



ACCOUNTING AND FINANCIAL REPORTING DEVELOPMENTS

November 2023

2023 Crowe Financial Services Conference

Guide your organization through industry volatility

As of Nov. 3, 2023



YOUR PRESENTERS



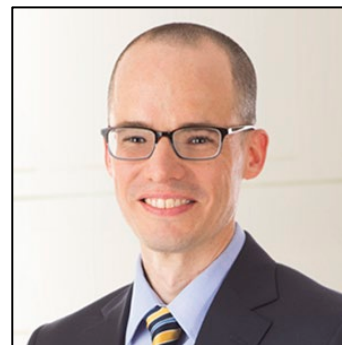
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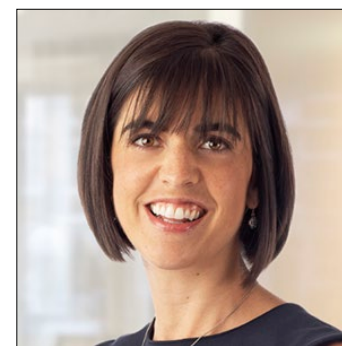
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COMING SOON...

	Estimated email
Annual Illustrative Financial Statements for Financial Institutions	Dec. 5
Annual Accounting & Financial Reporting Update for Financial Institutions	Dec. 12
AICPA & CIMA Conference on SEC & PCAOB developments	Jan. 5
SEC & PCAOB update	Jan. 24



AGENDA

- Landscape matters

- Considerations in the current economic environment

- CECL

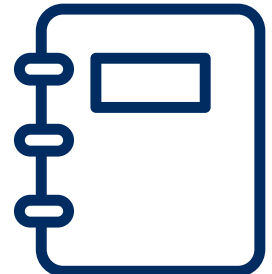
- From the FASB

- From the SEC

- Regulatory reporting considerations

- From the PCAOB

- Other matters





Landscape matters

HIGHLIGHTS FROM AICPA BANKING CONFERENCE

- National Conference on Banks & Savings Institutions
- Sept. 11-13, 2023, at the Gaylord Hotel in National Harbor, MD
- Key themes, speakers, and sessions:
 - Economic outlook:
 - Marci Rossell, Former CNBC Chief Economist
 - Doug Duncan, Chief Economist, FNMA
 - Technology and the pace of change
 - Accounting matters
 - Fireside chat with federal banking agency chief accountants



AICPA CONFERENCE ON BANKS & SAVINGS INSTITUTIONS

Headlines

- Economic updates
 - Dr. Marci Rossell, Former CNBC Chief Economist
 - Unemployment
 - Comparison to other high-inflation periods
 - Dr. Doug Duncan, Chief Economist FNMA
 - Macroeconomic environment
 - Housing
- Artificial intelligence
 - Scott Klososky, Tech Entrepreneur, Author, & Founder, Future Point of View
- FDICIA Part 363 considerations



AICPA CONFERENCE ON BANKS & SAVINGS INSTITUTIONS

SEC Chief Accountant

- Emphasis on high-quality financial reporting
- Interest rate environment and the SEC disclosure-based approach
- Risk assessment and professional skepticism
- Entity-level controls
- Statement of cash flows



AICPA CONFERENCE ON BANKS & SAVINGS INSTITUTIONS

SEC staff

- Recent final rules (for example, stock buybacks, insider trading arrangements, clawbacks, and cybersecurity disclosures)
- CorpFin one-to-many communication with public
- Focus on risk-related disclosures:
 - Risk management
 - Interest rate risk (IRR) sensitivity analysis
 - Deposit concentrations
 - Credit risk concentration
 - Liquidity disclosures
 - Non-GAAP disclosures (for example, tangible common equity)
- Financial instruments



AICPA CONFERENCES ON BANKS & SAVINGS INSTITUTIONS

Fed, FDIC, OCC Chief Accountants

- CECL
- Significance of trust in the banking system
- Climate risk management
- Call report changes
- Prospective risks

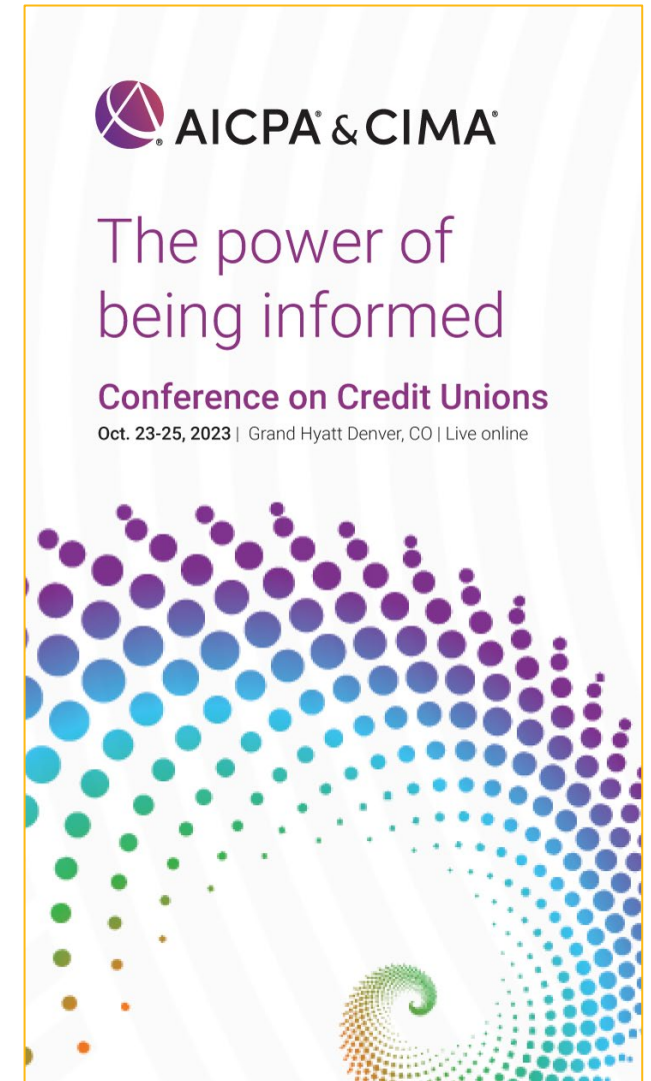
FASB

- Technical agenda update
- No current projects relate to accounting for goodwill



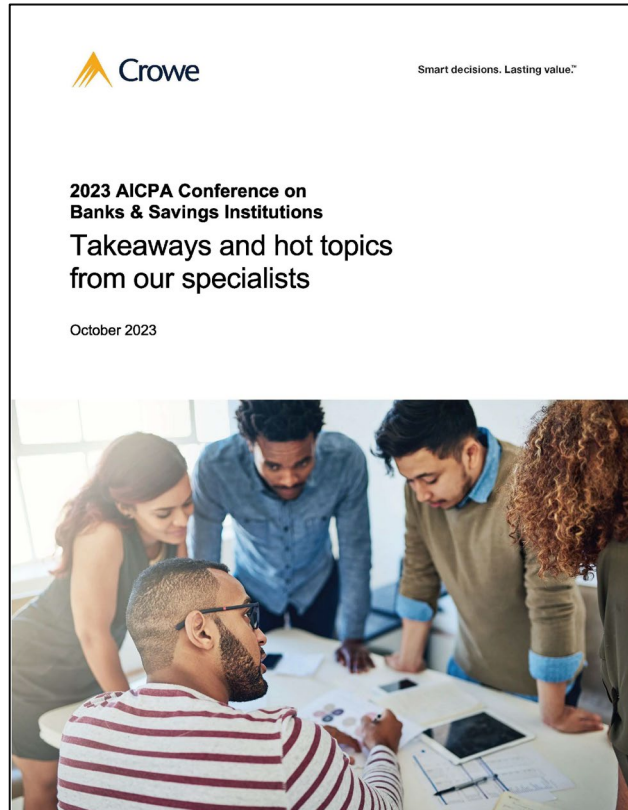
HIGHLIGHTS FROM AICPA CREDIT UNIONS CONFERENCE

