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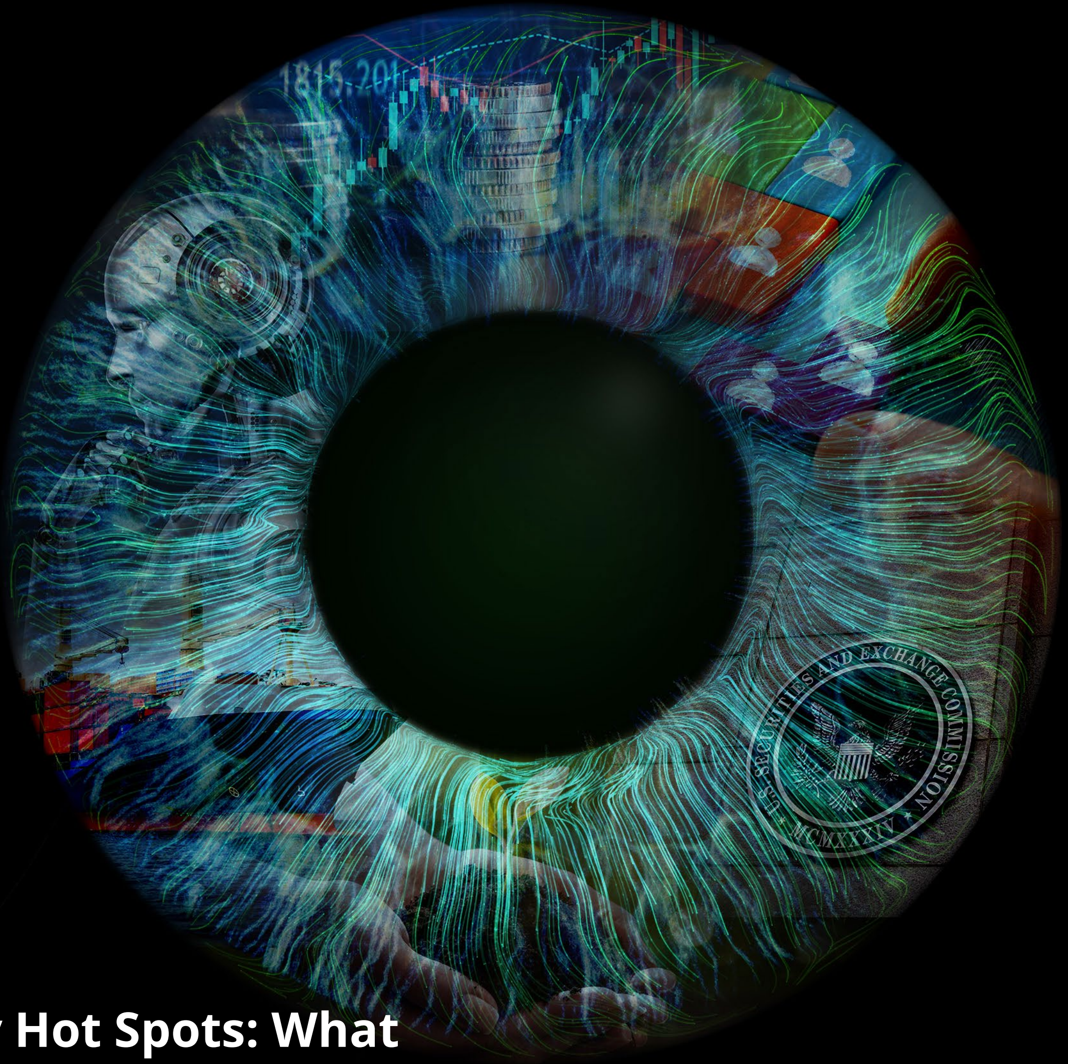

SIFM Conference

Accounting and Regulatory Hot Spots: What Finance Needs on their Radar Now

June 2026

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The AI Landscape in Finance

North American CFOs reveal their top 6 expectations for 2026

State of AI in the enterprise: The untapped edge

The year ahead: North American CFOs reveal their top 6 expectations for 2026

Chief financial officer respondents ended 2024 on a high note. Their confidence score in the fourth quarter of 2024 jumped to the highest reading since late 2021. Respondents now appear to be in a similar mindset. Following six months of dwindling optimism, CFO sentiment improved substantially in the most recent quarter. Based on our latest CFO Signals quarterly survey, which polls 200 CFOs at North American companies with at least $1 billion in revenue, here are the top six priorities respondents expect to focus on most in 2026:

