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Keeping you informed

Third quarter accounting and financial reporting developments

Contents

Message from Sydney Garmong

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Dear readers,

Fall is officially here – and bringing all things pumpkin. It's hard to believe that there are only a few more months left in 2022. We hope this note finds you well as you begin to prepare for year-end.

Of note, during this quarter the FASB issued three proposed updates: investments in tax credit structures using the proportional amortization method, derecognition of long-duration contracts, and segment reporting. The board also made a significant decision on its forthcoming standard on reference rate reform.

In an unanticipated action, the SEC announced it is reopening 12 releases, including its climate disclosure proposal, for a 14-day comment period.

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

Third quarter highlights

During the third quarter of the 2022 calendar year, the Financial Accounting Standards Board (FASB) issued three new proposals: one on investments in tax credit structures using the proportional amortization method, one on derecognition of long-duration contracts, and one on segment reporting. The board also made a significant decision on its forthcoming standard on reference rate reform.

On Oct. 7, 2022, the Securities and Exchange Commission (SEC) announced that, due to a technological glitch known to have occurred as early as June 2021, the comment period for 12 releases would be reopened for 14 days. The SEC did not receive certain comments and suggests stakeholders confirm that their original comment submission appears on the SEC's website. The 12 affected releases include, among others, proposals on climate-related disclosures, cybersecurity risk governance disclosures, and special purpose acquisition companies.

The SEC also issued its draft strategic plan for comment. It also remarked on crypto assets; environmental, social, and governance matters; high-quality financial reporting and current rulemaking proposals; climate-related financial risks proposals; and the 20th anniversary of the *Sarbanes-Oxley Act* (SOX). It issued statements on the importance of auditor independence and ethical responsibility, the Public Company Accounting Oversight Board's (PCAOB) agreement with China, and risks of single-stock exchange-traded funds, and it provided testimony before a House committee. The SEC amended the rules to implement inflation adjustments under the *Jumpstart Our Business Startups Act* (JOBS Act) and the proxy voting advice rules, adopted amendments to the whistleblower rules, and finalized the pay-versus-performance disclosure rules. The SEC also proposed changes to Treasury security clearing rules, private fund reporting, clearing agency governance, Financial Industry Regulatory Authority (FINRA) membership requirements, and the shareholder proposal rule.

In addition to publishing its draft five-year strategic plan, the PCAOB released observations from 2021 inspections, its annual broker-dealer inspection report, its 2022 inspection plan, and an audit committee resource. The PCAOB remarked on the 20th anniversary of SOX. The Center for Audit Quality (CAQ) released an analysis of climate-related disclosures in S&P 500 Form 10-Ks and issued the results of its first audit partner pulse survey.

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

From the FASB

Final standards

While the FASB issued no new standards during the third quarter ended Sept. 30, 2022, the board did make a significant decision on a forthcoming final ASU.

Reference rate reform

On Oct. 5, 2022, the FASB discussed reference rate reform – fair value hedging and the staff research since the December 2021 board meeting. Several alternatives were considered, including principles-based approaches for adding new benchmark rates to the Master Glossary. Ultimately, the FASB elected to remove this project from its technical agenda and revisit at a later date, citing a desire to reconsider the issue when market transition with certain reference rates is more mature to permit a more robust decision on a principles-based approach. The FASB also voted in favor of a moratorium on adding new benchmarks to the Master Glossary's existing list, in conjunction with this decision.

Next the FASB redeliberated its proposed ASU, "Reference Rate Reform (Topic 848) and Derivatives and Hedging (Topic 815): Deferral of the Sunset Date of Topic 848 and Amendments to the Definition of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap Rate," which defers the sunset date of relief provisions within Topic 848 from Dec. 31, 2022, to Dec. 31, 2024. The board approved the extension.

Based on the moratorium action on the reference rate reform – fair value project, the board elected to not amend the definition of the SOFR overnight index swap rate within the Master Glossary. The proposed change would have had the effect of adding term SOFR as a benchmark interest rate. The FASB noted that while the board is observing the market transition for reference rates, it still is possible for entities to utilize hedge accounting without the proposed benchmark amendments.

While momentum has been developing in the derivative markets for the use of term SOFRs, without this addition, entities should be mindful of how term SOFR derivatives are utilized in hedge accounting including transition off LIBOR. For example, a term SOFR derivative could be used in a cash flow hedge of an instrument with the same contractually specified term SOFR without resulting in a mismatch. In contrast, to avoid a mismatch, hedges of benchmark rates (as might be designated in a fair value hedge or a cash flow hedge of rolling fixed rate debt) need to use a derivative tied to a benchmark rate such as SOFR Overnight Index Swap Rate or Fed Funds Effective Rate Overnight Index Swap Rate. Using term SOFR in a benchmark interest-rate hedge would result in a mismatch that will require the use of a more robust effectiveness assessment method such as regression analysis.

The final ASU is expected to be issued by Dec. 31, 2022.

Proposals

Segment reporting requirements

On Oct. 6, 2022, the FASB issued a proposed ASU, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which would require public entities to disclose more information about a reportable segment's significant expenses on an interim and annual basis. Significant expense categories and amounts subject to disclosure would be 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. The proposal, however, does not establish a level for assessing the significance of each expense category in that population of expenses. Public entities also would be required to disclose an amount for "other segment items," representing the difference between 1) segment revenue less significant segment expenses and 2) the reportable segment's profit or loss measure. A description of the composition of the "other segment items" would be required. The proposal would require public entities to provide at each interim period certain segment-related disclosures that are now required only on an annual basis. Public entities also would be required to disclose the name and title of the CODM. The proposed changes to the segment reporting guidance would apply retrospectively. The proposed changes to the segment reporting guidance would apply retrospectively.