- National Conference on Credit Unions
- Oct. 23-25, 2023, at the Grand Hyatt in Denver, CO
- Key themes, speakers, and sessions:
 - Economic outlook
 - Anne Arvia, Principal, Cornerstone Advisors
 - Robert Eyler, PhD, Professor of Economics, Sonoma State University
 - Technology and fintech
 - John Best of Best Innovation Group
 - David DeFazio, Partner, StrategyCorps
 - CECL
 - Accounting & NCUA updates



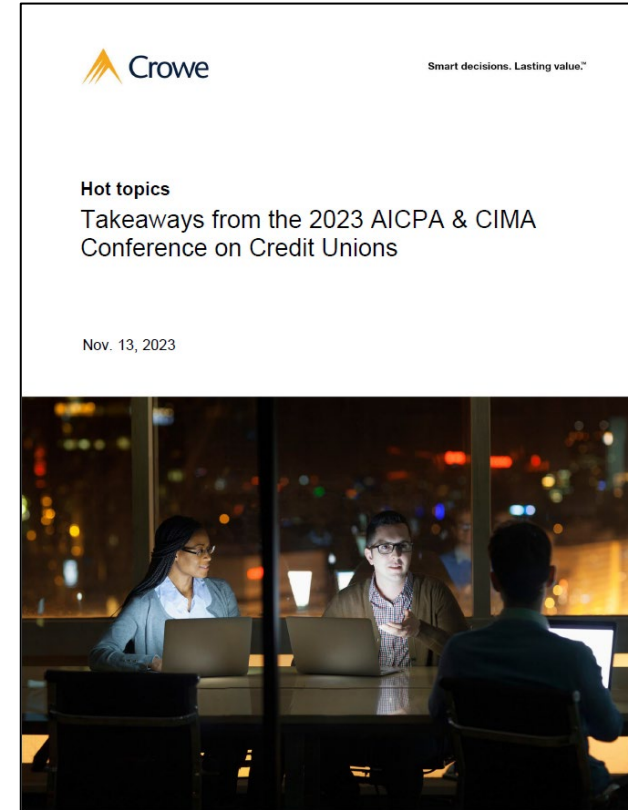
CROWE RESOURCES – CONFERENCE TAKEAWAYS

Issued
Oct. 5,
2023



Thank you to:
Sydney Garmong
JP Shelly
Shawn Lancaster
Joel McLeod
Justin Murberg

[2023 AICPA Conference on Banks & Savings Institutions: Takeaways and hot topics from our specialists](#)



Thank you to:
Sydney Garmong
Megan Rangen
Rick Anderson

Issued
Nov. 13,
2023

[2023 AICPA and CIMA Conference on Credit Unions: Takeaways and hot topics from our specialists](#)

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SEC LANDSCAPE MATTERS

Leadership changes

- Paul Munter named Chief Accountant on Jan. 11, 2023
- Erik Gerding named Director of the Division of Corporation Finance on Feb. 3, 2023

Priorities

- Rulemaking agenda
- User information needs and high-quality financial reporting
- Stakeholder engagement

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RECENT PUBLIC TESTIMONY – SEC CHAIR

SEC Chair
Gary
Gensler:
significant
focus on
rulemaking
agenda

- [Sept. 2023 House testimony](#)
- [Sept. 2023 Senate testimony](#)

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SEC PERSPECTIVES: CHIEF ACCOUNTANT REMARKS

Accounting Standard Setting in a Rapidly Evolving Business Environment: A Focus on the Timely Delivery of Investor Priorities

Feb. 14, 2023

- Addresses:
 - Enhancing the accounting standard setting process through timely and achievable standards
 - Ensuring standards are responsive to investor priorities and focused on areas of highest investor interest

Other recent statements address the auditor's use of other auditors and pitfalls of crypto assurance work.

[Recent Chief Accountant statements](#)

The Importance of a Comprehensive Risk Assessment by Auditors and Management

Aug. 25, 2023

Discusses management's obligation to:

- Perform an unbiased and iterative risk assessment process
- Design processes and controls to address identified risks
- Communicate with investors
- Addresses auditor's role





Considerations in the current economic environment

TOP 10 LARGEST BANK FAILURES (THROUGH FDIC RECEIVERSHIP)

Rank	Bank	State	Year	Assets at Failure	Inflation Adj. Assets
1	Washington Mutual	Washington	2008	\$307 billion	\$386 billion
2	First Republic Bank	California	2023	\$229 billion	\$229 billion
3	Silicon Valley Bank	California	2023	\$209 billion	\$209 billion
4	Signature Bank	New York	2023	\$118 billion	\$118 billion
5	Continental Illinois National B&T	Illinois	1984	\$40.0 billion	\$104 billion
6	First Republic Bank Corporation	Texas	1988	\$32.5 billion	\$74 billion
7	American Savings and Loan	California	1988	\$30.2 billion	\$69 billion
8	Bank of New England	Massachusetts	1991	\$21.7 billion	\$43 billion
9	IndyMac	California	2008	\$32.0 billion	\$40 billion
10	Mcorp	Texas	1989	\$18.5 billion	\$40 billion

2 FDIC press release (First Republic), [May 1, 2023](#)
 3 FDIC press release (Silicon Valley), [March 10, 2023](#)
 3 FDIC press release (Signature), [March 12, 2023](#)

FAIR VALUE ACCOUNTING HISTORICAL CONTEXT

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1938 Depression
Federal banking
regulators halt fair
value accounting

1990 Savings and
Loan crisis
FAS 114 (loans)
FAS 115 (debt
securities)

2006-2010 financial
crisis
FAS 157 fair value
measurement (2008)
SEC conducts study
on fair value
accounting (2008)
FASB proposal on
fair value (2010)
Liquidity and interest
rate risk (2012)
CECL and equities
(2016)

2022-2023
Interest rate hikes
Unrealized securities
losses
Crypto/tech collapse
Bank failures

FAS – FASB Accounting Standard

VARIOUS REACTIONS

- Congressional mandate to conduct study on fair value accounting
- Observed fair value accounting did not play material role in 2008 crisis