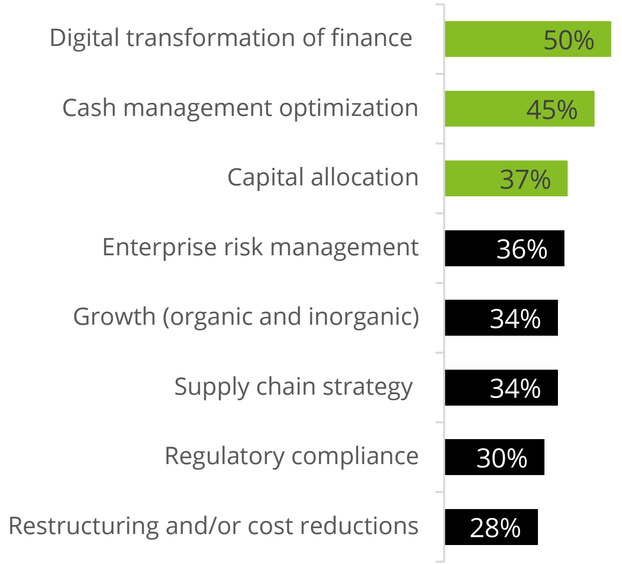
1. Leveraging digital to transform how finance operates. Efficiency and productivity are near the top of respondents' most worrisome internal risks.

2: Going all in on artificial intelligence. 87% of CFOs predict that AI will be extremely important or very important to their finance department's operations in 2026.

3: Embedding AI agents into finance to make transformation happen. 54% of CFOs say integrating AI agents into finance will be one of their top finance transformation priorities in 2026, ahead of efforts such as improving data quality, access, and usability.

Digital transformation in finance, cash management, and capital allocation are CFO respondents' top three priorities; risk management drops to No. 4

Question: "What are your top priorities for 2026?" (percentage of respondents)



Notes: n = 200. Respondents were asked to rank their top three choices.
Source: North American CFO Signals survey results Q4 2025.

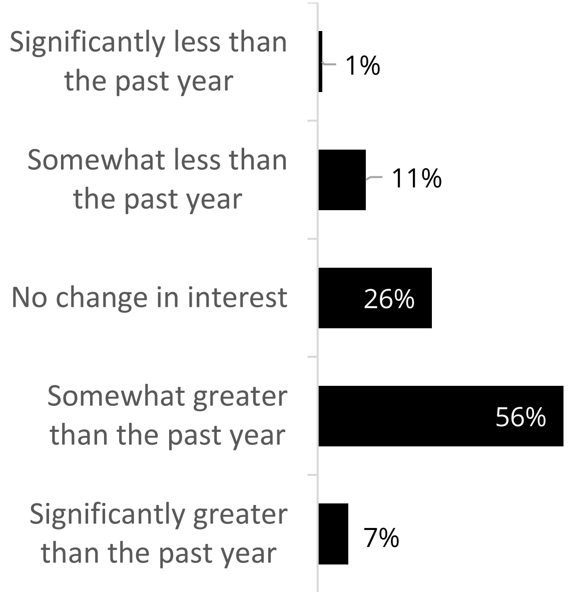
4: Staying focused on changes in buyer behavior. When asked to name factors (excluding the economy) that will exert the biggest impact on their companies' performance this year, 48% cite changes in customer behavior or demographics.

5: Dipping into the internal talent pool to help manage costs. About one in two (49%) respondents say their organizations will hire or promote internally to help keep worker costs in line in 2026.

6: Exploring more dealmaking opportunities. 55% of CFOs said their organizations' level of interest in undertaking acquisitions or mergers was significantly greater or somewhat greater than in the prior year.

Most respondents (63%) say their organizations' interest in pursuing M&A opportunities this year is growing

Question: "What is your organization's level of interest in undertaking acquisitions or mergers in 2026?" (percentage of respondents)



Note: n = 200.
Source: North American CFO Signals survey results Q4 2025.

Full source text: [The year ahead: North American CFOs reveal their top 6 expectations for 2026]

Deloitte's latest State of AI in the Enterprise survey captured insights from more than 3,200 business and IT leaders around the world with direct involvement in their companies' AI initiatives. Below are the key findings for this year's AI report.

1. Moving from pilot to scale as *access* expands

Enterprise AI adoption grows

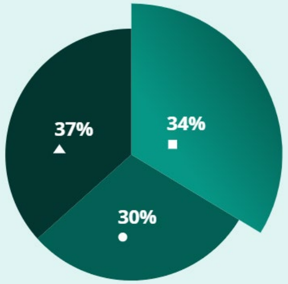
Worker access to AI rose by 50% in 2025, as expectations for scale are high: the number of companies with ≥40% projects in production is set to double in six months.

