Crowe

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Keeping you informed

Q4 accounting and financial reporting developments

Contents

Message from Sydney Garmong

Partner, National Office

Dear readers,

I hope you enjoyed last quarter's holidays and your 2024 is off to a great start.

In addition to issuing four final standards in the fourth quarter, the FASB continues to focus on its technical agenda and make progress toward proposed standard-setting in areas most important to investors:

- Disaggregation – income statement expenses
- Software costs
- Environmental credit programs
- Governmental grants
- Profits interests awards

December brought the issuance of the SEC's Regulatory Flexibility Agenda – commonly referred to as Reg Flex – which provides transparency into the agency's near-term and long-term expected actions. Of the more than 40 rules listed, these are the ones that seem to garner the most interest as well as their estimated timing:

Proposed rules:

- Human capital – April 2024
- Securities held of record – April 2024
- Corporate board diversity – October 2024

Final rules:

- Climate change disclosure – April 2024
- Special purpose acquisition companies – April 2024

Of course, these are estimates and subject to change.

I am grateful to my Crowe colleagues Tony Boras, Alissa Doherty, Jason Eaves, and Mark Shannon for their significant contributions to this publication. We hope you find this report useful, and we welcome any feedback.

Fourth quarter highlights

During the fourth quarter of the 2023 calendar year, the Financial Accounting Standards Board (FASB) issued four final standards addressing income tax disclosures, accounting for crypto assets, reportable segment disclosures, and disclosure improvements in response to the Securities and Exchange Commission (SEC) Disclosure Update and Simplification Initiative. The FASB also issued one new proposal on induced conversions of convertible debt instruments.

The SEC participated in the annual American Institute of CPAs and Chartered Institute of Management Accountants Conference on Current SEC and Public Company Accounting Oversight Board (PCAOB) Developments. The SEC remarked on corporate governance, statement of cash flows, enforcement, Treasury market regulations, and compliance. The SEC presented testimony on the SEC's role before the House Committee on Financial Services and published details of 2024 examination priorities. It issued an order to postpone the effective date of the issuer share repurchase rule and released new compliance and disclosure interpretations on cybersecurity disclosure rules. The SEC adopted final rules on clearing U.S. Treasury securities, clearing agency governance, security-based swap execution facilities, regulations under the *Privacy Act*, investment fund names, short position and activity reporting, and securities loan reporting. The SEC amended beneficial ownership reporting and proposed two rules: one on volume-based exchange transaction pricing for national market system stocks and one on registration for index-linked annuities. The SEC also updated its regulatory agenda.

The PCAOB updated its standard-setting agenda, adopted a new standard on confirmation, issued an audit committee resource document, published observations on engagement quality reviews, participated in the AICPA and CIMA conference, and held a meeting of the Standards and Emerging Issues Advisory Group. Additionally, a new board member was sworn in.

The Center for Audit Quality (CAQ) published its audit committee transparency barometer report and its audit partner pulse survey results.

In addition to these highlights from the quarter, we have included recent developments from the Governmental Accounting Standards Board (GASB).

Checklists for the effective dates of FASB Accounting Standards Updates (ASU) and GASB statements are provided in the appendix.

From the FASB

Final standards

Improvements to income tax disclosures

On Dec. 14, 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," to provide additional transparency into an entity's income tax disclosures primarily related to the rate reconciliation and income taxes paid information.

Rate reconciliation
The final amendments require that public business entities disclose on an annual basis 1) specific categories in the rate reconciliation and 2) additional information for reconciling items meeting a certain quantitative threshold. For entities other than public business entities, disclosure of qualitative information about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and effective tax rate must be disclosed.

Income taxes paid
The final amendments require that all entities disclose on an annual basis 1) income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes and 2) the income taxes paid (net of refunds received) disaggregated by individual jurisdictions exceeding 5% of total income taxes paid (net of refunds received).

Other matters
The final amendments also require that all entities disclose 1) income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, and 2) income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign.

The amendments also eliminate certain disclosure requirements on unrecognized tax benefits for all entities and cumulative amounts of temporary differences on certain subsidiaries and corporate joint ventures.

Effective dates

The amendments are effective for public business entities for annual periods beginning after Dec. 15, 2024. For all other entities, the amendments are effective for annual periods beginning after Dec. 15, 2025. The amendments should be applied on a prospective basis, with retrospective adoption permitted. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance.

For additional information, see the Crowe article "FASB Finalizes Enhanced Income Tax Disclosure Requirements."

Crypto assets

On Dec. 13, 2023, the FASB issued ASU 2023-08, "Intangible – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets," which requires entities to account for holdings of certain crypto assets at fair value at each reporting period with changes in fair value recorded through earnings. The amendments in the final ASU apply to assets with the following characteristics:

- Meet the definition of intangible assets under U.S. GAAP
- Do not provide the asset holder with enforceable rights to or claims on the underlying goods, services, or other assets
- Are created or reside on a distributed ledger based on blockchain or similar technology
- Are secured through cryptography
- Are fungible
- Are not created or issued by the reporting entity or its related parties

The final amendments require that an entity present crypto assets measured at fair value separately from other intangible assets on the balance sheet, with changes in fair value presented separately from other changes in intangible assets on the income statement. The final amendments also require extensive disclosure about crypto assets measured at fair value on an interim and annual basis, an annual rollforward of an entity's crypto asset holdings, and specific presentation in the statement of cash flows for cash receipts arising from crypto assets that are received as noncash consideration in the ordinary course of business and are converted nearly immediately to cash.

Effective dates

The amendments are effective for all entities for fiscal years beginning after Dec. 15, 2024, including interim periods within those fiscal years. The amendments require a cumulative-effect adjustment to the opening balance of retained earnings (or applicable components of equity or net assets) as of the beginning of the annual reporting period of adoption. Early adoption is permitted for interim and annual financial statements that have not yet been issued or made available for issuance. If adopting in an interim period, an entity must adopt the amendments as of the beginning of the fiscal year that includes that interim period.

More details can be found in the Crowe article "FASB Issues Final Fair Value Guidance for Crypto Assets."

Improvements to reportable segment disclosures

On Nov. 27, 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," to enhance disclosures about significant segment expenses for public entities reporting segment information under Topic 280. The final amendments:

- Require that a public entity disclose, on an annual and interim basis, significant expense categories for each reportable segment. Significant expense categories are derived from expenses that are 1) regularly reported to an entity's chief operating decision-maker (CODM), and 2) included in a segment's reported measure of profit or loss.
- Require that a public entity disclose, on an interim and annual basis, an amount for "other segment items," reflecting the difference between 1) segment revenue less significant segment expenses, and 2) the reportable segment's profit or loss measures.
- Require that a public entity disclose the title and position of the CODM and how the CODM uses the reported measure of profit or loss to assess segment performance and to allocate resources.
- Require interim disclosure of certain segment-related disclosures that previously were required only on an annual basis.
- Clarify that entities with a single reportable segment must disclose both new and existing segment reporting requirements under Topic 280.
- Clarify that an entity is permitted to disclose multiple measures of segment profit or loss if certain criteria are met.

Effective dates

The amendments are effective for fiscal years beginning after Dec. 15, 2023, and interim periods within fiscal years beginning after Dec. 15, 2024. Entities must adopt the guidance on a retrospective basis. Early adoption is permitted.