SEC 2008
fair value
study
mandated
by EESA

FASB 2012
proposal on
liquidity &
interest rate
risk
disclosures

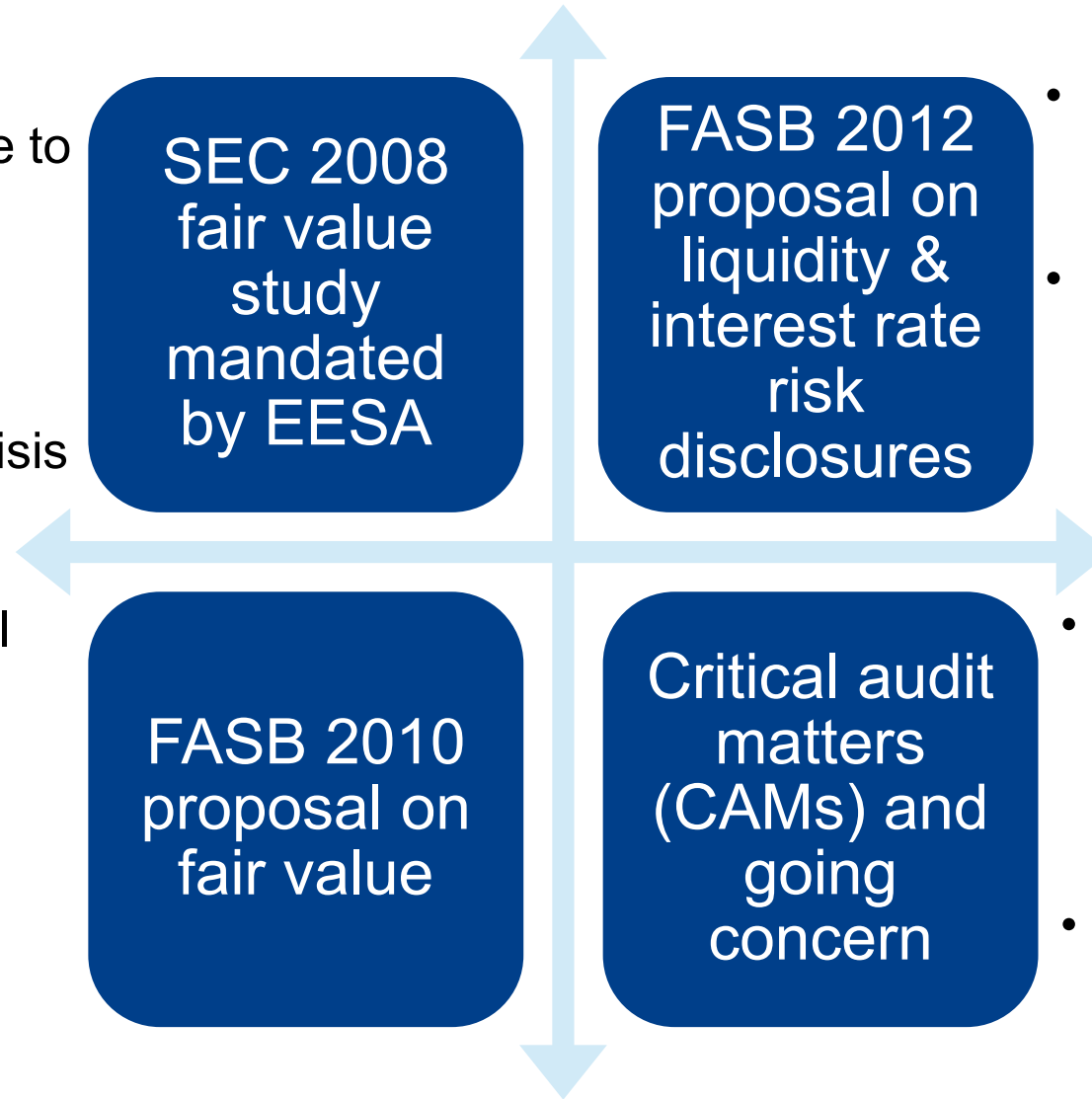
- Proposed that certain disclosures appear in the financial statements
- Comment letter themes included MD&A observations and auditor safe-harbor matters

- Called for more financial instruments to be measured at fair value
- Comment letter observations from bank regulators and AICPA Financial Reporting Executive Committee

FASB 2010
proposal on
fair value

Critical audit
matters
(CAMs) and
going
concern

- CAMs include **challenging, subjective, or complex judgments** on material accounts or disclosures
- Going concern involves auditing management's conclusion an entity's ability to continue as a going concern for 1 year



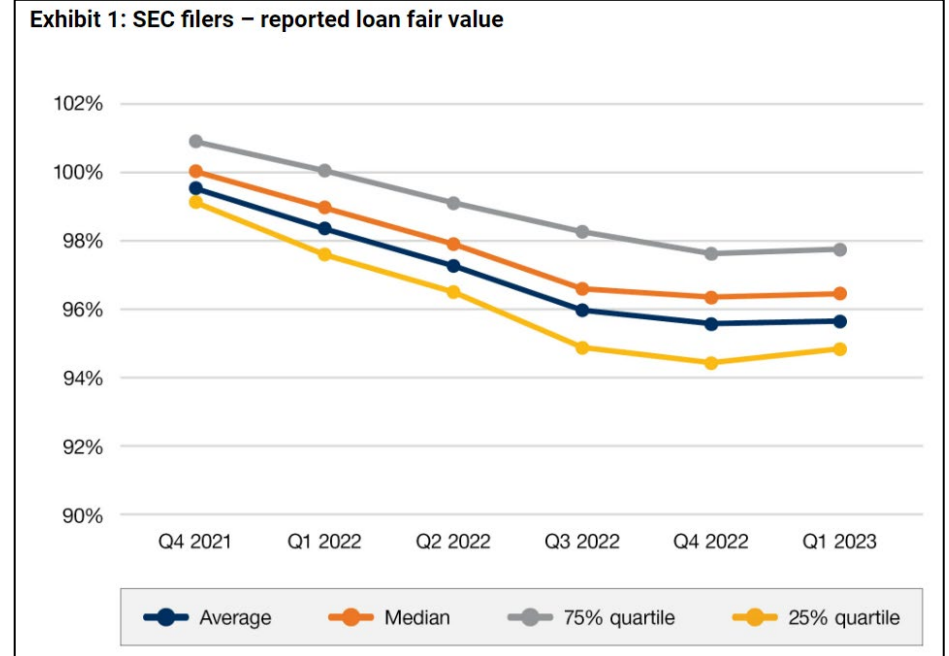
RENEWED INTEREST IN FAIR VALUE DISCLOSURES (ASC 825)

- Crowe article – May 24, 2023
- ASU 2016-01 refresher
 - Requirement that PBEs use exit pricing to measure fair value
- Analyzes the renewed recent emphasis on fair value disclosures

Fair value disclosures in a volatile interest-rate climate



Kevin Brand, Rick L. Childs, Patrick Vernon
Take Into Account | 5/24/2023



Crowe resource: [Fair value disclosures in a volatile interest-rate climate](#)

FDIC SPECIAL ASSESSMENT AND DEPOSIT INSURANCE REFORM

Special assessment – May 11, 2023

- Assessment is an annualized 12.5 basis points rate over 8 quarterly assessment periods applied on an institution's Dec. 31, 2022, uninsured deposits as reported in its call report
- Apply relevant GAAP (for example, ASC 450)
- No impact expected for institutions under \$5 billion in assets
- Comment period ended July 21, 2023
- <https://www.fdic.gov/news/financial-institution-letters/2023/fil23024.html>

Options for deposit insurance reform – May 1, 2023

- Explores three paths: limited (current model), unlimited, and targeted coverage
- <https://www.fdic.gov/analysis/options-deposit-insurance-reforms/index.html>

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GOODWILL IMPAIRMENT CONSIDERATIONS

Potentially relevant events or circumstances to consider

- Macroeconomic conditions
- Industry and market conditions
- Cost factors
- Overall financial performance
- Other relevant entity-specific events
- Events affecting a reporting unit
- Sustained decrease in share price

Goodwill impairment should be assessed between annual tests if events or circumstances occur that makes it more likely than not that the fair value of a reporting unit is less than its carrying value