Comments are due by Dec. 20, 2022.

For more information, see the Crowe article, "FASB Proposes Changing Segment Reporting Requirements."

Investments in tax credit structures

On Aug. 22, 2022, the FASB issued a proposed ASU, "Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)," to permit an entity to account for its tax equity investments, regardless of the program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the income tax credits and other income tax benefits received and recognizes the net amortization and income tax credits and other income tax benefits in the income statement as a component of income tax expense (benefit). An entity would be allowed to make an accounting policy election to apply the proportional amortization method on a tax-credit-program-by-tax-credit-program basis. The proposal would require specific disclosures for all tax equity investments in a program to which an entity has elected to apply the proportional amortization method.

The proposed ASU does not yet include an effective date.

Comments were due Oct. 6, 2022.

For more information, see the Crowe article, "FASB Proposal Improves Accounting for Income Tax Credits."

Derecognition of long-duration contracts

On July 14, 2022, the FASB issued a proposed ASU, "Financial Services – Insurance (Topic 944): Transition for Sold Contracts," to amend the transition guidance of ASU 2018-12, "Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts" (LDTI). This proposal allows an insurance entity to make an accounting policy election to exclude contracts that meet certain criteria from applying the transition guidance of ASU 2018-12 when such contracts have been derecognized because of a sale or disposal of individual or a group of contracts or legal entities before the LDTI effective date. This proposal would prevent preparers from having to communicate why previously recognized gains and losses have changed because of the adoption of ASU 2018-12.

The proposed ASU would be effective consistent with the effective dates in ASU 2020-11.

Comments were due Aug. 8, 2022.

From the SEC

Strategic plan

Draft strategic plan

On Aug. 24, 2022, the SEC released for public comment its draft strategic plan covering fiscal years 2022 to 2026. The plan details the SEC's mission, vision, values, strategic goals, and planned initiatives.

The plan establishes three key goals:

- "Protecting working families against fraud, manipulation, and misconduct;
- "Developing and implementing a robust regulatory framework that keeps pace with evolving markets, business models, and technologies; and
- "Supporting a skilled workforce that is diverse, equitable, inclusive, and is fully equipped to advance agency objectives."

Among the initiatives to meet these goals, the SEC intends to do the following:

- "Pursue enforcement and examination initiatives focused on identifying and addressing risks and misconduct that affects individual investors."
- "Enhance the use of market and industry data, particularly to prevent, detect, and enforce against improper behavior."
- "Modernize design, delivery, and content of disclosures."
- "Update existing SEC rules and approaches to reflect evolving technologies, business models, and capital markets."
- "Focus on the workforce to increase capabilities, leverage shared commitment to investors, and promote diversity, equity, inclusion, accessibility, and equality of opportunity."
- "Modernize the SEC's technology to enable the mission in a cost-effective, secure, and resilient manner."

Comments were due Sept. 29, 2022.

Public statements and announcements

Reopening rulemaking comment periods

On Oct. 7, 2022, the SEC announced that, due to a technological glitch known to have occurred as early as June 2021, the comment period for certain proposed rulemakings and a request for comment would be reopened. The SEC indicates it did not receive certain comments previously submitted and suggests interested stakeholders should confirm that their original comment submission appears on the SEC's website. The 12 affected releases include, among others, proposals on climate-related disclosures, cybersecurity risk governance disclosures, and special purpose acquisition companies. The comment period for each affected release will reopen for 14 days following publication of the SEC's order in the Federal Register.

Commissioners and staff remarks

On Sept. 15, 2022, SEC Chair Gary Gensler provided opening testimony before the U.S. Senate Committee on Banking, Housing, and Urban Affairs. His remarks covered capital markets, market structure including crypto markets, predictive data analytics, issuers and issuer disclosure, funds and investment managements, and enforcement and examinations.

On Sept. 8 and 9, 2022, SEC commissioners and staff provided insights into current SEC initiatives and priorities at the Practising Law Institute's "The SEC Speaks in 2022" program. Key topics included:

- Crypto assets
- ESG matters
- High-quality financial reporting and current rulemaking activities

Crypto assets

Gensler's program-opening keynote set the tone for crypto assets. He noted, "Of the nearly 10,000 tokens in the crypto market, I believe the vast majority are securities." He also remarked that crypto securities are subject to the same requirements under federal securities laws as other securities, and offers and sales of crypto securities must be registered. Gensler also addressed the registration of intermediaries that transact in crypto securities, stablecoins, and nonsecurity crypto tokens.

Enforcement Division Director Gurbir Grewal opened the second day of the conference with remarks on the crypto assets security ecosystem. Crypto assets were also mentioned in other presentations. Commissioner Mark Uyeda addressed perspectives on crypto assets, acting Chief Accountant Paul Munter remarked on

Staff Accounting Bulletin (SAB) 121, Corporation Finance (Corp Fin) Division Chief Accountant Lindsay McCord discussed SAB 121 disclosure issues and crypto-related non-GAAP measures, and other Corp Fin staff members stated they have a new industry office focused on disclosure review of registrants involved in crypto assets. Staff from the Trading and Markets Division and the Enforcement Division also remarked on their crypto initiatives and focus.