For additional information, see the Crowe article, "FASB Issues Changes to Segment Reporting Requirements."

Disclosure and presentation

On Oct. 9, 2023, the FASB issued ASU 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative," to modify disclosure or presentation requirements and provide clarifications or technical corrections to a variety of topics within the codification pursuant to matters identified by the SEC in its August 2018 Release No. 33-10532, "Disclosure Update and Simplification."

The ASU includes a tabular summary identifying the affected codification topics and the nature of the amendments.

Effective date

The amendments are effective for entities subject to the SEC's existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale or issuance securities not subject to contractual restrictions on transfer when removal of the related disclosure from Regulation S-X or Regulation S-K becomes effective. For all other entities, the amendments are effective two years later. The amendments should be applied prospectively. Early adoption is permitted.

If the SEC has not removed the applicable requirements from Regulation S-X or Regulation S-K by June 30, 2027, the pending content of the related amendments will be removed from the codification and will not be effective for any entity.

For more information, see the Crowe article "FASB Responds to SEC Rule, Amends Disclosure Requirements."

Proposals

Induced conversions of convertible debt instruments

On Dec. 19, 2023, the FASB issued a proposed ASU, "Debt – Debt With Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments," to clarify whether certain settlements of convertible debt instruments should be accounted for as an induced conversion if certain criteria are met. Under the proposed ASU, to account for such a settlement transaction as an induced conversion, an entity would assess the qualifying criteria as of the date the inducement offer is accepted by the holder. If the convertible debt instrument had been modified without being substantially different within one year leading up to the offer acceptance date, an entity would compare the terms provided in the inducement offer with the terms that existed one year before the offer acceptance date. The proposed amendments do not modify the other existing criteria that must be satisfied to account for a settlement transaction as an induced conversion.

The proposed ASU does not yet include an effective date and would be applied either retrospectively to the later of 1) the beginning of the earliest period presented in the financial statements or 2) the date the entity adopted the amendments under ASU 2020-06, or prospectively to any settlements of convertible debt instruments that occur after the effective date of the guidance.

Comments are due March 18, 2024.

From the SEC

Annual Conference on Current SEC and PCAOB Developments

AICPA and CIMA annual conference

The AICPA and CIMA held the annual Conference on Current SEC and PCAOB Developments in Washington, D.C., Dec. 4-6, 2023. Key themes included:

- Investor information needs are top of mind for regulators and standard-setters.
- Engagement of all stakeholders is needed to support high-quality financial reporting.
- The accounting profession fosters public trust and protects our capital markets.

Various stakeholders – preparers, regulators, standard-setters, auditors, users, and others – presented the audience with wide-ranging perspectives and insights.

Chief accountant remarks

SEC Chief Accountant Paul Munter provided perspectives through the lens of financial reporting as a communication exercise, noting:

- The current economic environment is uncertain – citing interest rates, supply chain disruptions, and geopolitical matters – and stakeholders across the financial reporting ecosystem must ensure that investors have transparent disclosure to understand risks.
- Continued stakeholder engagement is necessary for standard-setting to be responsive to investor needs.

Munter noted that a firm's culture must cascade throughout the firm and the audit practice alone cannot be solely responsible for audit quality and independence matters.

Finally, Munter shared reflections on the accounting profession:

- We all play an integral role in serving the public interest, which requires a commitment to lifelong learning.
- Attracting and retaining talent requires a coordinated approach to best convey the profession's value proposition.

OCA staff remarks

Office of the Chief Accountant (OCA) senior associate chief accountants Anita Doutt, Nigel James, and Gaurav Hiranandani; Shehzad Niazi, deputy chief counsel; and Carlton Tartar, associate chief accountant, covered various topics that the staff has addressed in the past year, including:

- Perspectives on the FASB final ASU on segments
- Fair value matters
- Miscellaneous accounting topics, such as special purpose acquisition company (SPAC) and de-SPAC matters, deferred offering costs, and investment company observations
- Auditor independence
- Financial reporting in the current economic environment
- Monitoring of international standard-setting

Corp Fin focus

SEC Director of the Division of Corporation Finance (Corp Fin) Erik Gerding was joined by Corp Fin staff members Sarah Lowe, deputy chief accountant; Lindsay McCord, chief accountant; Craig Olinger, senior adviser to the chief accountant; and Melissa Rocha, deputy chief accountant, to discuss recent Corp Fin developments and focus areas including:

- Disclosure considerations in the current economic environment – transparent disclosures around inflation, other macroeconomic variables, interest-rate risk, and liquidity
- Perspectives on the FASB's final ASU on segments
- Views on non-GAAP measures
- Observations on recent final rules – erroneously awarded incentive-based compensation, pay versus performance, cybersecurity, and issuer share repurchases
- Miscellaneous matters – waiver requests, significance tests performed for acquisitions and disposals of businesses, and transaction accounting adjustments for pro forma presentation

Crowe conference recap

For a deeper dive into the conference, read the Crowe report "Highlights From the 2023 AICPA & CIMA Conference on Current SEC and PCAOB Developments."

Public statements and announcements

Statement on corporate governance

On Dec. 7, 2023, SEC Chair Gary Gensler spoke before the American Bar Association on the critical role of corporate governance in protecting investors and facilitating capital formation by building investor trust. He highlighted the historical precedent of securities law and the SEC's involvement in enforcing corporate governance. Gensler summarized the SEC's recent rulemaking initiatives related to corporate governance, including rules on executive compensation, insider trading, proxy voting, and beneficial ownership. Notably, Gensler called attention to the pending incentive-based compensation rules for financial institutions in accordance with Section 956 of the *Dodd-Frank Act*, stating that the SEC stands ready to work with fellow financial regulators to fulfill this regulatory mandate.

Statement on statement of cash flows

On Dec. 4, 2023, Munter issued a statement on the importance of the statement of cash flows to investors, calling for renewed diligence in preparing and auditing this component of the financial statements. Highlighting the frequency of cash flow restatements, Munter emphasized that an error on the statement of cash flows cannot be assessed as immaterial merely because it is an "error in classification only." Management should carefully consider the classification of both routine and nonroutine transactions, disclose required significant accounting policies and consider supplemental disclosures to facilitate greater investor understanding, and ensure that the relevant controls are designed and implemented appropriately. Independent auditors must perform audit procedures that specifically address the risks of the statement of cash flows. Munter noted that a higher materiality threshold established specifically for the statement of cash flows is not appropriate.

Munter also encouraged issuers to consider whether certain elections, such as further disaggregated cash flow information or adoption of the direct method, could result in more helpful information for investors. In closing, he urged all stakeholders to engage with standard-setters on the SEC's ongoing project to make targeted improvements to the statement of cash flows, as well as more generally when a standard-setting project could result in cash flow implications.

2024 examination priorities

On Oct. 16, 2023, the SEC published the Division of Examination's examination priorities, including both core and emerging risks observed in the markets, for the year ahead. The division's risk-based approach gives greater weight to areas that present heightened risk to the markets and the investing public – priorities generally are tailored to the category of entity being examined. However, the division also identifies several risks affecting various market participants, including cybersecurity and operational resilience as well as emerging financial technology (including crypto assets).