2. Productivity vs. *reimagination*

Expanding possibilities at the edge

AI is delivering on efficiency and productivity, and twice as many leaders as last year are reporting transformative impact. **But just 34% are truly reimagining the business.**

Current approach to digital transformation with AI



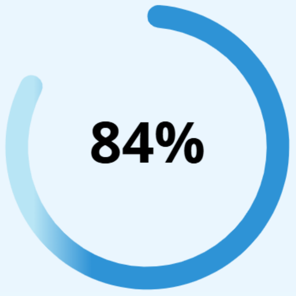
- Using at surface level
- Redesigning key processes
- Deeply transforming

Note: Figures may not sum to 100% due to rounding.

3. AI *fluency* over role redesign

AI workforce impact remains low

The AI skills gap is seen as the biggest barrier to integration, and **education—not role or workflow redesign— and was the No. 1 way companies adjusted their talent strategies due to AI.**



of companies have not redesigned jobs around AI capabilities.

4. *Where* is as crucial as *what*

Sovereign AI = context + capability

Sovereign AI is when a country—and companies within it—deploy AI under their own laws, infrastructure, and data. It's not just about ownership. Its about strategic independence.

5. AI agents *outpace* their guardrails

The oncoming surge in agentic AI

Agentic AI usage is poised to rise sharply in the next two years, but oversight is lagging: **Only one in five companies has a mature model for governance of autonomous AI agents.**

6. Physical AI's fast-growing footprint

Gaining traction by 22 percentage points in two years

More than half of companies (58%) report at least limited use of physical AI (e.g., robotics) today, and that figure is set to reach 80% in two years—with Asia Pacific leading in early implementation.

7. Strategically *ready*, operationally unsure

Exploring the AI preparedness gap

Compared to last year, more companies (42%) believe their strategy is highly prepared for AI adoption—but they feel less prepared in terms of infrastructure, data, risk, and talent.

Summary text: State of AI in the enterprise | *Full source text:* State of AI in the enterprise: The untapped edge

Group discussion: GenAI in finance

- What finance GenAI use cases are live today?
- Where is value showing up fastest?
- Which use cases raise the biggest control concerns?
- What human oversight is proving necessary?
- What unanswered questions are you still working through?

FSB Report: AI Adoption in the Financial Sector

AI Adoption in the Financial Sector: Use Cases, Benefits, and Risks

The Financial Stability Board (FSB), in response to the growing use of artificial intelligence (AI) across financial institutions, has published a consultation report listing sound practices to support the responsible adoption of AI.[1] The guidance provides a practical framework for institutions to realize the benefits of AI while maintaining appropriate oversight and control. Below provides an overview of the growing AI landscape.

Overview of the use of AI in the financial system

AI adoption in the financial sector

- Financial institutions have long used AI, but **rapid advances in generative AI (GenAI) and agentic AI have sharply increased interest and adoption**.
- Adoption is driven by **stronger computing power, more data, foundation models**, and pressure to improve efficiency and risk management.
- Adoption is expanding across **banking, insurance, capital markets, payments, and financial market infrastructures (FMIs)**, but **front-office use remains more cautious** due to explainability and risk concerns.

Risks and Implementation Challenges

- **Governance and strategic execution risks:** Weak oversight, fragmented implementation, poor materiality and risk assessment, and the emergence of shadow AI.
- **Data, explainability and performance risks**: Poor data governance and data quality can amplify bias, weaken explainability and transparency and lead to model drift, hallucinations, and degrading performance.
- **Ecosystem, conduct and agentic AI risks:** Cyber and information and communication technology (ICT) threats, third-party dependence and concentration, operational resilience issues, market conduct concerns and unauthorized or erroneous agent actions can all increase as AI adoption expands.

Use cases and Benefits

Banking: Banks are using AI in credit risk, document automation, fraud detection and internal controls to improve efficiency and strengthen risk management.

Insurance: Insurers are using AI in claims handling, customer segmentation, fraud identification and underwriting to enhance service and targeting.

Capital markets and asset management: AI supports portfolio optimization, alternative data analysis, algorithmic trading, market surveillance, sentiment analysis, volatility forecasting and investment decision making.

Payments and Financial Market Infrastructure: In payments, AI is improving behavioral risk analytics, onboarding and KYC with reported gains in both accuracy and processing speed; in FMIs, it is supporting anomaly detection, settlement, reconciliation, compliance and predictive analytics.

Cross-functional productivity and operational resilience: AI automates routine work, boosts productivity and strengthens cyber resilience through better threat detection and faster response.