ESG matters

Various panels highlighted the SEC's significant pending ESG rule proposals. Corp Fin Division Director Renee Jones highlighted the objectives and feedback themes from the SEC's recent climate-related disclosure rule proposal. Corp Fin staff members discussed how they evaluate registrants' current climate disclosure using 2010 SEC guidance and the staff's September 2021 sample letter on climate change disclosure, and Corp Fin Chief Counsel Michael Seaman addressed climate-related shareholder proposal no-action requests. Enforcement Division, Investment Management Division, and Examination Division staff also mentioned ESG as a significant focus area in their activities.

High-quality financial reporting and current rulemaking activities

Munter, McCord, and Investment Management Chief Accountant Jenson Wayne spoke on various matters in their panel presentation, including:

- High-quality accounting standards, the application of those accounting standards including in specific issuer facts and circumstances, and high-quality audits, including auditor independence
- Materiality considerations
- *Holding Foreign Companies Accountable Act* (HFCAA)
- SAB 74 disclosures and the importance of transparent communication to users
- Corp Fin's waiver process

Corp Fin staff addressed a number of financial reporting issues including Item 407 of Regulation S-K governance disclosure, the impact of current events (for example, changes in interest rates, inflation, supply chain issues, and geopolitical conflict) on management's discussion and analysis, non-GAAP measures (for example, prominence, mislabeling, and certain specific adjustments), segment disclosure, disclosure considerations for China-based issuers, and certain disclosure issues in registration statements following a de-SPAC transaction.

Enforcement Division staff talked about its current approach to high-quality financial reporting and other matters.

Multiple panels addressed current rulemakings including the Economic and Risk Analysis Division, Office of the Whistleblower, Investment Management, and Corp Fin. Corp Fin's topics included summaries of recent rule proposals on cybersecurity, 10b5-1 plans, shareholder proposals, and the newly effective universal proxy final rule, which is effective for shareholder meetings held after Aug. 31, 2022.

Statement on importance of independence and ethical responsibility

Acting Chief Accountant Munter released on Aug. 29, 2022, a statement addressing auditor independence and ethical responsibility considerations when contemplating audit firm restructuring transactions. In relation to auditor independence considerations, Munter discussed the SEC Office of the Chief Accountant's staff observations related to audit firm restructuring transactions, challenges from private equity investments, and divestitures of a portion of a business. Munter warned, "In these complex practice structures and divestitures, it is paramount that the accounting firm fully understands its responsibility for maintaining auditor independence and it discloses such requirements to the non-accounting firm investors involved in the transaction so that the accounting firm can obtain the information necessary to fulfill its responsibilities."

Further, Munter said, "When an accounting firm is considering obtaining an investment from a private equity or other investment structure, each entity within such structure would need to be carefully evaluated to determine if the entity is an 'associated entity' and is therefore part of the accounting firm for purposes of assessing potential impacts on, among other things, compliance with the Commission's auditor independence requirements."

In conclusion, Munter reminded accountants of the requirement to be independent in both fact and appearance, and he said when auditor independence is a close-to-the-line call, accounting firms need to have a strong culture and tone at the top that prioritizes independence and ethical responsibilities above all else.

Statements on PCAOB agreement with China

On Aug. 26, 2022, the PCAOB announced that it had signed an agreement with Chinese authorities on audit inspections and investigations. The agreement establishes a specific and accountable framework for the PCAOB to inspect and investigate PCAOB-registered public accounting firms in China and Hong Kong. In response to this agreement, Chair Gensler issued a statement, saying the framework is important but it is just a step in the process, and will be meaningful only if the PCAOB actually can inspect and investigate completely audit firms in China. Gensler said that this agreement brings specificity and accountability to effectuate Congress's intent with the HFCAA and provides the standards against which to judge whether auditors of Chinese issuers have complied with the requirements of U.S. law, including PCAOB auditing standards.

Also on Aug. 26, 2022, Commissioner Jaime Lizárraga released a statement describing the new PCAOB agreement as a "step forward in holding China- and Hong Kong-based public companies to the same accountability standards as all other issuers that access U.S. capital markets." He said these companies have experienced an unfair advantage by evading U.S. regulations, and that they now need to fully comply or lose the privilege of raising capital in U.S. financial markets.

In a related statement, acting Chief Accountant Munter on Sept. 6, 2022, provided his thoughts on audit quality and investor protection under the HFCAA. Munter offered his views on the PCAOB's fundamental role in improving audit quality, engaging new lead audit firms in response to the HFCAA, audit engagement structures of multinational issuers, engaging new accounting firms to remediate noncompliance, and other important considerations for accounting firms and issuers.

Small-business capital committee meeting

The SEC's Small Business Capital Formation Advisory Committee held a videoconference meeting on Aug. 2, 2022, to discuss matters relating to rules and regulations affecting small and emerging businesses and their investors under federal securities laws. Committee members provided their outlooks on what is ahead for small-business capital formation. Additionally, the committee discussed secondary market liquidity for investors in Regulation A and Regulation Crowdfunding companies and for smaller public companies. They discussed exit opportunities for these investors, secondary market liquidity challenges for the private and smaller public companies and their investors, and what changes could help facilitate secondary liquidity for these investors.

Chair Gensler shared remarks at the meeting, noting that he looks forward to the committee's discussion on promoting investor protection and facilitating capital formation. Commissioner Uyeda presented remarks, acknowledging the importance of the committee's work and its recommendations, which provide helpful ideas for capital formation that are considered and used by policymakers and also are relevant to financial regulators. Commissioner Lizárraga also shared remarks, in which he highlighted unique challenges in addressing liquidity in the secondary markets for private offerings. Lastly, Commissioner Hester Peirce presented remarks, asking several questions about improving secondary market liquidity.