Keynote speech before enforcement forum

On Oct. 25, 2023, Gensler delivered the keynote speech at Securities Docket's Securities Enforcement Forum. He spoke about the history and recent actions of the commission's enforcement program. Gensler addressed the need for regulation of the crypto asset markets and spoke about recent enforcement actions, such as violations of recordkeeping requirements (including the use of personal devices and nonofficial channels to conduct business) and the use of exit agreements to impede an employee's ability to file whistleblower complaints. In closing, Gensler emphasized the importance of protecting investors, working cooperatively in a timely fashion, and holding "gatekeepers" – those entities and individuals that uphold public trust, such as lawyers and auditors – especially accountable.

Speech on regulation of Treasury markets

On Nov. 7, 2023, Gensler spoke before the Securities Industry and Financial Markets Association on the significance of the Treasury markets and warned of volatility that could result from the participation of bank and nonbank intermediaries and their use of leverage to fund positions in the repurchase markets. Drawing parallels between recent market "jitters" and the market stress and subsequent instability leading up to historical financial crises, Gensler voiced concern that many trading in today's markets are unlikely to have experienced firsthand periods of instability and transitional monetary policy. Gensler summarized the commission's recent rulemaking activities and collaborative interagency efforts and emphasized the value of these reforms in upholding the Treasury markets.

Speech on compliance

On Oct. 24, 2023, Gurbir Grewal, director of the Division of Enforcement, spoke to the New York City Bar Association on the continued importance of the role of compliance professionals in maintaining fair and efficient markets and upholding the public trust. Grewal talked about a three-pronged approach to proactive compliance, consisting of continuous education on the law and SEC activity, engagement across the business, and enforcement of compliance policies and procedures. While noting that the SEC takes into account actions of good faith based on reasonable inquiry, he stated that the SEC would pursue action against compliance personnel who affirmatively participate in misconduct, mislead investors, or fail to carry out compliance responsibilities.

Testimony before House Committee on Financial Services

On Sept. 27, 2023, Gensler testified in front of the U.S. House of Representatives Committee on Financial Services, emphasizing the SEC's wide-ranging role in serving individual investors. He noted the importance of continually updating regulations to address the rapidly evolving and increasingly interconnected markets and broader public participation, while allowing U.S. markets to remain innovative and competitive.

Gensler underscored the value of recent and ongoing activity, including rules and proposals on equity markets and private funds; disclosure requirements related to AI and predictive data analytics, crypto assets, climate risk, and cyber risk; Treasury markets; money market funds; and amendments to Form PF.

Rules and guidance

Clearing U.S. Treasury securities

On Dec. 13, 2023, the SEC adopted final rules that require covered clearing agencies to have policies and procedures that require central clearing of specified secondary transactions. In addition, the final rules modify certain broker-dealer customer margin requirements. The final rules have various effective dates beginning March 31, 2025.

C&DIs on cybersecurity disclosure rules

On Dec. 12, 2023, the SEC issued new compliance and disclosure interpretations (C&DIs) on its cybersecurity disclosure rules. They cover the delay provision of the material cybersecurity incident disclosure requirement, which provides an allowance to delay disclosure if the U.S. attorney general provides written notification to the SEC that disclosure would pose a substantial risk to national security or public safety. The new C&DIs offer clarification on disclosure obligations when a registrant requests and is granted, or denied, a delay period or subsequent extension. The interpretations also state that the fact that a registrant consults with the Department of Justice (DOJ) regarding the availability of delay does not in itself determine that the incident is material, nor is a registrant precluded from consulting with the DOJ, or any law enforcement or national security agency, prior to completing a materiality assessment.

On Dec. 14, 2023, Gerding commented that the rule does not require registrants to disclose technical or specific incident or system information. Referencing the recent C&DIs, Gerding noted that the new disclosure rules should not deter registrants from timely engagement with the relevant authorities. Gerding also reminded registrants of Corp Fin's open-door policy and emphasized the SEC's aim to incentivize good faith efforts in its continuing mission to elicit tailored and meaningful disclosures.

Registrants must begin complying with the material cybersecurity incident disclosure requirement on Dec. 18, 2023.

Additional details on this requirement and other forthcoming provisions of the cybersecurity rules can be found in Crowe article "SEC Ruling on Cybersecurity Incident Disclosure: What to Know."

Issuer share repurchase rule

On Dec. 19, 2023, the 5th U.S. Circuit Court of Appeals ruled to vacate the SEC's Share Repurchase Disclosure Modernization rule, which was intended to provide investors with more information and transparency when issuers buy back their own equity securities.

On Oct. 31, 2023, the court found in *Chamber of Commerce of the USA v. SEC* that the SEC violated the *Administrative Procedure Act* by failing to adequately address public comments, perform a proper economic cost-benefit analysis, and substantiate the need for the rule. It gave the SEC 30 days to remedy those issues. On Nov. 22, 2023, the SEC postponed the effective date of the rule. It requested an indefinite extension from the court, which was denied.

Clearing agency governance and conflicts of interest

On Nov. 16, 2023, the SEC adopted final rules governing registered clearing agencies. The new board and policy requirements aim to reduce the likelihood of conflicts of interest that could influence the board of directors or equivalent governing bodies. Among other requirements, the adopted rules establish independence requirements for boards and require the boards of clearing agencies to have both a nominating and a risk management committee. The rules also create policy and procedure requirements around monitoring and documenting conflicts of interest, managing risks from relationships with core service providers, and board obligations to consider participant and other stakeholder viewpoints.

The final rules are effective Feb. 5, 2024. Compliance with the provisions is required by Dec. 5, 2024, except for the board and board committee requirements, which have a compliance date of Dec. 5, 2025.

Security-based swap execution facilities

On Nov. 2, 2023, the SEC adopted final rules – collectively, new Regulation SE – establishing a regulatory framework for security-based swaps aligned with the Commodity Futures Trading Commission's rules governing swap execution facilities. The final rule requires security-based swap execution facilities (SBSEFs) to register with the SEC and imposes certain requirements on such entities. Among them, registered SBSEFs are subject to certain trade execution requirements, must submit filings for rules and products, must monitor trading for trading manipulation or transaction disruptions, and must publish timely trading data on security-based swap transactions. The rules also address cross-border application of trade execution requirements.

Certain registered clearing agencies and registered SBSEFs that provide a marketplace only for security-based swap transactions are exempt. Concurrently, the final rules end existing temporary exemptions that exempt certain entities from registering as SBSEFs, national securities exchanges, or clearing agencies.

The final rule becomes effective Feb. 13, 2024. Qualifying entities must file an application to register with the SEC on Form SBSEF within 180 days of the effective date. This application must be complete (that is, the entity must have responded to any staff requests) within 240 days of the effective date for the entity to operate while the application is pending.

Beneficial ownership reporting

On Oct. 10, 2023, the SEC adopted final amendments to certain rules governing beneficial ownership reporting. Among other changes, the amendments shorten the initial Schedule 13D and Schedule 13G filing deadlines for investors that acquire a beneficial ownership greater than 5% of a covered class of equity securities. They also shorten the amendment filing deadlines in the event of changes to information previously reported.

For both initial filings and amendments, the final rule updates the business day cutoff time from 5:30 p.m. Eastern to 10 p.m. Eastern. The final rule includes guidance clarifying that a person is required to disclose interests in all derivative securities (including cash-settled derivative securities) that use the issuer's equity security as a reference security. It also requires all Schedule 13D and 13G filings to be made using a structured, machine-readable data language.