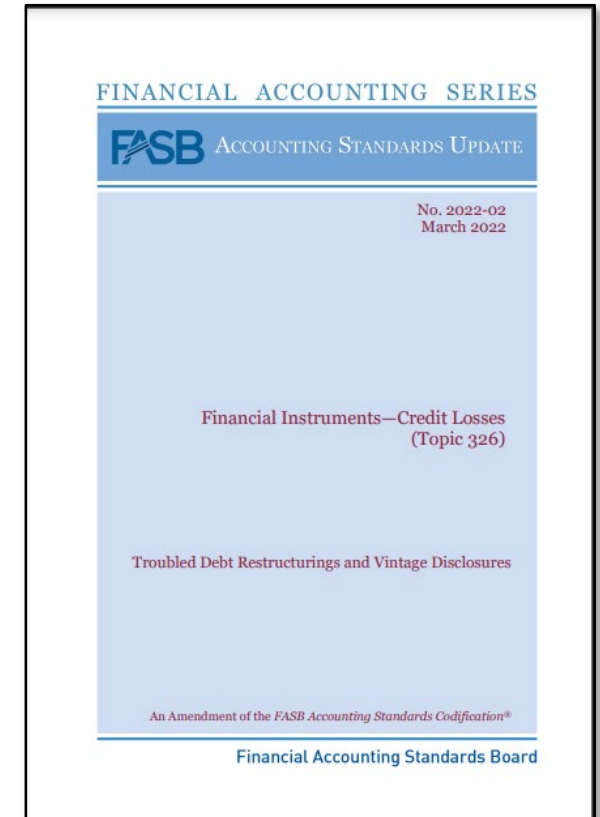
Crowe resource: [Goodwill impairment: Bad omen or good news?](#)

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CECL

ASU 2022-02: LOAN MODIFICATIONS & CHARGE-OFF VINTAGE DISCLOSURES

- FASB Accounting Standards Update (ASU) 2022-02, “Financial Instruments – Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures”
- Issued March 31, 2022; effective for years beginning after Dec. 15, 2022
- Removes troubled debt restructuring (TDR) accounting and adds new disclosure requirements covering **certain** modifications to borrowers experiencing financial difficulty
- Gross write-off information in vintage disclosures for public business entities (PBEs)
- Call report instructions:
 - Supplemental instructions updated to discuss ASU 2022-02
 - FDIC, FRB, and OCC proposed changes to core instructions on Sept. 28, 2023; comments due Nov. 27, 2023



Call report resource: [Proposed revisions to the Consolidated Reports of Condition and Income \(Call Reports\) and the FFIEC 002 report](#)

COMPARISON: EVALUATING LOAN MODIFICATIONS

TDR guidance

Step 1

- Is the modification a TDR?
- Borrower experiencing financial difficulty
- Lender granted a concession
 - Insignificant delays – typically 3 months; consider all past restructurings

Step 2

- If a TDR, determine income statement impact by measuring impairment

ASU 2022-02 guidance

Step 1

- Do I disclose?
- Is the modification to a borrower experiencing financial difficulty?
- Is the modification a direct change to contractual terms?
 - Insignificant delays – typically 3 months; consider restructurings in past 12 months

If yes to both, disclose

Step 2

- Determine if have income statement impact: new loan or continuation of the prior loan?

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DISCLOSURES

In scope: Modifications for borrowers experiencing financial difficulty:

- Principal forgiveness
- Interest rate reduction
- Other-than-insignificant payment delay
- Term extension
- Any combination of the above

Examples of out-of-scope modifications: covenant waivers, collateral substitutions, or change in guarantors

Two focus areas

- Information about modifications:
 - Details – types, period-end basis, relative percentage
 - Financial effects
- Performance of modifications in the last 12 months
 - Quantitative – contractual change, amount of period-end basis
 - Qualitative – estimating credit losses



MODIFICATION DISCLOSURES?

Instead of having TDRs, we now have loan modifications to borrowers experiencing financial difficulty (LMBEFD). What is a better acronym?

- 1. Financial difficulty mods (FDM)
- 2. Mods experiencing financial difficulty (MEFD)
- 3. Mods under difficulty (MUD)
- 4. Mods on loans with difficulty (MOLD)
- 5. Loan improvement plan (LIP)
- 6. Keep LMBEFD!



ASU 2022-02: SUMMARY OF PROPOSED CALL REPORT CHANGES

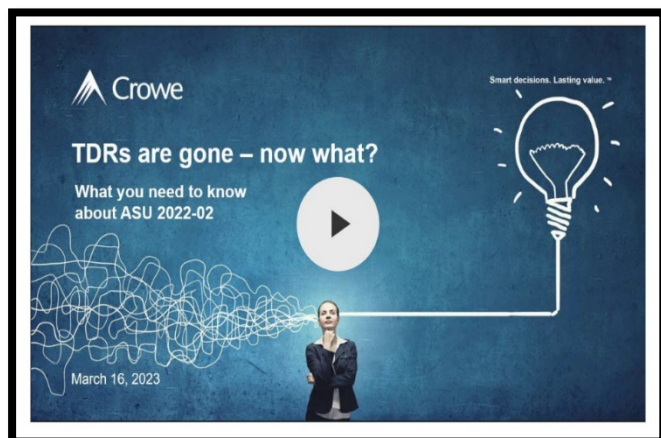
- Replaces references to “troubled debt restructurings” with “modifications to borrowers experiencing financial difficulty” in call report forms, instructions, and glossary
- Impacted schedules:
 - RC-C, Part I, Loans and Leases and Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets Memorandum items: “The agencies would benefit from continued reliable data outside of on-site examinations to assess modification activity, particularly given current increased risks related to commercial real estate loans and commercial and industrial loans.”
 - RC-M, Memoranda
 - RC-O, Other Data for Deposit Insurance Assessments
- Incremental reporting period compared to GAAP:
 - Proposal requires reporting of qualifying loan modifications for a minimum period of 12 months and until an institution performs a well documented credit evaluation to support that the borrower is no longer experiencing financial difficulty (unless loan is charge-off, sold, or otherwise settled)



LOAN MODS & VINTAGE TABLE: CROWE RESOURCES

Webinar

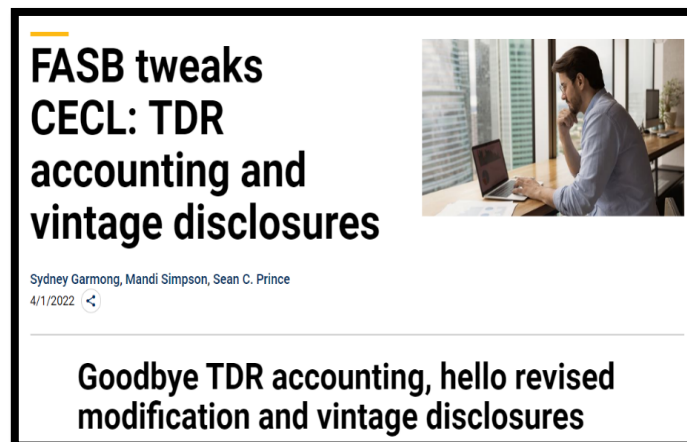
- March 16, 2023



[TDRs are gone – now what? recording](#)

Article

- April 1, 2022



[FASB tweaks CECL: TDR accounting and vintage disclosures](#)