Remarks on climate-related financial risks proposals

At the Financial Stability Oversight Council meeting on July 28, 2022, Chair Gensler shared an update on the SEC's proposals on climate-related financial risks, including the proposals on climate-related disclosures, the Names Rule for funds, and disclosure requirements for advisers and investment companies marketing themselves with labels related to ESG issues. He said that the climate-related disclosures proposal is about adding consistency, comparability, and decision-usefulness to this information and said the SEC has received more than 14,500 comments, which are available on the SEC website. He said that the Names Rule proposal will help ensure investors are provided with the information that conforms with climate-related naming conventions. Gensler noted that the SEC is focused on making sure statements that companies present to investors are not materially false or misleading.

The comment periods closed on Aug. 16, 2022, for the proposals on the Names Rule and the disclosure requirements for advisers and investment companies. The comment period for the climate-related disclosure proposal ended on June 17, 2022.

Remarks on 20th anniversary of SOX

On July 27, 2022, before the Center for Audit Quality, Chair Gensler delivered remarks recognizing the 20th anniversary of the *Sarbanes-Oxley Act*. He said that finance ultimately is about trust and a fundamental goal of SOX was to restore trust in the U.S. financial system after several crises revealed weaknesses. Gensler noted the impact of SOX on the quality of auditing standards; auditing inspections, investigations, and enforcement; auditor independence; accounting standards; corporate governance; and coverage of foreign issuers in the U.S. He said that although SOX has had a profound effect on auditing standards with the establishment of the PCAOB, and the PCAOB initially adopted the auditing standards of the American Institute of Certified Public Accountants (AICPA), there is still much work to be done to update and enhance the standards.

Gensler identified the PCAOB's responsibility for inspecting and investigating auditing firms for compliance with auditing standards and bringing enforcement actions as critical factors in imparting trust in the U.S. capital markets. He said that under the current leadership, the PCAOB has an opportunity to reinvigorate its enforcement program. He then addressed auditor independence and concerns over the growth and complexity of advisory businesses within auditing firms, stressing the importance of maintaining a culture of ethics, integrity, and independence. Additionally, Gensler noted that SOX created requirements for corporate governance and accountability to help ensure that the incentives of executives, boards, accountants, and investors were better aligned. However, cases still are brought today regarding these matters. Lastly, Gensler touched on coverage of foreign issuers in the U.S. and said that they need to play by the same rules as everyone else or lose access to the U.S. markets. He specifically mentioned China and Hong Kong.

In conclusion, Gensler noted that although we have gained a lot from SOX and the quality of public company audits has improved, much more work is still to be done for SOX to reach its full potential.

Enforcement director testimony to House committee

On July 21, 2022, Gurbir Grewal, director of the SEC's Division of Enforcement, testified on the work of the division before the U.S. House of Representatives Committee on Financial Services Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets. He noted that the work of the Division of Enforcement is central to the SEC's mission of protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation. He reported that during the fiscal year ended Sept. 30, 2021, the SEC filed 434 new enforcement actions, a 7% increase over the prior year. In addition, the SEC's whistleblower program awarded $564 million to 108 whistleblowers, compared to 39 whistleblowers in the prior year. He said a main goal of the division is to restore public trust in the U.S. markets and institutions through robust enforcement, remedies, and compliance, which he identified as the division's priorities.

Grewal described the ever-changing landscape of enforcement and how the division needs to keep up with newer and emerging areas and risks and more complex schemes of misconduct. He noted that robust enforcement includes a focus not only on the wrongdoers but also on gatekeeper accountability. In addition to punishing wrongdoers for violations of the securities laws, the SEC's remedies should prevent future violations from happening in the first place and should be viewed as more than the cost of doing business. He added that robust compliance is a responsibility shared by all market participants.

Finally, Grewal noted that the division has been performing its work with fewer employees. He said that the challenges currently faced by the division require it to constantly assess and reassess how best to allocate the division's limited resources in the most effective manner to address the most significant and pressing risks facing investors and the financial markets. The SEC's fiscal year 2023 budget seeks additional staff to enable the division to meet these increasing challenges and to maintain an effective investigative capacity and deterrent presence for the benefit of the U.S. markets and investors.

Risks of single-stock ETFs

On July 11, 2022, Commissioner Caroline Crenshaw released a statement on single-stock exchange-traded funds (ETFs) expressing her concerns over these complex, leveraged, and inverse ETFs that might create greater risks for investors and calling for consideration of rulemaking over these risky investments. She noted that the current regulatory framework, including Rule 6c-11 of the *Investment Company Act of 1940*, allows ETFs meeting certain criteria to come directly to market without first obtaining permission, through an exemptive order, from the SEC. She said single-stock ETFs are coming directly to market even though they were never contemplated by this rule. She warned that the daily rebalancing and effects of compounding might cause returns to deviate significantly from the performance of the one underlying stock, and that the effects are likely to be especially evident in volatile markets. Such leveraged and inverse products can perform in unexpected ways and potentially contribute to broader systemic risks.

She reiterated her position that a comprehensive and consistent approach to the review of complex exchange-traded products is long overdue and that the regulatory framework needs to be updated to better address the risks these products pose to investors and the markets.

Lori Schock, director of the SEC's Office of Investor Education and Advocacy, also released a statement on July 11, 2022, highlighting the risks of single-stock ETFs. Schock noted that these are meant to be held for very short periods of time, often only a single day, and holding them for longer periods might result in returns significantly different from returns if an investor held the underlying stock directly. Additionally, these single-stock ETFs do not provide the diversification of traditional ETFs or other leveraged or inverse products.