The final rule is effective Feb. 5, 2024. Investors will be required to comply with amended Schedule 13G filing deadlines beginning Sept. 30, 2024. Structured data requirements will be effective for both Schedule 13D and 13G filers beginning Dec. 18, 2024.

Privacy Act

On Sept. 20, 2023, the SEC issued a final rule revising the SEC's regulations under the *Privacy Act*, updating the regulations' scope, definitions, and provisions over the handling of personal information in the federal government. Among other modernizing changes, the final rule simplifies the process for submitting and receiving responses to *Privacy Act* inquiries, allows for electronic identity verification, and formally amends document duplication fees to reflect only the direct costs of making records available on electronic storage devices. The final rule also adds a provision for individual members of the public to request certain information if their personal data is disclosed by the SEC.

The final rule was effective on Oct. 26, 2023.

Investment fund names

On Sept. 20, 2023, the SEC adopted a final rule expanding the scope of certain name-related requirements of the *Investment Company Act of 1940*. The final rule requires any fund with a name that suggests a focus on investments that have "particular characteristics" to maintain, by policy, at least 80% of the value of the fund's assets in investments with those characteristics. For example, a fund with a name that indicates an investment strategy based in environmental, social, and governance (ESG) factors will be subject to this requirement.

Any terms used in a fund's name that suggest an investment focus or that the fund's distributions are tax-exempt must be consistent with the terms' plain-English meaning or standard industry use. Funds also are required to disclose a definition of terms used in its name, including the investment selection criteria used by the fund in accordance with such terms.

In addition, the final rule requires funds to review their investments at least quarterly to verify compliance with the 80% investment policy. Generally, a fund will have 90 days to return to compliance if its investments fall below the threshold due to drift or unusual circumstances. Funds with derivative holdings will use the notional amount for purposes of determining compliance with the names rule.

The final rule was effective on Dec. 11, 2023.

Short position and activity reporting

On Oct. 13, 2023, the SEC adopted a final rule increasing the public availability of data on short sale positions and activity. Under the final rule, certain institutional investors will be required to report short sale information to the SEC on the new Form SHO if their monthly average of daily gross short positions in an equity security exceeds $10 million in value or 2.5% as a percentage of shares outstanding. The SEC will then release aggregated data on large short positions by individual security, including daily short sale activity data, to the public.

The final rule was effective Jan. 2, 2024. Institutional investors will be required to comply 12 months after the effective date, and public aggregated reporting will commence three months thereafter.

Securities loans reporting

On Oct. 13, 2023, the SEC adopted a final rule requiring any securities lender – including any person, bank, insurance company, or pension plan that loans a security on behalf of itself or another person – to disclose specified loan terms to a registered national securities association (which currently is only the Financial Industry Regulatory Agency [FINRA]) to then be made available to the public. Securities lenders will be required to report lending information at the end of each business day. Under the final rule, FINRA will publicize certain information on an aggregate basis on the following business day, while other information, such as individual loan size, will be disclosed after 20 days.

The final rule was effective Jan. 2, 2024. The rule provides for FINRA to create implementation rules to become effective within 12 months of the final rule's effective date, and for covered persons to begin reporting required information an additional 12 months thereafter.

Proposals

Volume-based exchange transaction pricing for national market system stocks proposal

On Oct. 18, 2023, the SEC issued a proposed rule to restrict volume-based transaction pricing offered by national securities exchanges. Under the proposal rule, exchanges would be prohibited from offering volume-based transaction pricing when executing agency orders. Exchanges would be subject to anti-evasion clauses when executing member proprietary orders to facilitate members' compliance with the prohibition on agency orders. In addition, they would be required to maintain written policies and procedures to enforce these measures. Finally, the proposed rule would require equity exchanges with volume-based pricing for member proprietary orders to submit electronic, machine-readable structured data tables detailing their pricing tiers and the number of members qualifying for each tier to be made available to the public.

Comments were due Jan. 5, 2024.

Registration for index-linked annuities proposal

On Sept. 29, 2023, the SEC issued a proposed rule on the offering process and disclosure requirements for registered index-linked annuities (RILAs). Among other changes, the proposal would require RILA issuers to register offerings on Form N-4, which is used by most variable annuities, and would subject RILA advertising and sales literature to existing securities regulations.

Comments were due Nov. 28, 2023.

Regulatory agenda

On Dec. 6, 2023, the Office of Information and Regulatory Affairs released the Fall 2023 Unified Agenda of Regulatory and Deregulatory Actions, including the SEC's updated agency rule list. In a statement on the updated agenda, Gensler stressed the importance of modernizing rules to address changing technology and business models and to continue to promote fair, efficient, and resilient capital markets.

Enforcement

On Nov. 14, 2023, the SEC released enforcement statistics on fiscal year 2023. Overall, the SEC filed a total 784 enforcement actions, up 3% from the prior year, obtaining a total of $4.95 billion in financial remedies – one of the highest ever, second only to 2022 – and distributing $920 million to harmed investors.

The published statistics include an overview of enforcement actions across different areas of focus, such as investor protection and market integrity, recordkeeping violations, whistleblower protections, fraud, insider trading and market abuse, and the *Foreign Corrupt Practices Act*. Cybersecurity and ESG disclosures and crypto asset securities also are noted. The report highlights actions against individuals in key roles, including officers and directors, and gatekeepers such as accountants and auditors.

From the PCAOB

Leadership

Keynote speech and roundtable at AICPA-CIMA conference

At the AICPA and CIMA conference, PCAOB Chair Erica Williams in her speech "Too Much Is at Stake to Let Complacency Win" highlighted the role of the audit and how the work of auditors gives stakeholders trust and confidence in the markets. Williams stressed the importance of auditors choosing vigilance over complacency in performing audits. She also covered:

- Standard-setting activities
- Inspection trends
- Enforcement actions

Williams and the PCAOB held a panel discussion covering various topics including how the board receives input and feedback on its rulemaking agenda through advisory groups and the comment letter process; key elements to promoting public trust in audits; the talent shortage in the public accounting profession; transparency in oversight activities, including inspection reports; inspections in China and Hong Kong; the role of technology in the audit; the PCAOB's interaction with global audit regulators; and the importance of timely communication with audit committees.

New board member

George R. Botic was sworn in as a PCAOB board member on Oct. 25, 2023, for a term that ends Oct. 24, 2028. Botic, who has served as director of the PCAOB's Division of Registration and Inspections (DRI) since 2018, joined the PCAOB in 2003.

Acting director of the Division of Registration and Inspections

On Sept. 28, 2023, the PCAOB announced that Christine Gunia would serve as acting director of DRI after Botic joined the PCAOB board. Gunia has been with the PCAOB since 2004, and since 2018 has served as DRI deputy director for the global network firm inspection program.

Standard-setting

Standards and Emerging Issues Advisory Group meeting

On Nov. 2, 2023, the PCAOB's Standards and Emerging Issues Advisory Group met to provide an update on standard-setting and rulemaking projects, to discuss emerging issues in auditing focusing on fraud detection, and to consider the use of service organizations, among other topics. A recording of the meeting is available on the meeting event page.