FSB's twelve sound practices cover organization-wide AI governance as well as management of different stages of AI development and deployment **(or AI lifecycle).**

[1] Financial Stability Board (FSB), "Sound Practices for Responsible Adoption of Artificial Intelligence (AI)," Consultation Paper, June 2026.

Organization-wide AI Governance

Organization-wide AI governance ensures that financial institutions connect strategy, risk appetite, accountability, documentation and organizational learning. First four AI sound practices related to organization-wide AI governance that turns AI from a collection of experiments into a controlled institutional capability, have been discussed below.

1 Strategic Direction and Oversight

- Board and senior management should set the direction of AI adoption across the institution, aligned to business strategy, operating model priorities, and risk appetite.
- Leadership oversight should treat AI as a business-critical capability and remains within acceptable risk boundaries.
- Leadership should appropriately resource the institution to support AI adoption including appropriate competencies and skills at required levels to implement their respective roles and responsibilities.
- Leadership should periodically review AI adoption approach to ensure it continues to be fit for purpose.

2 Governance and Accountability

- Clear ownership is needed with defined roles and responsibilities coordinated across business, risk, compliance, technologies & data teams.
- Institutions can either build on existing structures such as the three lines model or create new structures, if appropriate.
- Institutions should maintain an appropriate operating model that supports effective governance and AI adoption. The choice might vary between centralized, decentralized or both (hybrid model).
- Establish cross-functional coordination mechanisms to leverage on the diverse perspective from business owners, risk managers, technology experts, compliance officers, legal specialists, developers, and other relevant stakeholders.

3 AI Risk Mgmt. Framework and Effective Documentation

- AI should be governed through formal policies, standards and review processes.
- Guardrails and controls should be proportionate to the materiality, complexity and risk of each use case.
- Documentation should clearly capture purpose, inputs, assumption, limitations, validations, approvals and monitoring expectations.
- Strong documentation is defined by transparency, internal challenge, auditability and consistent oversight over time.

4 Organizational Adaptability

- AI governance should evolve as use cases, capabilities, and risk expectations continue to change.
- Institutions should embed a risk-aware culture that encourages challenge, escalation, and continuous learning.
- Institutions should proactively monitor developments outside the organization for timely awareness of new technology, risks, and supervisory expectations.
- Training and cross functional coordination to support consistent oversight.
- Lessons learnt from deployment and monitoring should be used to refine governance practices over time.

AI Lifecycle Management

Responsible AI adoption requires lifecycle-based controls. The FSB outlines an illustrative seven-stage AI lifecycle and eight sound practices to help institutions assess risk early, deploy safely, monitor performance, and manage cyber and third-party dependencies over time, while recognizing that firms may adopt lifecycle stages that reflect their own use cases, processes, and regulatory context.

AI Lifecycle

The illustrative **seven-stage AI lifecycle** provides a structured approach to manage AI risks throughout its lifecycle.

- **Inception:** Define use case, goals, and feasibility
- **Design & development:** Build the solution, data approach, and controls
- **Verification & validation:** Test performance and confirm intended outcomes
- **Deployment:** Launch into production with oversight arrangements
- **Operation & monitoring:** Track performance and emerging risks over time
- **Re-evaluation:** Refresh or retrain as needs and conditions evolve
- **Retirement:** Safely phase out the use case and manage residual risks

Materiality and Risk assessment — 5

- Assess the materiality and risk of AI use cases at the inception stage and thereafter.
- Identify relevance to critical operations and assess the criticality and risks of third-party service relationships.
- Consider AI-specific factors including model complexity, criticality to operations, and nature of data shared with third-party providers.
- Apply a systematic and proportionate approach that captures all relevant dimensions of materiality and risk, assessing both inherent and residual risk.

Selection — 6

- Determine whether to develop AI in-house, procure from third-party providers, use open-source tools, or a combination of these.
- Select the appropriate AI model or system (e.g., traditional AI, GenAI, or agentic AI) for the use case.
- Consider business objectives, operational and technical needs, materiality and risks of AI use cases.
- Evaluate customer impact, data availability, legal and regulatory requirements, and third-party risks.
- Balance trade-offs between performance, complexity, explainability, transparency, and cost when selecting AI models or systems.

Data Governance — 7

- Maintain data that is fit-for-purpose for training, testing, and using AI (accurate, complete, consistent, reliable, and secure).
- Establish effective data governance to support AI risk management and reliable AI outputs.
- Apply data governance regardless of whether AI models are developed in-house or provided by third parties.
- Consider AI-specific data challenges, including data quality, variety, volume, velocity, and security.
- Effectively manage different stages of AI data use (classification, preparation, post deployment, etc.).