FAQ & Illustrative Disclosures

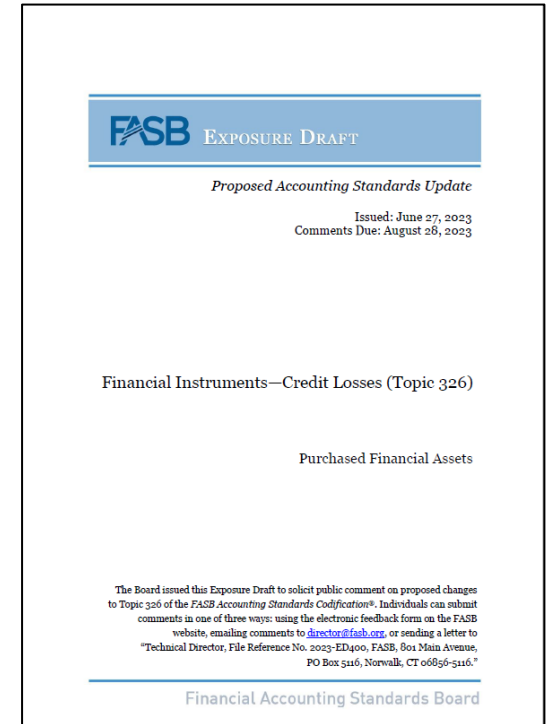
- June 8, 2023



[FAQ & Illustrative disclosures](#)

PURCHASED / ACQUIRED FINANCIAL ASSETS *

- FASB proposal, Financial Instruments—Credit Losses (Topic 326), Purchased Financial Assets
- Issued June 27, 2023
- Evolution of acquired financial assets
 - AICPA Practice Bulletin 6, “Amortization of Discounts on Certain Acquired Loans,” 1989
 - Purchased credit impaired (PCI) assets
 - Purchased credit deteriorated (PCD) assets
 - Purchased / acquired financial assets (PFA / AFA)
 - Primary objective: Address “the double count issue”



*Added as a result of FASB's post-implementation review

THE DOUBLE COUNT ISSUE: PCD VS. NON-PCD ACCOUNTING

- Illustrative example, loan purchased at a discount:

	Current Non-PCD Accounting	Proposed Gross-Up Approach
1/1/2021 To record acquisition		
	Dr. Loans 1,000,000	Dr. Loans 1,000,000
	Cr. Discount 100,000	Cr. Noncredit Discount 40,000
	Cr. Cash 900,000	Cr. Allowance for credit losses 60,000
		Cr. Cash 900,000
3/31/2021 To record estimate of expected credit losses at reporting date		
	Dr. Credit loss expense 60,000	There has been no change in the ACL estimate, so no entry is recorded.
	Cr. Allowance for credit losses 60,000	
3/31/2021 Income statement impact		
	Interest income \$ 16,807	Interest income \$ 14,276
	Credit loss expense (60,000)	

Facts:

Purchase Price
\$900,000

Par Amount
\$1,000,000

Discount
(\$100,000)

Stated Coupon
5.00%

Purchase Yield
7.47%

Remaining Term
5 years

Initial ACL estimate
\$60,000

||

PCD AND NON-PCD ACCOUNTING

- Illustrative example, loan purchased at par:

Facts:

Purchase Price
\$1,000,000

Par Amount
\$1,000,000

Stated Coupon
5.00%

Remaining Term
5 years

Initial ACL estimate
\$60,000

Current Non-PCD Accounting	Proposed Gross-Up Approach
1/1/2021 To record acquisition	
Dr. Loans 1,000,000 Cr. Cash 1,000,000	Dr. Loans 1,000,000 Dr. Premium* 60,000 Cr. Allowance for credit losses 60,000 Cr. Cash 1,000,000
3/31/2021 To record estimate of expected credit losses at reporting date	
Dr. Credit loss expense 60,000 Cr. Allowance for credit losses 60,000	There has been no change in the ACL estimate, so no entry is recorded.
3/31/2021 Income statement impact	
Interest income \$ 12,500 Credit loss expense (60,000)	Interest income \$ 9,712

*Under the gross-up approach, a premium is recorded (instead of a discount) for assets acquired at par or where the ACL estimate is greater than the discount.

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FASB CECL PROPOSAL: PURCHASED / ACQUIRED FINANCIAL ASSETS

Scope

- Credit cards, home equity lines of credit (HELOCs), and other revolving arrangements with active borrowing privileges
- Trade receivables

**Qualitative
assessment**

Seasoning

- Business combination – presumed seasoned
- Asset acquisitions – use principles-based criteria, based on acquirer's involvement, with bright-line period of 90 days
 - Acquirer's exposure to the economics risks and rewards of ownership before obtaining control of the financial asset
 - The nature of the relationship between the transacting entities
 - Contractual terms of the transaction (including certain forward commitments and call options)
 - Funding arrangements between the acquirer and originator, or conveyance of certain put options

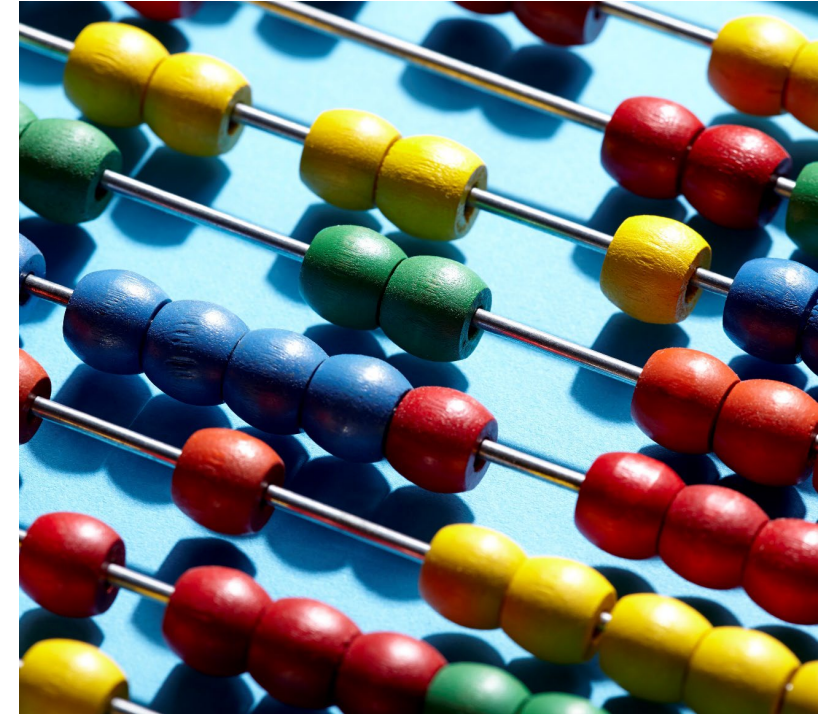
Transition

Retrospective to date of CECL adoption

COMMENT LETTERS: PURCHASED / ACQUIRED FINANCIAL ASSETS

- Support for:
 - Resolving double-count issue
 - Providing more meaningful information to investors

- Concerns:
 - Transition
 - Unintended consequences
 - Credit cards



CROWE RESOURCE

FASB proposes acquired financial asset reporting changes

Sydney Garmong, Sean C. Prince, Marianne Wade

Take Into Account | 6/30/2023



Crowe resource: [FASB proposes acquired financial asset reporting changes](#)

Find more insights: [Crowe Take Into Account](#)



From the FASB

FASB AGENDA ITEMS OF INTEREST TO FINANCIAL INSTITUTIONS

Research

Intangibles
Consolidation
KPIs

Project

Software
Financial instruments with ESG-linked features
Accounting for environmental credits
Statement of cash flows

Proposal

Disaggregation of income statement expenses
Improvements to hedge accounting

Final

Investments in tax credit structures
Disclosure updates for SEC disclosure rules
Segment reporting (Q4)
Income tax disclosures (Q4)
Crypto assets (Q4)
CECL: Acquired financial assets (Q1)