Agenda updates

The PCAOB on Nov. 1, 2023, posted its updated agendas for its standard-setting, research, and rulemaking projects. In the release announcing the revisions, the PCAOB highlighted that during 2023 the board "has taken more formal actions on standard setting and rulemaking than any year in the last 10 years." On the short-term standard-setting agenda, the PCAOB has eight projects, four of which have been proposed and are expected to be adopted in 2024 and four of which are expected to be proposed in 2024. The four projects that have been proposed include quality control, noncompliance with laws and regulations, general responsibilities of the auditor in conducting an audit, and amendments related to aspects of designing and performing audit procedures that involve technology-assisted analysis of information in electronic form. The planned proposals for 2024 include attestation, going concern, firm and engagement performance metrics, and substantive analytical procedures. The PCAOB also added a research project on communication of critical audit matters (CAMs).

Auditors' use of confirmation

The PCAOB on Sept. 28, 2023, adopted a new standard, AS 2310, "The Auditor's Use of Confirmation," to replace in its entirety the current AS 2310, "The Confirmation Process." The new version is designed to strengthen and modernize the confirmation requirements. Among other changes, the standard includes a new requirement regarding confirming cash and cash equivalents held by third parties or otherwise obtaining relevant and reliable audit evidence by directly accessing information maintained by a knowledgeable external source.

The new standard, which was approved by the SEC on Dec. 1, 2023, will be effective for audits of financial statements for fiscal years ending on or after June 15, 2025.

Audit committees

Audit committee resource

On Sept. 28, 2023, the PCAOB released "2022 Conversations With Audit Committee Chairs," summarizing the results of conversations with 211 audit committee chairs about audits of their 2021 financial statements. It presents high-level observations and key takeaways related to staffing, COVID-19, communications, CAMs, and information from outside of the financial statements.

Inspections

Target team's 2022 inspections observations

The PCAOB on Dec. 21, 2023, published "Spotlight: Observations From the Target Team's 2022 Inspections," which provides an overview of the target team's 2022 inspection work including observations, good practices, and key insights. In 2022, the team performed in-depth reviews across audit firms focusing on inspecting audits of public companies related to three areas: first post-IPO audit engagements, including private companies transitioning to public companies through traditional IPOs as well as private operating companies undertaking business combinations with SPACs; audit firms' use of shared service centers as part of the audit; and auditors' consideration of climate-related matters that are potentially material to a public company's financial statements.

2024 inspection priorities

On Dec. 20, 2023, the PCAOB released a report, "Spotlight: Staff Priorities for 2024 Inspections and Interactions With Audit Committees," that details 2024 inspection focus considerations, key risks and considerations for auditors, technology-related considerations, and questions for audit committees to consider.

In 2024, the PCAOB will continue to put emphasis on inspecting audits of public companies in industries and sectors with specialized accounting and those that might be negatively affected by uncertainties and volatility in the economic and geopolitical environment. Additionally, the PCAOB will concentrate on audits of companies engaged in merger and acquisition activities or business combinations, audits of audit broker-dealers, and nontraditional audit areas. The inspections will consider overall business risks including continuing high interest rates, tightening of credit availability, and inflationary challenges; disruptions in the supply chain and rising costs; business models affected by rapidly changing technology; geopolitical conflicts; and financial statements with a higher inherent risk of fraud, estimates involving complex models or processes, and presentation and disclosures that might be affected by complexities in the entity's activities.

To enhance communication, the report suggests questions for audit committee members to consider among themselves or in discussions with their independent auditors. These questions cover such topics as auditor understanding of the business, fraud, going concern, other auditors, CAMs, and the use of technology. Audit committees can use this report as a reference point when engaging with their auditors.

Observations on engagement quality reviews

The PCAOB on Oct. 12, 2023, released a new staff report, “Inspection Observations Related to Engagement Quality Reviews.” It focuses on the PCAOB-mandated engagement quality reviews (EQRs) process and says that 42% of firms inspected by the PCAOB in 2022 had a quality control criticism related to EQRs.

In addition to covering audit deficiency trends related to EQRs and good practices and reminders for auditors, the staff report provides key questions related to EQRs that audit committees can discuss with external auditors, that cover policies and procedures, reviewer experience, and significant judgments discussed.

From the CAQ

Audit committee transparency report

On Nov. 30, 2023, the CAQ and Ideagen Audit Analytics issued the "2023 Audit Committee Transparency Barometer," which tracks S&P Composite 1500 proxy disclosures to evaluate transparency regarding audit committee oversight of the external auditor and other important financial reporting topics. The data gathered for this 10th annual report provides a macro-level view of public company transparency over the past decade.

The findings reveal a continued trend of increasing disclosures in key areas of traditional financial oversight and in evolving areas such as cybersecurity and ESG. The report identifies several areas for audit committees to improve disclosures specifically related to discussions of audit fees, how audit committees consider auditor tenure, and how audit committees are involved in engagement partner selection. The publication provides highlights of the results, a summary of disclosure rates, examples of effective disclosures, a sample leading practice audit committee matters and report, and questions to consider when preparing audit committee disclosures.

Audit Partner Pulse Survey

The CAQ, on Dec. 6, 2023, released the "Fall 2023 Audit Partner Pulse Survey," reporting results of its poll of audit partners at the country's leading public company accounting firms about their perspectives on the current business environment in the United States.

Topics include economic outlook, negative effects of rulemaking, climate disclosures, expanding disclosures, noncompliance with laws and regulations (NOCLAR) proposed disclosures, cybersecurity, human capital and the accounting pipeline, and artificial intelligence (AI).

The survey revealed that compared to fall 2022, pessimism about the economy decreased by 30 percentage points and that approximately 75% of audit partners believe regulations are having a negative effect on businesses, mostly due to increased regulatory and legal risks and compliance costs. The number of companies seeing cybersecurity as a large economic risk increased 20 percentage points since last year, while approximately 59% of public companies are using technology such as AI and machine learning to manage risk, fraud, and cybersecurity threats.

From the GASB

Final standards

Certain risk disclosures

On Jan. 8, 2024, the Governmental Accounting Standards Board (GASB) released Statement 102, "Certain Risk Disclosures," to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints common in the governmental environment.

Statement 102 defines a concentration as a lack of sufficient diversity related to an aspect of a significant inflow of resources or outflow of resources. It defines a constraint as a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority.

A government would be required to disclose information about a concentration or constraint if all of the following criteria are met:

- A concentration or constraint is known to the government prior to the issuance of the financial statements.
- The concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact.
- An event or events associated with the concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

This disclosure criteria should be assessed for the primary government (including its blended component units) reporting unit and all other reporting units that report a liability for revenue debt.

If a government determines that these criteria for disclosure have been met for a concentration or constraint, the notes to the financial statements should disclose descriptions of 1) the concentration or constraint, 2) each event associated with the concentration or constraint that could cause a substantial impact if the event has occurred or has begun to occur prior to the issuance of the financial statements, and 3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

Information in notes to financial statements should be disclosed in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact.