AI Lifecycle Management

Responsible AI adoption requires lifecycle-based controls. The FSB outlines an illustrative seven-stage AI lifecycle and eight sound practices to help institutions assess risk early, deploy safely, monitor performance, and manage cyber and third-party dependencies over time, while recognizing that firms may adopt lifecycle stages that reflect their own use cases, processes, and regulatory context.

Explainability and Transparency 8

- Understand differences in the explainability of various types of AI.
- Adopt more explainable AI models or systems where appropriate and feasible.
- Consider compensating controls where explainability limitations exist.
- Make available appropriate information on intended, permitted and prohibited uses, capabilities, and limitations of AI models or systems.
- Provide stakeholders with information that supports effective challenge, accountability, oversight and informed use of AI.

Performance Management 9

- Evaluate the performance of AI use cases proportionate to their materiality and risk, including thorough performance assessments, testing, and ongoing monitoring.
- Performance assessment dimensions include accuracy, range of output, robustness, stability and sensitivity/stress testing.
- Real-time monitoring and validation are needed to detect drift and maintain effectiveness.
- Use benchmarking, where appropriate, to evaluate AI performance.

Human Oversight 10

- Implement appropriate and effective human oversight relevant to the materiality, risk, autonomy, complexity and explainability of AI use cases.
- Enable staff to assess AI outputs, understand capabilities and limitations and prevent automation bias.
- Establish appropriate form of human oversight – **human-in–the-loop, AI-in-the-loop, human-on-the-loop, human-in-command, kill switch**.
- Place clear boundaries on AI agents, establish human approvals and audit trails at appropriate checkpoints.

Cyber and ICT Risk Management 11

- Incorporate AI cyber and ICT risk scenarios into tests and exercises.
- Apply secure-by-design principles throughout AI design and development.
- Understand and monitor common, emerging, and new AI cyber and ICT risks.
- Enhance monitoring and logging of anomalies and cyber incidents.
- Use AI-powered tools to support cyber and ICT risk management, where appropriate.

Third-party Risk Management 12

- Leverage existing technology-neutral third-party risk guidance and adapt it to AI-specific risks.
- Select AI providers based on business needs, risk considerations and regulatory expectations.
- Use AI transparency and assurance tools such as legal and regulatory disclosures, system cards, certifications and independent audits.
- Monitor concentration risk and use compensating controls, exit strategies and reassessment when transparency is limited.

AI Impact on Financial Reporting and ICFR

AI Use Across the Finance Function

STRATEGIC FINANCE

FINANCIAL PLANNING & ANALYSIS

BUSINESS UNIT FINANCE

Apply AI-driven predictive analytics to produce initial forecast models and refine budget assumptions

Digital, data-driven auditing using automation and analytics to speed routine procedures, expand coverage, and surface issues faster

INTERNAL AUDIT/SOX COMPLIANCE

INVESTOR RELATIONS

COMPLIANCE & REGULATORY

TRANSACTIONAL FINANCE

CONTROLLERSHIP

TREASURY

TAX

Draft an accounting standard implementation memo

Navigating the Use of AI
What Controllers Need to Know

Operational vs. Financial Reporting
- Is AI being used only operationally?
- Does the use of AI impact financial reporting and ICFR?

Considering Relevance to Financial Reporting
- **Data** - reliance on AI to process or maintain data
- **Processes/Controls** - reliance on AI to execute certain processes or controls
- **System-Generated Reports** -reliance on AI to generate a report that is used in the operation of a relevant control

Navigating Use of AI

Governance Considerations
- Has evaluating AI use been integrated into your existing enterprise risk framework?
- Has an AI governance team been established to develop AI protocols related to:
  - Policies
  - Functionality
  - Use
  - Monitoring

Process vs. Control
- Is AI used only to perform a process?
- Is the process performed by AI subject to a manual review control?
- Is AI used to perform a control without human intervention?

Considerations When AI Performs a Relevant Control

AI Governance Controls

Control Performed by AI

A relevant control is performed by AI, replacing a human control performer.

Monitoring Control – Human Review

A manual review control performed by a human (e.g., human-in-the-loop, human-over-the-loop) is designed to validate the AI performed the control as intended and the output is appropriate.

Monitoring Control – KPI Monitoring

Ongoing evaluation of key metrics associated with AI's performance of the control.

A relevant control performed by AI will **generally operate in conjunction** with a **human review monitoring control** and a **KPI monitoring control** to address the RoMM(s) or RAIT(s) in question.