Next agenda consultation expected in 2024

ASU 2023-02: INVESTMENTS IN TAX CREDIT STRUCTURES

- Final ASU issued March 29, 2023
- Proportional amortization method (PAM) expanded beyond low-income housing tax credit (LIHTC) structures to **qualifying** credits
 - New market tax credits
 - Historic tax credits
 - Renewable energy tax credits
- Scoping criteria slightly modified

Financial statement	Equity method	Proportional amortization method
Balance Sheet	Periodically adjusted based on investor's proportionate share of project's earnings	Amortized in proportion to tax credits and other benefits received in the period
Income Statement	Adjustment to investment recorded through operating expenses	Adjustment to investment recorded through income tax expense (benefit)



FINANCIAL STATEMENT PRESENTATION UNDER PAM

For a reporting entity, application of PAM results in more decision useful income statement presentation:

Income Statement

Net interest income	XXXXXXXX
Non-interest income	XXXXXXXX
Non-interest expense	<u>XXXXXXXX</u>
Income before income taxes	XXXXXXXX
 Income tax expense	 XXXXXXXX
 Net income	 XXXXXXXX



Observation #1

PAM improves (lowers) a financial institution's efficiency ratio

Observation #2

Prior to the adoption of ASU 2023-02, application of PAM is limited to investments in low-income housing tax credit (LIHTC) programs

ELECTION, EFFECTIVE DATES AND TRANSITION

- Elect to apply PAM on a program-by-program basis:
 - Each investment in a program for which PAM has been elected must still be analyzed under the qualifying criteria
 - Any investment in a program for which PAM has not been elected cannot be accounted for under PAM (event if it meets the qualifying criteria)
- Effective date and transition:
 - PBEs – periods beginning after Dec. 15, 2023 (2024)
 - Non-PBEs – periods beginning after Dec. 15, 2024 (2025)
 - Early adoption is permitted in any interim period; must adopt as of the **beginning of the fiscal year** that includes that interim period
 - Adopt on modified retrospective or retrospective basis, with certain exceptions

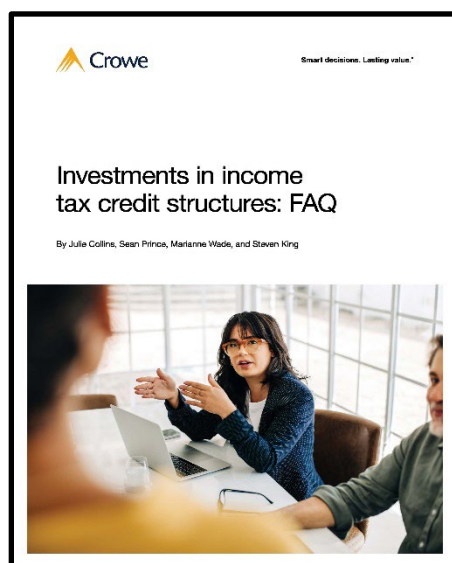


TAX CREDIT STRUCTURES: CROWE RESOURCES

Crowe Practice
Aid in process

FAQ

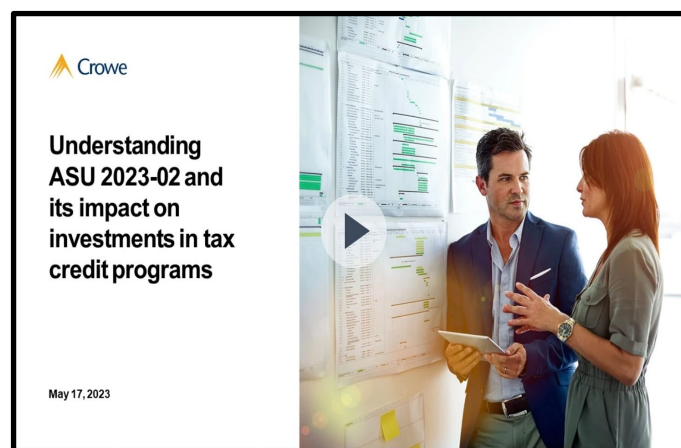
• June 21, 2023



Crowe FAQ:
[Investments in income
tax credit structures](#)

Webinar

• May 17, 2023



Crowe webinar:
[Understanding ASU 2023-02
and its impact on investments
in tax credit programs](#)

Article

• April 5, 2023



Crowe resource:
[FASB ASU improves
income tax credit
investment accounting](#)

FORTHCOMING FINAL ASU – SEGMENTS

Coming Q4
2023

Principle requires disclosure of significant segment expense categories that are:

- Included in any profit and loss measures regularly provided to chief operating decision maker (CODM)

Additional observations:

- Annual and interim disclosure
- Not required to reconcile expense categories to consolidated totals or map to income statement lines
- Incremental to expense disclosures currently required in ASC 280
- Disclose “other items” amount to total to profit and loss measure, including description of composition
- Disclosure nature of any substantial change in expense allocation and related impact on segment
- Restate prior period information to conform to current present, unless impracticable
- If disclose net interest revenue, disclose gross interest expense if meets requirements above



OTHER FORTHCOMING FINAL ASUS

Topic	Summary of key proposals
<p>Income tax disclosures March 15, 2023</p> <p>Comment period ended May 30</p>	<ul style="list-style-type: none"> All entities would be required to disclose more disaggregated information about cash taxes paid (e.g., foreign, federal, state). Public companies would be required to disclose more disaggregated information in the rate reconciliation table. <p>Crowe resource: FASB proposes targeted income tax disclosure requirement changes</p>
<p>Crypto assets March 23, 2023</p> <p>Comment period ended June 6</p>	<ul style="list-style-type: none"> Certain crypto assets would be measured at fair value with changes in fair value recorded through earnings. More disclosure would be required about holdings of crypto assets. <p>Crowe resource: FASB proposes fair value for crypto assets</p>

FASB proposes targeted income tax disclosure requirement changes

Julie Collins, Noreen Sherred
Take Into Account | 3/24/2023

FASB proposes fair value for crypto assets

Sean C. Prince, Nicholas G. Topoll
Take Into Account | 3/30/2023



PROPOSED ASU - DISAGGREGATION – INCOME STATEMENT EXPENSES

Based on redefined project from 2021 Agenda Consultation

Investor feedback indicated more detailed information about expenses is important to understanding an entity's performance, assessing future performance, and comparing performance between entities

More granular information related to costs of sales, general, and administrative expenses identified as most decision useful to investors

Public entities would be required to disaggregate certain expense captions in a tabular format in the notes to the financial statements for all annual and interim reporting periods

Comments were due Oct. 30, 2023

For banks:

- Practical expedient for those reporting under SEC rules
- Includes specific implementation example

|| From the SEC

SEC RULEMAKING STATUS

Issued final

- Cybersecurity
- Erroneous compensation
- Insider trading (10b5-1)
- Issuer share repurchases

Proposed awaiting action

- Climate related disclosure
- Special purpose acquisition companies

Expected proposal

- Human capital
- Securities held of record
- Incentive-based compensation arrangements
- Corporate board diversity

Monitor for Fall 2023 agenda update

FINAL RULE – CYBERSECURITY RISK MANAGEMENT, STRATEGY, GOVERNANCE, AND INCIDENT DISCLOSURE

- Issued July 26, 2023
- Requires **two** types of disclosure:
 - Material cyber incidents, including a “series of related unauthorized occurrences”
 - Periodic disclosure of cyber risks, strategy, and governance