Effective date

The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

Accounting Standards Updates (ASU) effective dates

Checklist A

ASU effective dates for public business entities (PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Goodwill Impairment Testing (ASU 2017-04) Removes step two – the requirement to perform a hypothetical purchase price allocation when the carrying value of a reporting unit exceeds its fair value – of the goodwill impairment test. **ASU 2019-10** – Deferral of effective dates.	**For SEC filers, excluding smaller reporting companies, tests performed on or after Jan. 1, 2020** **For all other PBEs, including smaller reporting companies, tests performed on or after Jan. 1, 2023**	**Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017**
Credit Losses (ASU 2016-13) Replaces the incurred loss model with the current expected credit loss (CECL) model for financial assets, including trade receivables, debt securities, and loan receivables. Clarifying standards: **ASU 2018-19** – Clarifies that impairment of operating lease receivables is in the scope of ASC Topic 842, "Leases," and not the CECL model.	**For SEC filers, excluding smaller reporting companies, March 31, 2020** **For all other PBEs, including smaller reporting companies, March 31, 2023**	**Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within**
ASU 2019-04 – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses accrued interest, transfers between classifications or categories for loans and debt securities, recoveries, vintage disclosures, and contractual extensions and renewal options. **ASU 2019-05** – Targeted transition relief provides an option to irrevocably elect the fair value option, on an instrument-by-instrument basis, for certain financial assets (excluding held-to-maturity debt securities) previously measured at amortized cost. **ASU 2019-10** – Deferral of effective dates. **ASU 2019-11** – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses expected recoveries for purchased financial assets with credit deterioration, transition relief for troubled debt restructurings, disclosures related to accrued interest receivables, financial assets secured by collateral maintenance provisions, and conforming cross-references to Subtopic 805-20. **ASU 2020-03** – Aligns contractual term to measure expected credit losses for a net investment in a lease to be consistent with the lease term determined under Topic 842. Clarifies that when an entity regains control of financial assets sold, an allowance for credit losses should be recorded.	**For ASU 2019-04, ASU 2019-05, ASU 2019-11, and ASU 2020-03, March 31, 2020, for entities that have adopted ASU 2016-13; otherwise effective dates the same as ASU 2016-13**	
ASU 2022-02 – Targeted amendments specific to troubled debt restructurings (TDRs) by creditors and vintage disclosure related to gross write-offs. An entity is required to apply the loan and refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan, rather than applying the recognition and measurement guidance for TDRs. Requires public business entities to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within scope of Subtopic 326-20.	**For ASU 2022-02, March 31, 2023, for entities that have adopted ASU 2016-13; otherwise effective dates the same as ASU 2016-13**	

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06) Clarifies the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments reduce number of accounting models for convertible debt instruments and convertible preferred stock. The cash conversion and beneficial conversion feature models were removed. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract. Improves disclosure requirements for convertible instruments and earnings-per-share guidance. Revises derivatives scope exception guidance to reduce form-over- substance-based accounting conclusions driven by remote contingent events.	**For SEC filers, excluding smaller reporting companies, March 31, 2022** **For all other PBEs, including smaller reporting companies, March 31, 2024**	**Permitted as of the fiscal years beginning after Dec. 15, 2020.** **An entity must adopt the guidance as of the beginning of the fiscal year and not in a subsequent interim.**
Deferral of the Sunset Date of Reference Rate Reform, Topic 848 (ASU 2022-06) Extends the sunset date of ASC Topic 848 (Reference Rate Reform) to Dec. 31, 2024, in response to the United Kingdom's Financial Conduct Authority (FCA) extension of the intended cessation date of LIBOR in the United States.	**Upon issuance, Dec. 21, 2022**	**Not applicable**
Long-Duration Insurance Contracts (ASU 2018-12) Revises the accounting for life insurance and annuity contracts by eliminating the method of locking in liability assumptions and the premium deficiency test for traditional and limited-payment contracts, among other methodology changes. Requires additional disclosure. Clarifying standards: **ASU 2019-09** – Deferral of effective dates. **ASU 2020-11** – Deferral of effective dates. **ASU 2022-05** – Revises transition guidance to allow for an insurance entity to make an accounting policy election on a transaction-by-transaction basis. An insurance entity may elect to exclude contracts from applying the amendments if certain conditions are met as of the effective date.	**For SEC filers, excluding smaller reporting companies, March 31, 2023** **For all other PBEs, including smaller reporting companies, Dec. 31, 2025**	**Permitted**
Customer Contracts Acquired in a Business Combination (ASU 2021-08) Requires an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 on revenue from contracts with customers. The amendments apply to contract assets or contract liabilities in contracts with customers and other contracts to which the provisions of Topic 606 apply. The amendments also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	**March 31, 2023**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Portfolio Layer Method of Hedge Accounting (ASU 2022-01) Expands the scope of assets eligible for portfolio layer method hedging to include all financial assets. The amendments remove the requirement that all assets in the closed portfolio have a contractual maturity date on or after the earliest-ending hedge period. The amendments require an entity to maintain fair value hedge basis adjustments at the closed portfolio level for a currently designated hedge and prohibit an entity from considering portfolio layer method fair value hedge basis adjustments on a currently designated hedge in its determination of credit losses. When a breach occurs (that is, the aggregate amount of the hedged layers currently exceeds the amount of the closed portfolio), an entity is required to present the fair value hedge basis adjustments with a breach in interest income and disclose the amount along with the circumstances that led to the breach.	**March 31, 2023**	**Permitted, including in an interim period when amendments in ASU 2017-12 have been adopted**
Disclosure of Supplier Finance Program Obligations (ASU 2022-04) Provides transparency regarding the entity's use of supplier finance programs. The amendments require various quantitative and qualitative disclosures including key terms of the program, the amount outstanding, a description of where those obligations are presented on the balance sheet, and a rollforward of those obligations during the annual period. For interim reporting, the buyer should disclose the outstanding confirmed amount as of the end of the interim period.	**March 31, 2023, except for the amendment on rollforward information, which is March 31, 2024**	**Permitted**
Amendments to Various SEC Paragraphs (ASU 2023-03) Amends and adds various SEC paragraphs to codification pursuant to the issuance of SEC Staff Accounting Bulletin No. 120. Paragraphs within the following topics are affected: presentation, reporting comprehensive income, distinguishing liabilities from equity, equity, and stock compensation.	**Upon issuance, July 2023**	**Not applicable**
Amendments to SEC Paragraphs Related to Liabilities ASU 2023-04) Amends and adds various SEC paragraphs to codification pursuant to the issuance of SEC Staff Accounting Bulletin No. 121, which expresses the SEC staff's views on accounting for an entity's obligations to safeguard crypto assets for its platform users.	**Upon issuance, August 2023**	**Not applicable**
Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (ASU 2022-03) Clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. Clarifies that an entity cannot recognize and measure a contractual sale restriction as a separate unit of account. The amendments include various disclosure requirements.	**March 31, 2024**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Common Control Lease Arrangements (ASU 2023-01) Revises the accounting for leasehold improvements. Leasehold improvements associated with a lease between entities under common control are to be amortized over the useful life of those improvements to the common control group as long as the lessee controls the use of the underlying asset through a lease. If the lessor obtained the right to control the use of the underlying asset through a lease with another entity not within the common control group, the amortization period is determined under existing guidance when a lease is not a lease between entities under common control. If and when the lessee no longer controls the underlying asset, leasehold improvements associated with common control leases must be accounted for as a transfer between entities under common control through an adjustment to equity.	**March 31, 2024**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (ASU 2023-02) Expands the option to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. For tax equity investments not accounted for under the proportional amortization method, the amendments require entities to apply ASC Topic 323, "Equity Method or Joint Ventures," or ASC Topic 321, "Investments – Equity Securities." The amendments require specific disclosures that must be applied to all investments that generate income tax credits and income tax benefits from a tax credit program for which an entity has elected to apply the proportional amortization method, including investments within the tax credit program that do not otherwise qualify for the proportional amortization method.	**March 31, 2024**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Segment Reporting (ASU 2023-07) Enhances disclosures about significant segment expenses for public entities reporting segment information under ASC Topic 280. Requires public entities to disclose significant expense categories for each reportable segment, other segment items, the title and position of the chief operating decision-maker, and interim disclosures of certain segment-related information previously required only on an annual basis. Clarifies that entities reporting single segments must disclose both the new and existing segment disclosures under Topic 280, and a public entity is permitted to disclose multiple measures of segment profit or loss if certain criteria are met.	**Dec. 31, 2024**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Joint Venture Formations (ASU 2023-05) Amends the accounting for contributions made to a joint venture upon formation in a joint venture's separate financial statements. The amendments require that a joint venture apply a new basis of accounting upon formation. By applying a new basis of accounting, a joint venture, upon formation, will recognize and initially measure its assets and liabilities at fair value with exceptions to the fair value measurement that are consistent with the business combination guidance.	**March 31, 2025**	**Permitted, including in an interim period**
Crypto Assets (ASU 2023-08) Requires holdings of certain crypto assets to be measured at fair value at each reporting period with changes in fair value recorded through earnings. The amendments apply to assets meeting certain defined characteristics and require crypto assets to be presented separately from other intangible assets on the balance sheet with changes in fair value presented separately from other changes in intangible assets on the income statement. Requires extensive disclosure about crypto assets measured at fair value on an interim and annual basis, requires an annual rollforward of an entity's crypto holdings, and specifies certain statement of cash flows presentation for crypto assets received as noncash consideration in the ordinary course of business and converted nearly immediately into cash.	**March 31, 2025**	**Permitted, including in an interim period**
Improvements to Income Tax Disclosures (ASU 2023-09) Enhances transparency into income tax disclosures. Requires annual disclosure of certain information relating to the rate reconciliation, income taxes paid by jurisdiction, income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, and income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. Eliminates certain requirements relating to unrecognized tax benefits and certain deferred tax disclosure relating to subsidiaries and corporate joint ventures.	**Dec. 31, 2025**	**Not applicable**
Disclosure Improvements (ASU 2023-06) Amends disclosure or presentation requirements and provides clarifications or technical corrections to a variety of topics within the codification pursuant to matters identified by the Securities and Exchange Commission in its August 2018 Release No. 33-10532, "Disclosure Update and Simplification."	**For SEC filers and certain entities required to file or furnish financial statements with the SEC, when removal of the related disclosure from Regulation S-X or Regulation S-K becomes effective**	**Prohibited**