How AI Use Can Impact Financial Reporting

1 Information prepared by the entity using AI

- Footnote disclosures
- Accounting memos
- Summaries of key contract terms or non-standard terms
- Meeting minutes for a meeting-type control
- Chatbots for accounting or tax research

2 Intelligent Automation[1]

- Account reconciliations
- Cash application to open invoices
- Classification of capitalized assets into asset classes
- Validation of segregation of duties
- Claims processing + QA
- Anomaly flagging in expense report review

3 Performance of a Control

AI models that determine:

- Account receivable valuation allowance
- Claims and expense classification
- IBNR
- Financial scenario modeling/forecasting
- Real estate valuation

1 Intelligent automation combines AI and automation to automate complex tasks that cannot be addressed by automation alone and have traditionally required human intervention.

Evaluating AI Use on Internal Control: A Decision Framework

Is there a risk of material misstatement present in relation to where an AI system is being used?

- **No** → No additional internal control considerations required.
- **Yes** → How is the AI being used?

1 Information Prepared by the Entity using AI

Is the information being prepared by the entity using an AI system subject to a direct and precise control? (e.g., there is a "human-in-the-loop"[1])

- **Yes** → No additional controls required to address the related risk.
- **No** → Design and implement controls to mitigate the related risk, including:
  1. Testing prior to deployment
  2. Ongoing controls of the information prepared by AI

2 Intelligent Automation

Compliment existing controls that operate with a "human-over-the-loop[2]" with:

1. Testing prior to deployment
2. Controls over the information prepared by AI
3. Ongoing controls over the AI system effectiveness

3 Performance of a control

Consider existing controls and design and implement controls as necessary to address:

1. Testing prior to deployment
2. Ongoing controls of the information prepared by AI
3. Ongoing controls over the AI system effectiveness
4. Controls over the AI system output

1 Human-in-the-loop is a direct and precise review control that likely already exists in the framework

2 Human-over-the-loop is monitoring of the performance of the AI application (e.g., monitoring controls), given management's reliance on the agent activities to complete multi-step processes at the individual transaction level.

Control Considerations When AI Use is Relevant to ICFR

Step 1	Step 2	Step 3	Step 4	Step 5
Determine how AI is enabled	Controls over the implementation of AI application and model	Controls over the completeness and accuracy of inputs into the AI application and model	Controls over the completeness and accuracy of outputs from the AI application and model	Monitoring controls over AI Effectiveness
• Embedded ERP Module • Software as a Service (SaaS) • Custom-Developed Application • Service Organizations • Custom-Developed LLMs	• Model Testing • Clear Explanations • Confidence Scores	• Data Validation • Comprehensive Checks • Voluminous/Complex Transactions • Data Governance	• Risk-Based Review • Human Oversight Controls • Estimates	• User Feedback • Issue Management • Benchmarks and usage metrics • AI Specific Governance

Example questions auditors will likely ask if you implement AI in Internal Controls

- What documented governance policies do you have over the AI systems?
- What controls over access, and change management are implemented?
- Are you able to clearly explain how the AI agent is generating the output?
- What controls over the data used by the agent are implemented to ensure agent is using data that is complete and accurate?
- Is the use of AI creating its own risk of material misstatement?
- How are human’s overseeing the entity’s AI system and output?
- Is there a direct and precise review being preformed by a human over each instance of the control (“human-in-the-loop”)
- If a human is performing a direct and precise review over a sample of controls performed by internal audit, how have you derived the amount of samples to be made?

COSO Framework for GenAI

COSO's Capability-Based Approach to GenAI Governance

On February 23, 2026, COSO released Achieving Effective Internal Control Over Generative AI, building on the 2013 Internal Control — Integrated Framework. It applies the framework's 17 principles (across 5 components) to GenAI capabilities, rather than serving as a prescriptive rulebook.

Six GenAI capabilities in scope

- Data extraction and ingestion
- Automated transaction processing and reconciliation
- Workflow orchestration and autonomous task execution
- Insight generation
- AI-powered monitoring and continuous review
- Human-AI collaboration

Key risks addressed: rapid change, limited explainability, and uncontrolled "shadow AI" adoption.

Six-Step Implementation Roadmap

1. Govern
2. Inventory
3. Assess
4. Design
5. Implement
6. Monitor

COSO Framework and AI

Looking ahead, leading organizations can differentiate themselves by taking these 5 actions:

1. Stand up cross-functional GenAI governance with explicit accountability, decision rights and escalation paths – covering financially relevant GenAI use cases, including “shadow AI.”
2. Maintain a GenAI use-case inventory and map in-scope use cases to financial reporting processes, relevant assertions, and key controls (including spreadsheets, tools, upstream data, and system interfaces).
3. Use a ‘use-case’-based decision framework to right-size the level of human involvement, including review, approval, and segregation of duties, especially where GenAI outputs could impact (1) material amounts recorded or disclosed in the financial statements or (2) controls over relevant applications systems, journal entries, reconciliations, or estimates, including management review controls.
4. Implement COSO-aligned control “building blocks” for financially relevant GenAI
5. Communication and alignment is key. Management and auditors should align early on what constitutes sufficient, appropriate evidence for GenAI-enabled control activities and monitoring