Disclosure requirement	Disclosure description
New Item 1.05 of Form 8-K	Disclose within <u>four business days</u> after determining a cyber incident is material: <ul style="list-style-type: none"> • Nature, scope, and timing of the incident • Material impact, or reasonably likely material impact, on financial condition and results of operations
New Item 106 of Regulation S-K <div> The proposed requirement to disclose whether the Board includes a cyber expert was removed from the final rule. </div>	<ul style="list-style-type: none"> • Process to assess, identify, and manage material risks from cybersecurity threats • Whether current or previous cybersecurity threats have impacted, or are likely to materially impact, business strategy, results of operations, or financial condition • Board oversight and management’s role in cybersecurity matters

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FINAL RULE – CYBERSECURITY RISK MANAGEMENT, STRATEGY, GOVERNANCE, AND INCIDENT DISCLOSURE

Disclosure	Filer status	Compliance date
Material cybersecurity incidents (Form 8-K or Form 6-K)	Non-smaller reporting companies (non-SRCs)	Dec. 18, 2023 (inline XBRL tagging required Dec. 18, 2024)
	SRCs	Jun. 15, 2024 (inline XBRL tagging required Dec. 18, 2024 – same as non-SRCs)
Cybersecurity risk management, strategy, and governance (Form 10-K or 20-F)	All registrants	Annual reports for fiscal years ending on or after Dec. 15, 2023 (inline XBRL tagging required for annual reports for fiscal years ending on or after Dec. 15, 2024)

[SEC final rule - Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure](#)

CROWE RESOURCE – CYBERSECURITY DISCLOSURES

- Issued Aug. 1, 2023
- Addresses:
 - Disclosure requirements and timing
 - Crowe observations about final rule
 - Near term considerations for Boards and management teams:
 - Planning
 - Communication
 - Governance
 - Controls



Crowe resource: [SEC cybersecurity disclosure rules](#)

FINAL RULE – ERRONEOUS COMPENSATION

Directs exchanges to adopt listing standards

- Requires issuers to adopt recovery policies and to pursue recovery

Specifies certain disclosures

- Policy to be filed as exhibit
- Other disclosures required as applicable

Scoping considerations

- All issuers, including Emerging Growth Companies and Smaller Reporting Companies
- Restatements subject to recovery include both "Big R" and "Little R"
- Extends beyond named executive officers
- Relevant compensation is incentive-based

Timing considerations

- Final rules became effective Jan. 27, 2023
- Listing standards became effective Oct. 2, 2023
- Entities required to adopt recovery policy Dec. 1, 2023

[Final rule - Erroneous compensation](#)

Crowe resource: [Accounting restatement: SEC expects compensation recovery](#)

FINAL RULE – RULE 10B5-1



- Adds cooling-off periods before trading under a Rule 10b5-1 plan
- Directors and officers must certify at adoption of plan that they are:
 - Not aware of any material nonpublic information
 - Adopting the plan in good faith
 - Restrict use of multiple overlapping trading plans and limit a single trade-plan to one per twelve-month period
 - Certain additional disclosures
- Final rules became effective Feb. 27, 2023
- Section 16 persons subject to reporting after April 1, 2023
- Issuer disclosure begins with first filing covering the first full fiscal period beginning on or after April 1, 2023
- SRCs have an additional six months to comply

[Final rule - Rule 10b5-1](#)

[Rule 10b5-1 SEC Small Entity Compliance Guide](#)

Crowe resource: [New SEC insider trading rule: What registrants should know](#)

FINAL RULE – ISSUER SHARE REPURCHASES

- Adopted May 3, 2023, and requires an issuer to:
 - Disclose daily repurchase activity quarterly (domestic and FPI) and semiannually (closed-end funds)
 - Check a box indicating if certain directors or officers traded in the issuer's securities within the four business days before or after the issuer's program announcement date
 - Provide ***narrative disclosure*** about repurchase programs and practices in periodic reports
 - Provide quarterly disclosure about the adoption or termination of issuer's trading arrangements

Disclosures include:

- Class of shares and average price paid
- Total number of shares purchased
- Aggregate maximum number of shares (or approximate dollar value) still available to purchase
- Total number of shares purchased (including separate disclosure of number of shares qualifying under Rule 10b-18 safe harbor and affirmative defense of Rule 10b5-1(c))

Crowe resource: [New SEC share repurchase rule: What issuers should know](#)

ISSUER SHARE REPURCHASES – KEY DATES

Filer type	Compliance date
Domestic filers (both SRCs and non-SRCs)	Forms 10-Q and 10-K (for the fourth fiscal quarter) beginning with the first filing that covers the first full fiscal quarter that begins on or after Oct. 1, 2023
FPI	Form F-SR (new form) that covers the first full fiscal quarter that begins on or after April 1, 2024
Listed closed-end funds	Form N-CSR that covers the first six-month period that begins on or after Jan. 1, 2024

[Final rule - issuer share repurchases](#)

SEC SAMPLE COMMENT LETTER – XBRL

- Issued Sept. 7, 2023
- *Financial Data Transparency Act* (2022) required SEC to create a program to improve financial data filed under the *Securities Act of 1933* and the *Securities Exchange Act of 1934*.
- Sample comment letter illustrates the types of XBRL comments the Division of Corporation Finance has been issuing in their review of filings.
- Themes:
 - General compliance and typographical issues
 - Changes in tags period over period for the same financial statement line item
 - Use of custom tags when current US GAAP tag exists



[SEC sample comment letter - XBRL](#)

[Additional structured data guidance \(including guidance specific to tagging CECL footnotes\)](#)

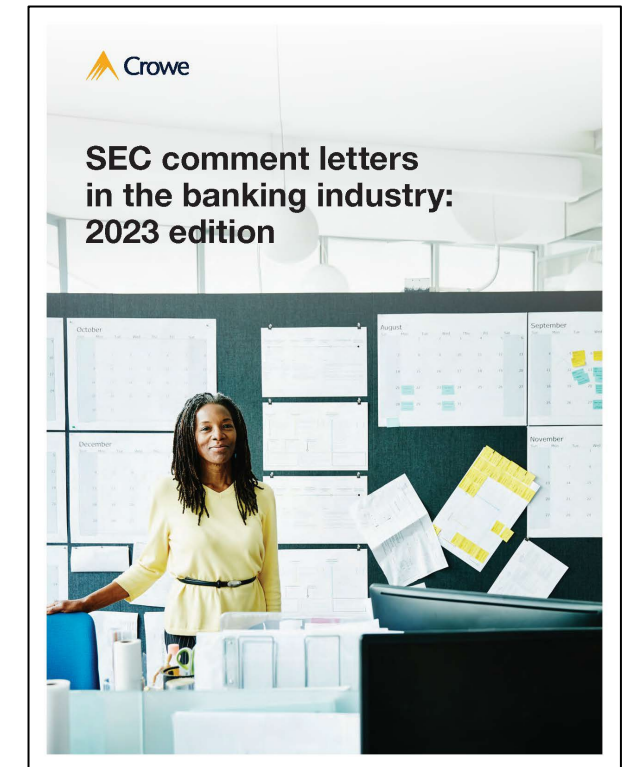
SEC STAFF PERSPECTIVES IN PUBLIC FORUMS

- Investor focus
- Components of high-quality financial reporting
- Audit Committee gatekeeping function
- Non-GAAP matters
- Geopolitical and macroeconomic matters in the current uncertain economic environment
 - Market risk disclosures
 - MD&A
 - Risk factors
 - Going concern
 - Impairment
 - Judgments in the accounting for financial instruments
- Auditor independence shared responsibility