Checklist B

ASU effective dates for nonpublic business entities (non-PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Deferral of the Sunset Date of Reference Rate Reform, Topic 848 (ASU 2022-06) Extends the sunset date of ASC Topic 848 (Reference Rate Reform) to Dec. 31, 2024 in response to the United Kingdom's Financial Conduct Authority (FCA) extension of the intended cessation date of LIBOR in the United States.	**Upon issuance, Dec. 21, 2022**	**Not applicable**
Goodwill Impairment Testing (ASU 2017-04) Removes step two – the requirement to perform a hypothetical purchase price allocation when the carrying value of a reporting unit exceeds its fair value – of the goodwill impairment test. Clarifying standards: **ASU 2019-10** – Deferral of effective dates.	**Tests performed on or after Jan. 1, 2023**	**Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Credit Losses **(ASU 2016-13)** Replaces the incurred loss model with the CECL model for financial assets, including trade receivables, debt securities, and loan receivables. Clarifying standards: **ASU 2018-19** – Clarifies the effective date for non-PBEs and that impairment of operating lease receivables is in the scope of ASC Topic 842, "Leases," and not the CECL model. **ASU 2019-04** – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses accrued interest, transfers between classifications or categories for loans and debt securities, recoveries, vintage disclosures, and contractual extensions and renewal options. **ASU 2019-05** – Targeted transition relief provides an option to irrevocably elect the fair value option, on an instrument-by-instrument basis, for certain financial assets (excluding held-to-maturity debt securities) previously measured at amortized cost. **ASU 2019-10** – Deferral of effective dates. **ASU 2019-11** – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses expected recoveries for purchased financial assets with credit deterioration, transition relief for troubled debt restructurings, disclosures related to accrued interest receivables, financial assets secured by collateral maintenance provisions, and conforming cross-references to Subtopic 805-20. **ASU 2020-03** – Aligns contractual term to measure expected credit losses for a net investment in a lease to be consistent with the lease term determined under Topic 842. Clarifies that when an entity regains control of financial assets sold, an allowance for credit losses should be recorded. **ASU 2022-02** – Targeted amendments specific to troubled debt restructurings (TDRs) by creditors and vintage disclosure related to gross write-offs. An entity is required to apply the loan and refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan, rather than applying the recognition and measurement guidance for TDRs.	**Dec. 31, 2023** **For ASU 2019-04, ASU 2019-05, ASU 2019-11, and ASU 2020-03, March 31, 2020, for entities that have adopted ASU 2016-13; otherwise, effective dates the same as ASU 2016-13**	**Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Disclosure of Supplier Finance Program Obligations (ASU 2022-04) Provides transparency regarding the entity's use of supplier finance programs. The amendments require various quantitative and qualitative disclosures including key terms of the program, the amount outstanding, a description of where those obligations are presented on the balance sheet, and a rollforward of those obligations during the annual period.	**Dec. 31, 2023, except for the amendment on rollforward information, which is Dec. 31, 2024**	**Permitted**
Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06) Clarifies the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments reduce number of accounting models for convertible debt instruments and convertible preferred stock. The cash conversion and beneficial conversion feature models were removed. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract. Improves disclosure requirements for convertible instruments and earnings-per-share guidance. Revises derivatives scope exception guidance to reduce form-over-substance-based accounting conclusions driven by remote contingent events.	**Dec. 31, 2024**	**Permitted as of the fiscal years beginning after Dec. 15, 2020, including interim periods within**
Customer Contracts Acquired in a Business Combination (ASU 2021-08) Requires an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 on revenue from contracts with customers. The amendments apply to contract assets or contract liabilities in contracts with customers and other contracts to which the provisions of Topic 606 apply. The amendments also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	**Dec. 31, 2024**	**Permitted, including in an interim period**
Portfolio Layer Method of Hedge Accounting (ASU 2022-01) Expands the scope of assets eligible for portfolio layer method hedging to include all financial assets. The amendments remove the requirement that all assets in the closed portfolio have a contractual maturity date on or after the earliest-ending hedge period. The amendments require an entity to maintain fair value hedge basis adjustments at the closed portfolio level for a currently designated hedge and prohibit an entity from considering portfolio layer method fair value hedge basis adjustments on a currently designated hedge in its determination of credit losses. When a breach occurs (that is, the aggregate amount of the hedged layers currently exceeds the amount of the closed portfolio), an entity is required to present the fair value hedge basis adjustments with a breach in interest income and disclose the amount along with the circumstances that led to the breach.	**Dec. 31, 2024**	**Permitted, including in an interim period when amendments in ASU 2017-12 have been adopted**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Common Control Lease Arrangements (ASU 2023-01) Provides a practical expedient to private companies and not-for-profit entities that are not conduit bond obligors to use the written terms and conditions of a common control arrangement to determine whether a lease exists and, if so, the classification of and accounting for that lease. The amendments also revise the accounting for leasehold improvements for all entities (that is, public business entities, private companies, not-for-profit entities, and employee benefit plans). Leasehold improvements associated with a lease between entities under common control are to be amortized over the useful life of those improvements to the common control group as long as the lessee controls the use of the underlying asset through a lease. If the lessor obtained the right to control the use of the underlying asset through a lease with another entity not within the common control group, the amortization period is determined under existing guidance when a lease is not a lease between entities under common control. If and when the lessee no longer controls the underlying asset, leasehold improvements associated with common control leases must be accounted for as a transfer between entities under common control through an adjustment to equity (or net assets for not-for-profit entities).	**Dec. 31, 2024**	**Permitted including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Long-Duration Insurance Contracts (ASU 2018-12) Revises the accounting for life insurance and annuity contracts by eliminating the method of locking in liability assumptions and the premium deficiency test for traditional and limited-payment contracts, among other methodology changes. Requires additional disclosure. Clarifying standards: **ASU 2019-09** – Deferral of effective dates. **ASU 2020-11** – Deferral of effective dates. **ASU 2022-05** – Revises transition guidance to allow for an insurance entity to make an accounting policy election on a transaction-by-transaction basis. An insurance entity may elect to exclude contracts from applying the amendments if certain conditions are met as of the effective date.	**Dec. 31, 2025**	**Permitted**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (ASU 2022-03) Clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. Clarifies that an entity cannot recognize and measure a contractual sale restriction as a separate unit of account. The amendments include various disclosure requirements.	**Dec. 31, 2025**	**Permitted, including in an interim period**
Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (ASU 2023-02) Expands the option to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. For tax equity investments not accounted for under the proportional amortization method, the amendments require entities to apply ASC Topic 323, "Equity Method or Joint Ventures," or ASC Topic 321, "Investments – Equity Securities." The amendments require specific disclosures that must be applied to all investments that generate income tax credits and income tax benefits from a tax credit program for which an entity has elected to apply the proportional amortization method, including investments within the tax credit program that do not otherwise qualify for the proportional amortization method.	**Dec. 31, 2025**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Joint Venture Formations (ASU 2023-05) Amends the accounting for contributions made to a joint venture upon formation in a joint venture's separate financial statements. The amendments require that a joint venture apply a new basis of accounting upon formation. By applying a new basis of accounting, a joint venture, upon formation, will recognize and initially measure its assets and liabilities at fair value with exceptions to the fair value measurement that are consistent with the business combination guidance.	**Dec. 31, 2025**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Crypto Assets (ASU 2023-08) Requires holdings of certain crypto assets to be measured at fair value at each reporting period with changes in fair value recorded through earnings. The amendments apply to assets meeting certain defined characteristics and require crypto assets to be presented separately from other intangible assets on the balance sheet with changes in fair value presented separately from other changes in intangible assets on the income statement. Requires extensive disclosure about crypto assets measured at fair value, requires an annual rollforward of an entity's crypto holdings, and specifies certain statement of cash flows presentation for crypto assets received as noncash consideration in the ordinary course of business and converted nearly immediately into cash.	**Dec. 31, 2025**	**Permitted, including in an interim period**
Improvements to Income Tax Disclosures (ASU 2023-09) Enhances transparency into an entity's income tax disclosures. Requires annual disclosure of qualitative information about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory and effective tax rate. Requires annual disclosure of income taxes paid by jurisdiction, income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, and income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. Eliminates certain requirements relating to unrecognized tax benefits and certain deferred tax disclosure relating to subsidiaries and corporate joint ventures.	**Dec. 31, 2026**	**Permitted**
Disclosure Improvements (ASU 2023-06) Amends disclosure or presentation requirements and provides clarifications or technical corrections to a variety of topics within the codification pursuant to matters identified by the Securities and Exchange Commission in its August 2018 Release No. 33-10532, "Disclosure Update and Simplification."	**Two years after removal of the related disclosure from Regulation S-X or Regulation S-K becomes effective**	**Prohibited**

Governmental Accounting Standards Board (GASB) statement effective dates

Checklist C

Effective dates for all GASB statements

GASB statement	Effective dates – reporting periods beginning after	Early adoption
Conduit Debt Obligations **(GASB Statement 91)** Clarifies the definition of a conduit obligation and stipulates that a conduit debt obligation is a liability of the third-party obligor, not the issuer, thus eliminating the option for government issuers to recognize a conduit debt obligation as a liability. Establishes standards for accounting and financial reporting of additional commitments extended by issuers and arrangements associated with conduit debt obligations and improves required note disclosures.	**Dec. 15, 2021**	**Permitted**
Public-Private and Public-Public Partnerships and Availability Payment Arrangements **(GASB Statement 94)** Provides guidance for public-private and public-public partnership arrangements (PPPs), including those that are outside of the scope of the GASB's existing guidance for those transactions – namely Statement 60, "Accounting and Financial Reporting for Service Concession Arrangements," and Statement 87, "Leases." The statement also makes certain improvements to the guidance previously included in Statement 60 and provides accounting and financial reporting guidance for availability payment arrangements (APAs).	**June 15, 2022**	**Permitted**
Subscription-Based Information Technology Arrangements **(GASB Statement 96)** Provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. Defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.	**June 15, 2022**	**Permitted**
Omnibus 2022 **(GASB Statement 99)** Addresses a variety of topics including the classification and reporting of derivative instruments; clarification of provisions in Statements 34, 87, 94, and 96; extension of the LIBOR cessation date; and various technical updates related to SNAP, nonmonetary transactions, pledges of future revenues, and terminology.	**Varies by topic (see pages 11 and 12 of the statement)** **Upon issuance, June 15, 2022, June 15, 2023**	**Permitted**

GASB statement	Effective dates – reporting periods beginning after	Early adoption
Accounting Changes and Error Corrections (GASB Statement 100) Provides guidance for various categories of accounting changes or error corrections and prescribes the applicable accounting and financial reporting guidance for each category. The statement also establishes how accounting changes and error corrections should be displayed in financial statements, disclosed in notes, and presented in required supplementary information (RSI) and supplementary information (SI).	**June 15, 2023**	**Permitted**
Compensated Absences (GASB Statement 101) Provides recognition and measurement guidance for all types of compensated absences under a unified model. This statement requires that a liability for compensated absences be recognized if all of these occur: 1) The leave is attributable to services already rendered. 2) The leave accumulates. 3) The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement amends the existing disclosure requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability, and it no longer requires the government to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.	**Dec. 15, 2023**	**Permitted**
Certain Risk Disclosures (GASB Statement 102) Provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If these criteria are met, the statement provides disclosure requirements that will enable users of financial statements to understand the nature of the concentrations or constraints identified and the government's vulnerability to the risk of a substantial impact.	**June 15, 2024**	**Permitted**

Learn more

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