Accountants should consider who determines sourcing and storage, whether the third party can sell the goods elsewhere, who bears price and obsolescence risk, and whether repurchase commitments or guarantees exist. When the economics indicate that the third party is effectively financing the inventory purchase, ASC 470-40 may require recognition of both the inventory and a financing obligation when the third party acquires the goods.

Since supply-chain decisions can unexpectedly become accounting decisions, controllers should be involved when purchasing and operations teams negotiate unusual inventory arrangements, particularly when shortages encourage companies to use intermediaries to secure supplies.

Tariff Refunds Begin Flowing Through Corporate Financial Statements

Tariffs continued to create accounting challenges during Q3 2026, but the issue took an important turn: companies increasingly had to determine how to account for tariff refunds. By August, more than \$100 billion of International Economic Powers Act (IEEPA) tariff refunds had reportedly been paid or were in the queue for payment, according to [a court filing](#). A second phase of the refund process opened June 29 for entries involving additional complexities, while uncertainty remained regarding certain older entries.

For accountants, receiving or expecting a refund does not automatically determine when income should be recognized. Companies must evaluate the available evidence and apply their accounting policies consistently in determining whether recognition is appropriate. Differences in the status of individual tariff claims may also mean that refunds cannot all be accounted for identically.

Tariffs previously included in inventory costs may complicate the determination of where a subsequent refund should be recorded. Refunds may also influence cost of sales, margins, receivables, cash flows, and quarter-to-quarter comparability. Companies should maintain detailed documentation linking tariff payments and refund claims to individual entries and accounting conclusions.

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on the horizon

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

Proposed ASU on Residential Mortgage Servicing Rights

In September 2026, the FASB issued a proposed ASU to improve accounting guidance for residential mortgage servicing rights. The proposed ASU is based on a recommendation of the Emerging Issues Task Force (EITF).

A residential mortgage servicing right represents the contractual right to service an underlying residential mortgage loan. Recapture refers to a mortgage servicer's ability to solicit a borrower to refinance an existing mortgage loan and retain the servicing rights on the new loan. Stakeholders have noted that current guidance does not specifically state whether the value attributable to recapture should be included when measuring a residential mortgage servicing right, which has resulted in diversity in practice and reduced comparability.

To address stakeholders' concerns, the amendments in this proposed ASU would require an entity to include the effects of recapture when measuring a residential mortgage servicing right by specifying that an entity must value all rights and obligations associated with a residential mortgage servicing contract, including recapture, in accordance with ASC 820, *Fair Value Measurement*.

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. In March 2026, the FASB paused further deliberations until it evaluates feedback from the Private Company Council.

Proposal on Application of ASC 715 to Market-Return Cash Balance Plans

On June 10, 2026, the FASB issued proposed ASU, *Compensation—Retirement Benefits—Defined Benefit Plans—Pension (Subtopic 715-30): Discount Rate Used to Measure the Benefit Obligation for Certain Market-Return Cash Balance Plans*.

The proposal responds to concerns raised by the EITF in September 2025 regarding the application of ASC 715, *Compensation—Retirement Benefits*, to market-return cash balance plans, which are a type of cash balance plan with a variable interest crediting rate based on investable market returns. The EITF noted that there are different interpretations of the measurement guidance in Subtopic 715-30, *Compensation—Retirement Benefits—Defined Benefit Plans—Pension*, related to the discount rates that could be used to measure the projected benefit obligation of market-return cash balance plans.

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Proposed ASU on Disclosure and Classification of Cash Equivalents for Certain Digital Assets

FASB proposed guidance issued in Aug. 2026 aiming to clarify how certain digital assets, including stablecoins, fit within the existing definition of cash equivalents and reduce diversity in practice. The proposal would add illustrative examples without changing current U.S. GAAP and require enhanced disclosure of significant cash-equivalent components to improve transparency and comparability. Comments are due November 19, 2026.

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.

FASB Proposes Targeted Codification Improvements

In September 2026, the FASB issued a proposed ASU intended to make targeted improvements across a variety of topics in the Accounting Standards Codification. The proposed amendments would apply to reporting entities within the scope of the affected guidance. Comments are due November 19, 2026.

EITF Agenda Items

The Emerging Issues Task Force (EITF) did not meet during the third quarter. The next EITF meeting is scheduled for December 15, 2026.

PCC Activities

The Private Company Council (PCC) met on Sept. 28 and 29, 2026. A summary of topics discussed by PCC and FASB members at the meeting will be included in our next quarterly update.

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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 2026-03, Fair Value Measurement (Topic 820): Investment Companies with Equity Securities Subject to Contractual Sale Restrictions	Investment companies within the scope of Topic 946	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.
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.

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Pronouncement	Affects	Effective Date and Transition
ASU 2025-11, <i>Interim Reporting (Topic 270): Narrow-Scope Improvements</i>	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.
ASU 2025-10, <i>Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities</i>	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, <i>Derivatives and Hedging (Topic 815): Hedge Accounting Improvements</i>	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, <i>Financial Instruments—Credit Losses (Topic 326): Purchased Loans</i>	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, <i>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</i>	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.

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Pronouncement	Affects	Effective Date and Transition
ASU 2025-06, <i>Intangibles, Goodwill and Other Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software</i>	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.
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.

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Pronouncement	Affects	Effective Date and Transition
ASU 2024-04, Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments	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.
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.

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APPENDIX B

illustrative disclosures for recently issued accounting pronouncements
for the quarter ended Sept. 30, 2026

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.

{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, 2025. 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, 2025 and interim periods within those annual periods. 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, 2025. 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]*.

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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 engaging in acquisition transactions involving a VIE:

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 that issue share-based consideration to a customer:

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 applying the practical expedient and, for eligible non-PBEs, the related accounting policy election under Topic 326:

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, to apply the new guidance prospectively.

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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 the 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 dedesignating the hedge.

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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 those annual reporting periods. -public business entities]* *[annual reporting periods beginning after December 15, 2028, and interim periods within those annual reporting periods. -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 earnings at the start of the reporting period of adoption.

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ASU 2026-03 – Applicable to investment companies within the scope of Topic 946:

In September 2026, the FASB amended the Fair Value topic in the ASC to improve how investment companies measure the fair value of an equity security that is subject to a contractual sale restriction. 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. The Company will apply the amendments prospectively to all equity securities with any adjustments from the adoption of the amendments recognized in earnings.

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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 Sept. 30, 2026, the FASB has issued the following Accounting Standards 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)
- **ASU 2026-03**, Fair Value Measurement (Topic 820): Investment Companies with Equity Securities Subject to Contractual Sale Restrictions