Additional Accounting and Regulatory Updates: SEC and PCAOB Update in Brief

SEC and PCAOB in Brief

The following is an overview of how the change in administration has and may further affect the Securities and Exchange Commission (SEC) and Public Company Oversight Board (PCAOB) agenda and priorities.*

SEC:

The SEC has three Republican-leaning Commissioners: Paul Atkins (Chair), Hester Peirce, and Mark Uyeda. There are currently two open Democratic spots on the Commission.

Based on the SEC's Spring Unified Regulatory Agenda[1] and recent SEC statements and actions, including Chair Atkins outlining his A-C-T (advance, clarify, transform) strategy[2], SEC priorities include the following:

- Reconsidering the regulatory approach to **crypto**, including by requesting public input,[3] launching Project Crypto[4] a cross-agency initiative[5] with the Commodity Futures Trading Commission (CFTC), and issuing an interpretive release on application of securities law to certain crypto assets and crypto transactions[6]
- Encouraging **capital formation** by public companies, including by:
  - Easing the burden placed on **small companies** and in the **IPO** process[7,8]
  - Reconsidering overly burdensome **disclosure requirements** (e.g., executive compensation[9] and other periodic disclosure requirements[10])
  - Exploring a change in **interim reporting** frequency through a proposal issued in May that would allow semiannual reporting on an optional basis[11]
- Reconsidering the SEC's role in considering whether to include shareholder proposals[12] in company **proxy** statements and the oversight of proxy advisors[13]
- Responding to judicial request that the SEC either continue to defend, or move to rescind, the **climate** disclosure rules,[14] which have been subject to legal challenge since shortly after adoption

SEC continued:

- Considering accommodations provided to **foreign companies** accessing the US capital market, including related to reporting of securities holdings by insiders,[15,16]
- Consider several specific topics related to the audit profession, including calls for greater **international convergence** of standard setting and a focus on **independence** rules[17]

PCAOB

The PCAOB is not a government agency, but the SEC's oversight of the PCAOB means that the focus and priorities of the SEC affect the focus and priorities of the PCAOB.

- **Board changes:** In January, the SEC announced four new Board members, including Demetrios (Jim) Logothetis (Chair), Mark Calabria, Kyle Hauptman and Steven Laughton.[18] George Botic, who had been serving as Acting Chair,[19] will continue to serve as a Board member.
- **Policy changes:**
  - In February, the Board issued a request for comment on upcoming strategic priorities[20]. In May, they issued an interim update to their standard-setting, research, and rulemaking agenda, highlighting current PCAOB priorities as they wait for public feedback to the open request for comment[21].
  - In August, the PCAOB postponed the effective date of QC 1000, *A Firm's System of Quality Control*, by one year to December 15, 2026, citing implementation challenges.[22]

**As of May 7, 2026*

Sources: 1 SEC; 2: SEC 3 SEC; 4 SEC; 5 SEC; 6: SEC 7 SEC; 8 SEC; 9 SEC; 10 SEC; 11 SEC; 12 SEC; 13 White House; 14 SEC; 15 SEC; 16 SEC;; 17 AICPA; 18 SEC; 19 SEC; 20 PCAOB 21 PCAOB; 22 PCAOB

SEC Proposes to Overhaul the Public Company Reporting Framework and Reform Registered Offerings

Overview

In May 2026, the SEC issued two proposals: *Filer Status and Emerging Growth Company Accommodations Reform* and *Registered Offering Reform*.

- These proposals are part of Chair Atkins' broader agenda to make IPOs easier and reduce burdens for public companies.
- Together, the proposals aim to simplify filer categories, expand accommodations, and modernize capital-raising rules.

Filer Status Reform

Simplified Framework

The proposal would simplify overlapping filer status categories into two categories: large accelerated filers and non-accelerated filers.

The proposal also:

- Raises the large accelerated filer public float threshold from $700M to $2B, with a two-year lookback for status transitions.
- Establishes a five-year IPO on-ramp, regardless of public float.

Expanded Disclosure Accommodations

Non-accelerated filers (~81% of public companies) would benefit from scaled disclosures and other accommodations currently available only to SRCs and EGCs:

- Two years of audited financial statements with reduced disclosures under Regulation S-X, Article 8.
- Scaled executive compensation disclosure, relief from say-on-pay requirements, and reduced audit committee independence requirements
- Extends the SOX 404(b) auditor attestation exemption to approximately one-quarter of registrants that would be reclassified as non-accelerated filers, while management would still be required to assess and report on ICFR.