Rules and guidance

JOBS Act inflation adjustments

On Sept. 9, 2022, the SEC amended its rules to implement inflation adjustments mandated by the JOBS Act, which requires the SEC to make inflation adjustments to certain JOBS Act rules at least once every five years. These newly adopted amendments increase the annual gross revenue threshold in the definition of emerging growth company from $1,070 million to $1,235 million. They also increase certain financial thresholds in Regulation Crowdfunding.

The final rules and thresholds became effective on Sept. 20, 2022.

Whistleblower rules

The SEC on Aug. 26, 2022, adopted two amendments to the rules governing its whistleblower program, which was established in 2010 to encourage individuals to report high-quality tips to the SEC and help the agency detect wrongdoing and better protect investors and the marketplace.

Rule 21F-3 is amended to allow the SEC to pay whistleblower awards for certain actions brought by other entities, including designated federal agencies, in cases where those awards might otherwise be paid under the other entity's whistleblower program. The changes allow for such awards when the other entity's program is not comparable to the SEC's program or if the maximum award that the SEC could pay on the related action would not exceed $5 million.

Additionally, the amendments affirm the SEC's authority under Rule 21F-6 to consider the dollar amount of a potential award for the limited purpose of increasing the award amount, and the SEC's authority to consider the dollar amount for the purpose of decreasing an award is eliminated.

The final rules were effective Oct. 3, 2022.

Pay-versus-performance disclosure rules

On Aug. 25, 2022, the SEC voted to finalize pay-versus-performance disclosure rules mandated by the *Dodd-Frank Wall Street Reform and Consumer Protection Act*. The rules require more transparency about how executive compensation relates to company performance. While the final rules were effective Oct. 11, 2022, registrants must comply with the new requirements in proxy and information statements that include Regulation S-K Item 402 executive compensation disclosure for fiscal years ending on or after Dec. 16, 2022.

The final rules were originally proposed in 2015, and opened to additional public comment in 2022.

Registrants must provide pay-versus-performance disclosure in their annual proxy or information statement that includes executive compensation disclosure under Item 402 of Regulation S-K. Smaller reporting companies (SRCs) can use scaled disclosure. Emerging growth companies, foreign private issuers, and registered investment companies are exempt.

Registrants must provide tabular disclosure for the most recent five years (three years for SRCs) of:

- Principal executive officer (PEO) and named executive officer (NEO) compensation:
  - Total compensation, which is the same amounts as in the summary compensation table, of the PEO and the average total compensation of other NEOs
  - Compensation actually paid to the PEO and the average actual compensation paid to the other NEOs
- Financial performance measures:
  - Total shareholder return (TSR)
  - TSR of the entity's peer group (not required for SRCs)
  - Net income
  - The entity-specific, company-selected financial performance measure (company-selected measure) that is most important to the link between compensation actually paid and company performance for the most recently completed fiscal year (not required for SRCs)

In addition to the tabular disclosure, an entity must provide:

- A clear description (graphic, narrative, or both) of the relationship between the executive compensation actually paid to the PEO and NEOs and the tabular financial performance metrics for the five most recently completed fiscal years (three years for SRCs).
- A description of the relationship between the entity's cumulative TSR and cumulative peer group TSR (not required for SRCs).
- A list of up to seven most important financial performance measures used to link compensation to performance (not required for SRCs). A registrant also may elect to include nonfinancial measures in the list.

Proxy voting advice rules

On July 13, 2022, the SEC adopted amendments to its rules governing proxy voting advice originally proposed in November 2021. The purpose of the amendments is to reduce burdens on proxy voting advice businesses that might impair the timeliness and independence of their advice. The amendments rescind two rules, adopted by the SEC in 2020, applicable to proxy voting advice businesses, specifically conditions to the availability of two exemptions from the proxy rules' information and filing requirements on which these businesses often rely. The rescinded conditions required that:

- "Registrants that are the subject of proxy voting advice have such advice made available to them in a timely manner"
- "Clients of proxy voting advice businesses are provided with a means of becoming aware of any written responses by registrants to proxy voting advice"

Additionally, the amendments delete the 2020 changes made to the proxy rules' liability provision, and the adopting release rescinds guidance that the SEC issued in 2020 to investment advisers regarding their proxy voting obligations.

The amendments and rescission of the guidance were effective Sept. 19, 2022.

Electronic filing requirements

To modernize how information is filed or submitted to the SEC and disclosed to the public, on June 23, 2022, the agency adopted amendments to require certain documents filed by investment advisers, institutional investment managers, and certain other entities, which previously were submitted on paper, to be filed or submitted electronically. The rule includes technical amendments to modernize Form 13F and enhance the information provided.

The new rule, except the amendments to Form 13F, were effective Aug. 29, 2022. The amendments to Form 13F will be effective Jan. 3, 2023.

Chair Gensler released a statement in support of these new amendments, noting that "they will modernize and increase the efficiency of the filing process for filers, investors, and the SEC."

Proposals

Proposed Treasury security clearing rules

On Sept. 14, 2022, the SEC proposed U.S. Treasury security clearing reforms to enhance market resilience. Designed to improve risk management and facilitate more central clearing of U.S. Treasury trading, the proposed rules would require covered clearing agencies to:

- Require central clearing for certain transactions
- Set certain margin policies and procedures for direct participants
- Establish policies and procedures for settlement services for all eligible transactions

The proposal also would amend certain broker-dealer customer protection rules.

Comments are due 60 days after publication in the Federal Register.

Proposed enhancements to private fund reporting

On Aug. 10, 2022, the SEC proposed, jointly with the Commodity Futures Trading Commission, amendments to Form PF. The amendments increase disclosure granularity of private funds' operations and strategies.

Comments were due Oct. 11, 2022.

Proposed changes to clearing agency governance

The SEC proposed on Aug. 8, 2022, rules to improve the governance of clearing agencies. The proposal defines independence and requires certain minimum criteria for clearing agency directors and committee members. The proposal also requires clearing agencies to institute various governance policies and procedures.

Comments were due Oct. 7, 2022.

Proposed changes to FINRA membership requirement

The SEC on July 29, 2022, re-proposed amendments that would narrow the exemption from *Securities Exchange Act* Section 15(b)(8), which requires any broker or dealer registered with the SEC to become a member of a national securities association unless the broker or dealer effects transactions in securities solely on an exchange of which it is a member. The Financial Industry Regulatory Authority (FINRA) currently is the only registered national securities association.

Rule 15b9-1 provides an exemption from Section 15(b)(8) under which certain SEC-registered dealers may engage in unlimited proprietary trading of securities on any national securities exchange of which they are not a member or in the over-the-counter market without triggering the Section 15(b)(8)'s FINRA membership requirement. The proposed amendments would replace this exemption with narrow exemptions from Section 15(b)(8)'s FINRA membership requirement. Under the proposed amendments, "a broker-dealer that carries no customer accounts and effects securities transactions other than on a national securities exchange where it is a member would be exempt from Section 15(b)(8) only if those transactions result from routing for order protection purposes by a national securities exchange where the broker-dealer is a member or constitute the execution of the stock leg of a stock-option order."

Comments were due Sept. 27, 2022.

Proposed amendments to shareholder proposal rule

The SEC on July 13, 2022, proposed amendments to Rule 14a-8, which governs the process for including shareholder proposals in a company's proxy statement. It provides bases for exclusion, with substantive requirements. The proposed amendments would revise three of the bases for exclusion:

- "Substantial Implementation. The proposed amendments would specify that a proposal may be excluded under this provision if the company has already implemented the 'essential elements' of the proposal.
- "Duplication. The proposed amendments would specify that a proposal 'substantially duplicates' another proposal previously submitted for the same shareholder meeting if it addresses the same subject matter and seeks the same objective by the same means.
- "Resubmission. The proposed amendments would provide that a proposal constitutes a resubmission if it substantially duplicates another proposal that was previously submitted for the same company's prior shareholder meetings."

Comments were due Sept. 12, 2022.

From the PCAOB

Strategic plan

Draft five-year strategic plan

On Aug. 16, 2022, the PCAOB released a draft of its five-year strategic plan covering 2022 through 2026 with a request for comments. The PCAOB notes that the creation of the plan was guided by three priorities: investor protection, engagement, and adaptability. The plan has four main goals: modernize standards, enhance inspections, strengthen enforcement, and improve organizational effectiveness. For each, the PCAOB identified objectives to achieve that goal.

Comments were due Sept. 15, 2022.

Inspections

Observations from 2021 inspections

The PCAOB released on Aug. 31, 2022, "Spotlight: Observations From the Target Team's 2021 Inspections." The report provides perspectives on the auditor's responsibilities, observations, and good practices as they relate to the 2021 focus areas of fraud, interim reviews of special purpose acquisition companies, going concern, and cash and cash equivalents.

Broker-dealer inspection report

On Aug. 19, 2022, the PCAOB released its "Annual Report on the Interim Inspection Program Related to Audits of Broker-Dealers," which includes observations from inspections during 2021, guidance about and examples of effective procedures, and information about the inspection approach. According to the report, the percentage of firms with audit and attestation engagement deficiencies remained high at 78%, which is consistent with 2020.

The PCAOB also notes that this report should help broker-dealer owners and audit committees or equivalents as they oversee the work of their auditors and engage on financial reporting.

With the report, the PCAOB released "Supplementary Information Related to Audits of Brokers and Dealers," which provides comparative data about selected firms and engagements and the results of PCAOB inspections over multiyear periods.

2022 inspection plan

On June 30, 2022, the PCAOB released "Spotlight: Staff Overview for Planned 2022 Inspections," which includes areas of inspection focus for 2022, plans related to the PCAOB's use of target teams in the inspection process, and plans for audit committee outreach. This spotlight is a reference point for audit committees, auditors, investors, and other stakeholders.

Selected areas of planned 2022 inspections focus include:

- Fraud and other risks
- Initial public offerings and merger and acquisitions activity
- Audit firms' execution challenges
- Considerations specific to broker-dealers
- Independence
- Use of service providers in the confirmation process
- Critical audit matters
- Audit areas with continued deficiencies
- Firms' quality control systems
- Technology

Audit committees

Audit committee resource

The PCAOB on Aug. 17, 2022, released a new publication, "Spotlight: Audit Committee Resource," which provides auditors, audit committee members, and others questions that audit committees may consider as part of their ongoing engagement and discussion with their auditors. It includes questions on fraud and other risks, initial public offerings, mergers and acquisitions, audit execution, compliance with auditor independence requirements, firms' quality control systems, auditing digital assets, responding to cyberthreats, and the use of data and technology in the audit.

Other matters of interest

SOX anniversary and creation of the PCAOB

On July 28, 2022, PCAOB Chair Erica Williams presented prepared remarks celebrating the 20th anniversary of SOX and establishment of the PCAOB. SOX created the PCAOB with the mission of protecting investors by being an independent audit watchdog. The PCAOB's role is to set standards to uphold the integrity of public audits, inspect for compliance with those standards, and enforce them to help restore trust in the U.S capital markets.