Registered offering reform

- Expands Form S-3 shelf eligibility and extend most WKSI-style registration and communication benefits to Form S-3 eligible exchange-listed issuers.
- Preempts state registration requirements for all registered offerings, modernize Form S-1 incorporation by reference, and extend similar benefits to BDCs and closed-end funds.

Both comment periods remain open until July 20 and July 27, respectively. Consistent with Semiannual reporting, the proposals do not say when the change, if adopted, would take effect, so that will not be known until the SEC completes the rulemaking process, which can take several months.

SEC Proposal to Allow Optional Semiannual Reporting

Background
(September 2025)

The current administration raised moving from quarterly to semiannual interim reporting on social media.

- A similar idea was raised in 2018, and the SEC sought public comment in 2018–19.
- Feedback at that time was mixed. Those from the investor community generally supported the existing quarterly reporting framework. Many from the preparer community expressed support for semiannual reporting, although some acknowledged that investors expect quarterly financial information.

SEC Proposal
(May 5, 2026)

The proposal would allow optional semiannual reporting on new Form 10-S in lieu of quarterly reporting on Form 10-Q.

- Goal: flexibility to align interim frequency with company and investor needs.
- Semiannual filers could still share quarterly information via earnings releases furnished on Form 8-K.
- If adopted, three reporting models would be permitted: traditional quarterly filers, semiannual filers, and hybrid filers (Form 10-S + voluntary quarterly earnings releases).

Key provisions

- Applies to Form 10-Q filers (all sizes/status); does not apply to foreign private issuers and investment companies.
- Semiannual filers would submit a Form 10-S covering the first six months of the fiscal year.
- Form 10-S would largely mirror Form 10-Q and include: interim financials, MD&A, Inline XBRL, and non-GAAP compliance.
- Filing Deadlines: 40 days (large accelerated & accelerated) or 45 days (all other filers) after the first semiannual period end—consistent with current Form 10-Q deadlines.

Areas for comment
(due July 6)

- The SEC is seeking input on comparability among companies, information timeliness, and impact on company controls, as well as whether eligibility should be limited (e.g., to emerging growth or smaller reporting companies).
- Potential burden reduction for some, but practical implications include investor expectations, debt/contract requirements, disclosure controls, audit committee oversight, comfort letters, and insider trading window practices.

The proposal does not say when the change, if adopted, would take effect, so that will not be known until the SEC completes the rulemaking process, which can take several months.

Additional Accounting and Regulatory Updates: Disaggregation of Income Statement Expenses (DISE)

Disaggregation of Income Statement Expenses (DISE)

Financial Accounting Standards Board's (FASB's) Accounting Standards Codification (ASC) 220-40 Overview

- **New guidance** for expense disaggregation disclosures for annual and interim financial statements
- **Impacts all public business entities** and those private companies in the process of going public or whose financial statements are included in another entity's SEC filing
- Effective for annual reporting periods **beginning after December 15, 2026** and interim periods beginning after December 15, 2027

Disaggregation of Income Statement Expenses (DISE)

Objective of the expense disaggregation standard

Address investors' requests for more granular information by breaking down commonly presented expense captions into natural expense categories in the footnotes.

Natural Expense Categories:

- Purchases of Inventory
- Employee Compensation
- Depreciation
- Intangible Asset Amortization
- Depreciation, depletion and amortization – oil and gas[1]

1: Depreciation, depletion and amortization (DD&A) of capitalized acquisition, exploration, and development costs recognized as part of oil- and gas-producing activities should be consistent with amounts recorded in accordance with ASC 932-360 on extractive activities (oil and gas), property, plant, and equipment, or other amounts of depletion expense.

Additional Requirements

- Disaggregation of additional expense categories if certain conditions are met
- Qualitative description of the "Other" category commensurate with the value of the remaining items
- Disclosure of selling expenses and the entity's definition of selling expenses

Implementation Phases

1. **Understanding, education, and planning**
2. **Assessment**
3. **Implementation**
4. **Adoption and post-adoption**

Resources

- Heads Up — FASB Issues Final Standard on Disaggregation of Income Statement Expenses (DISE) (November 8, 2024; Updated January 21, 2025)
- Accounting Spotlight — Frequently Asked Questions About ASU 2024-03 on Disaggregation of Income Statement Expenses (DISE) (December 19, 2025)
- Accounting Spotlight — Implementation Activities Related to Disaggregation of Income Statement Expenses (DISE) (March 13, 2026)

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