According to Williams, since its creation, the PCAOB has:

- "Registered over 3,800 audit firms,
- "Completed more than 4,300 firm inspections in 55 countries – reviewing more than 15,000 audits of public companies and over 1,000 broker-dealer engagements,
- "Issued more than 330 settled orders, and
- "Sanctioned more than 230 firms and 270 individuals."

Williams noted that continuing to strengthen credibility is a top priority for the PCAOB and identified three key areas where the PCAOB plans to further its investor-protection mission: modernizing its standards, enhancing its inspections, and strengthening its enforcement.

From the CAQ

Analysis of Form 10-K climate-related disclosures

On Sept. 9, 2022, the CAQ released an S&P 500 10-K analysis summarizing results of its review of the June 2022 Form 10-Ks from S&P 500 companies to understand the disclosures regarding climate-related information, greenhouse gas (GHG) emissions, and net-zero and carbon-neutral commitments. The CAQ noted that 453 of the S&P 500 mentioned climate-related information in their 10-Ks, representing an 18% increase from 2020; however, only 104 companies mentioned GHG emissions in their disclosures. The analysis details the types of information included in the disclosures, where the disclosures are included, and where in the financial statements climate-related matters were mentioned.

Audit partner pulse survey

On July 6, 2022, the CAQ released its first "Audit Partner Pulse Survey," a compilation of U.S. public company audit partner observations on a range of topics. The CAQ intends to publish it regularly. This first survey is based on responses from 700 audit partners from the eight governing board firms at the CAQ and is from data collected during May 2022. Topics include the overall outlook on the economy, business transformation, and quality of corporate disclosures.

According to the survey results related to economic outlook, continued inflation and rising prices are expected, with 84% of audit partners responding that they are not optimistic about the economic outlook over the next 12 months. Respondents identified inflation, labor shortages, supply shortages and supply chain disruptions, and cybersecurity threats as the top economic risks facing companies. Talent is the most important corporate priority for 2022, according to 53% of respondents, and they identified increasing flexibility and compensation as the top two methods to attract and retain talent.

Partners also said that more progress is needed in cybersecurity specifically related to managing risk, enhancing disclosures, and aligning cybersecurity with company goals; however, the results indicate that significant progress was made in communications on cybersecurity between management and the board. The surveyed audit partners also identified that climate change is both a short- and long-term priority for public companies, although they noted reporting challenges. Lastly, while cryptocurrency was not named as a priority for most industries, the financial services industry was identified as an early adopter of cryptocurrency and was more likely to be considering or preparing to accept crypto as a form of payment.

From the GASB

Final standards

The GASB issued no new standards during the third quarter of 2022.

Proposals

The GASB issued no new proposals during the third quarter of 2022.

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
Leases with Variable Lease Payments (ASU 2021-05) Provides that lessors should classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if certain criteria are met.	**March 31, 2022**	**Permitted**
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**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
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.**
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.	**For SEC filers, excluding smaller reporting companies, March 31, 2023** **For all other PBEs, including smaller reporting companies, Dec. 31, 2025**	**Permitted**
Issuer's Accounting for Modifications or Exchanges of Freestanding Written Call Options That Are Classified in Equity (ASU 2021-04) Clarifies the guidance for a modification or an exchange of a freestanding equity-classified written call option (for example, warrants). The amendments provide that an entity should treat such modification or exchange as an exchange of the original instrument for a new instrument. The amendments provide guidance on how an entity should measure and recognize the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange. The amendments do not affect a holder's accounting for freestanding call options.	**March 31, 2022**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Disclosures by Business Entities About Government Assistance (ASU 2021-10) Requires annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance such as a grant model within Subtopic 958-605, "Not-for-Profit Entities – Revenue Recognition," or International Accounting Standards 20, "Accounting for Government Grants and Disclosure of Government Assistance."	**March 31, 2022**	**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**
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**
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 and clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments also require additional disclosures about the restriction, including the nature and remaining duration of the restriction.	**March 31, 2024**	**Permitted, including in an interim period**

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
Premium Amortization on Purchased Callable Debt (ASU 2017-08) Shortens the amortization period for premiums on purchased callable debt securities to the earliest call date, instead of to the maturity date. Clarifying standards: **ASU 2020-08** – Clarifies that an entity should reevaluate whether a callable debt security that has multiple call dates is within the scope of paragraph 310-20-35-33 for each reporting period.	**Dec. 31, 2020** **For ASU 2020-08, Dec. 31, 2022**	**Permitted, including in an interim period** **For ASU 2020-08, permitted only as of annual periods beginning after Dec. 15, 2020, including interim periods within**
Simplifying Accounting for Income Taxes (ASU 2019-12) Simplifies the accounting for income taxes by removing certain exceptions in Topic 740. Improves consistent application of other areas of guidance within Topic 740 by clarifying and amending existing guidance.	**Dec. 31, 2022**	**Permitted, including in an interim period**
Interaction Between Accounting for Equity Securities, Equity Method Investments, and Certain Derivative Instruments (ASU 2020-01) Clarifies the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contract and purchased options accounted for under Topic 815.	**Dec. 31, 2022**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Leases **(ASU 2016-02)** Revises recognition and measurement for lease contracts by lessors and lessees; operating leases are recorded on the balance sheet for lessees. Replaces Topic 840 with Topic 842. Clarifying standards: **ASU 2018-01** – Provides a practical expedient in transition to not evaluate existing or expired land easements under Topic 842 that were not previously accounted for as leases under Topic 840. **ASU 2018-10** – Provides 16 improvements and clarifications to the guidance in Topic 842. **ASU 2018-11** – Provides an optional transition method for adopting Topic 842 that will eliminate comparative period reporting under the new guidance in the adoption year. Provides a practical expedient for lessors to not separate nonlease components from the associated lease component in specified circumstances. **ASU 2018-20** – Provides improvements specific to lessors for evaluating sales taxes, recording reimbursed costs, and allocating variable payments to lease and nonlease components. **ASU 2019-01** – Provides improvements in determining fair value of underlying assets by lessors that are not manufacturers or dealers, presentation of the statement of cash flows for sales-type and direct financing leases, and transition disclosures. **ASU 2019-10** – Deferral of effective dates **ASU 2020-05** – Deferral of effective dates. **ASU 2021-05** – Provides that lesssors should classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if certain criteria are met. **ASU 2021-09** – Allows risk-free rate election by class of underlying asset, rather than at the entitywide level. When the rate implicit in the lease is readily determinable, the lessee must use that rate regardless of whether it has made the risk-free rate election.	**Dec. 31, 2022**	**Permitted**
Contributed Nonfinancial Assets of Not-for-Profit Entities **(ASU 2020-07)** Improves financial reporting for not-for-profit entities by providing specific presentation and disclosure requirements for contributed nonfinancial assets other than contributed services.	**Dec. 31, 2022**	**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
Various Codification Improvements (ASU 2020-10) Amendments improve codification by having all disclosure-related guidance available in the disclosure sections of the codification. Prior to this ASU, various disclosure requirements or options to present information on the face of the financial statements or as a note to the financial statements were not included in the appropriate disclosure sections of the codification. Contains various other minor amendments to codification that are not expected to have a significant effect on current accounting practice.	**Dec. 31, 2022**	**Permitted**
Issuer's Accounting for Modifications or Exchanges of Freestanding Written Call Options That Are Classified in Equity (ASU 2021-04) Clarifies the guidance for a modification or an exchange of a freestanding equity-classified written call option (for example, warrants). The amendments provide that an entity should treat such modification or exchange as an exchange of the original instrument for a new instrument. The amendments provide guidance on how an entity should measure and recognize the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange. The amendments do not affect a holder's accounting for freestanding call options.	**Dec. 31, 2022**	**Permitted, including in an interim period**
Practical Expedient in Measuring Current Price Input of Equity-Classified Share-Based Awards (ASU 2021-07) Allows a nonpublic entity to determine the current price of a share underlying an equity-classified share-based award using the reasonable application of a reasonable valuation method. The amendments provide characteristics of the reasonable application of a reasonable valuation method. A reasonable valuation performed in accordance with Treasury regulations is an example of a way to achieve the practical expedient.	**Dec. 31, 2022**	**Permitted for financial statements that have not been issued or made available for issuance as of Oct. 25, 2021**
Disclosures by Business Entities About Government Assistance (ASU 2021-10) Requires annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance such as a grant model within Subtopic 958-605, "Not-for-Profit Entities – Revenue Recognition," or International Accounting Standards 20, "Accounting for Government Grants and Disclosure of Government Assistance."	**Dec. 31, 2022**	**Permitted**
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**
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**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
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**
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.	**Dec. 31, 2025**	**Permitted**
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 and clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments also require additional disclosures about the restriction, including the nature and remaining duration of the restriction.	**Dec. 31, 2025**	**Permitted, including in an interim period**

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
Postponement of the Effective Dates of Certain Authoritative Guidance (GASB Statement 95) Postpones the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.	**Upon issuance, May 8, 2020**	**Not applicable**
Replacement of Interbank Offered Rates (GASB Statement 93) Addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notably the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments tied to LIBOR.	**June 15, 2020, except:** **Paragraph 11b, periods ending after Dec. 15, 2021** **Paragraphs 13 & 14, June 15, 2021**	**Permitted**
Accounting for Interest Cost Incurred Before the End of a Construction Period (GASB Statement 89) Supersedes guidance set forth in Statement 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” which generally required capitalization of interest cost incurred before the end of a construction period. Statement 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus and not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.	**Dec. 15, 2020**	**Permitted**
The Annual Comprehensive Financial Report (GASB Statement 98) Establishes the term “annual comprehensive financial report” and its acronym ACFR, which replace instances of “comprehensive annual financial report” and its acronym in generally accepted accounting principles for state and local governments.	**Dec. 15, 2020**	**Permitted**
Leases (GASB Statement 87) Revises recognition and measurement for lease contracts by lessors and lessees by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.	**June. 15, 2021**	**Permitted**

GASB statement	Effective dates – reporting periods beginning after	Early adoption
Omnibus 2020 **(GASB Statement 92)** Addresses a variety of topics including the effective date of Statement 87 and Implementation Guide No. 2019-3 for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements 73 and 74 to reporting assets accumulated for postemployment benefits (PEBs); the applicability of certain requirements of Statement 84 to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments.	**Varies by issue (see pages 5 and 6 of the statement and page 2 of statement 95)** **Upon issuance, Feb. 5, 2020** **June 15, 2021**	**Permitted by topic**
Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans **(GASB Statement 97)** Clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and modifies the applicability of certain component unit criteria as they relate to defined contribution pension and OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). Establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans.	**Varies by issue (see pages 4 and 5 of the statement)** **Upon issuance, June 23, 2020** **June 15, 2021**	**Permitted by topic**
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**

GASB statement	Effective dates – reporting periods beginning after	Early adoption
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**
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**

Learn more

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