SEC COMMENT LETTER THEMES – BANKING INDUSTRY

- Crowe resource issued Sept. 27, 2023 (27 pages)
- Analyzes recent comment letter themes issued by SEC CorpFin staff:
 - Emerging risks (for example, focus areas following early 2023 bank failures)
 - Allowance for credit losses under CECL
 - Management's discussion and analysis (MD&A)
 - Non-GAAP
 - Risk and governance matters and other topics



Crowe Resource: [SEC comment letters in the banking industry: 2023 edition](#)

EXAMPLE SEC COMMENT – EMERGING RISKS

Provide an update on your liquidity and cash management position. Include *qualitative and quantitative* information about your cash position, investment securities, deposits, borrowings, and sources of available but unused borrowings. Any such revised disclosures should include identifying and discussing *material stress-testing scenarios, metrics, or measures* that you have used to *evaluate, monitor, and manage* your liquidity and capital position.

||

EXAMPLE SEC COMMENT – CECL AND MD&A

*We note that you do not include disclosure of any critical accounting estimate(s). Provide this disclosure in future filings. Your disclosures should explain why each critical accounting estimate is **subject to uncertainty** and, to the extent the information is material and reasonably available, how much each **estimate and/or assumption has changed over a relevant period** as well as the **sensitivity** of the reported amounts to the material methods, assumptions, and estimates underlying its calculation. Ensure that the disclosure of your critical accounting estimate(s) is **not a repetition of your significant accounting policies**. Refer to **Item 303(b)(3) of Regulation S-K**.*

||

EXAMPLE SEC COMMENT – GOVERNANCE

Please expand upon how your board administers its risk oversight function, please disclose:

- *The **timeframe** over which you evaluate risks (e.g., short-term, intermediate-term, or long-term) and how you apply different oversight standards based upon the immediacy of the risk assessed;*
- *Whether you consult with **outside advisers and experts** to anticipate future threats and trends, and how often you-reassess your risk environment;*
- *How the board interacts with management to address existing risks and **identify significant emerging risks**;*
- *Whether you have a Chief Compliance Officer and to whom this position reports; and*
- *How your risk oversight process aligns with your **disclosure controls and procedures**.*

Crowe resource: [SEC focuses on Item 407 board governance disclosure](#)



Practice and reporting considerations

EMERGENCY CAPITAL INVESTMENT PROGRAM (ECIP)

- Established by the Consolidated Appropriations Act, U.S. Dept. of the Treasury will make direct investments in CDFIs and MDIs

	C-Corporations	S-Corporations & Mutuals	Credit Unions
Form	Senior preferred stock	Senior subordinated debt	Senior subordinated debt
Regulatory Capital Treatment	Tier 1	Tier 2	Secondary capital (for low-income credit unions only)
Dividends (interest) payable	None for first 24 months; quarterly thereafter	None for first 24 months; quarterly thereafter	None for first 24 months; quarterly thereafter
Dividend (interest) rate	Based on increase in Qualified Lending over Baseline	Based on increase in Qualified Lending over Baseline	Based on increase in Qualified Lending over Baseline
Reporting required	Initial Supplementary Report Quarterly Supplementary Reports	Initial Supplementary Report Quarterly Supplementary Reports	Initial Supplementary Report Quarterly Supplementary Reports

[Emergency Capital Investment Program details](#)

CONSIDERATIONS

- **Specific** to the ECIP
 - View 1: Clearly and Closely Related
 - The embedded indexation feature is considered “clearly and closely related” to its “government grant” host contract. As such, bifurcation is not required under ASC 815-15-25-1.
 - View 2: The Sales Volume Derivative Scope Exception Applies
 - The embedded indexation feature meets the “sales volume” derivative scope exception in ASC 815-10-15-59(d). As such, if freestanding, the embedded feature would not be accounted for as a derivative and, therefore, need not be bifurcated under ASC 815-15-25-1.
 - View 3: Materiality



AICPA DIEP ECIP ATTESTATION UPDATE



- Requirement under Section 4.1(d)(ii) of the purchase agreement for **certain** ECIP participants to submit independent auditor attestation on processes and controls used by institution to generate Supplemental Reports

“....if the Recipient is required to include an attestation as to its internal control over financial reporting in connection with the filing of audited financial statements with any Governmental Entity or self-regulatory agency”

- Practice issue for auditor “certification”
 - June 28, 2023, ECIP announced waiver of this attestation for fiscal year 2022
- AICPA working with Treasury on possible AUP procedures

[Treasury announcement regarding attestation waiver for fiscal year 2022](#)

VISA B

- Sept. 13, 2023, announcement
 - Potential amendments to conduct an exchange offer program to release transfer restrictions on portions Class B
 - Redenominate existing Class B as “Class B-1” and offer holders to tender some or all in exchange for a combination of:
 - Class B-2 common stock – half of the Class B-1, subject to same restrictions as Class B, although future downward adjustments to conversion rate would be accelerated at twice the rate as the current Class B and future Class B-1 common stock.
 - Class C common stock – half of the Class B-1, subject to temporary transfer restrictions.

[VISA 8-K announcing potential amendments](#)

IPO March 18, 2008

Accounting models applied today:

1) ASC 321-10-35-2

If no readily determinable FV, have measurement alternative election, record at cost, less impairment, adjusted for observable price changes

or

2) Fair value option

||

COLLATERAL ASSIGNED SPLIT DOLLAR (CASD)

- Typical Collateral Assignment Arrangement:
 - CU has a loan to an employee, collateralized by CSV
 - Employee owns life insurance policy and endorses death benefits to CU equal to loan amount plus accrued interest
- Non-recourse: If CSV is less than the loan amount, the loan is written down to CSV (ASC 715-60, compensation-retirement benefits; originally EITF 06-10)
- Recourse: Evaluate both intent & ability to collect
- Separate account: Evaluate stable value (fair value) wrapper and limitations
- Surrender enhancements

Key differences:
recourse
versus
non-recourse

||

OCC BANK ACCOUNTING ADVISORY SERIES (BAAS)

August 2023 changes:

New

- Subtopic 3B, Lessee Classification and Accounting (Question 7)
- Subtopic 10B, Intangible Assets (Question 11)
- Subtopic 12B, Loan Modifications (Questions 1, 3, 7, 8, 15, 17, and 19)

Updated

- Subtopic 2C, Commitments (Questions 2 and 3)
- Subtopic 3A, Lessor Classification and Accounting (Questions 2, 4, 8, and 9)
- Subtopic 3C, Sale-Leaseback Transactions (Question 3)
- Subtopic 12B, Loan Modifications (Question 13)

OCC

Bank Accounting
Advisory Series

[August 2023 BAAS series publication](#)

FDICIA REPORTING REMINDERS

- External auditor independence
 - Over \$500 million in assets = must comply with AICPA, SEC, and PCAOB standards
- Audit Committee Independence:
 - \$500 million < \$1 billion – Majority of audit committee members (outside directors) should be independent of management
 - Over \$1 billion – Audit committee to be comprised of outside directors independent of management
 - Over \$3 billion – Should include members with banking or related financial management expertise, own outside counsel, no large customers

Crowe resource: [Five Things Banks Should Do as They Approach \\$1 Billion in Assets](#)

FDICIA REPORTING REMINDERS

- Holding company-only financial statements do not satisfy Part 363 (for example, referring to FR Y-9SP or Y-9LP)
- Management should ensure FDICIA filings reference correct report

FDIC Chief Accountant Shannon Beattie remarked at the 2023 AICPA National Conference on Banks and Savings Institutions that an Independent Auditor's Report or Management's Assessment of Internal Control Over Financial Reporting that references internal controls over financial reporting related to the preparation of a Company's FR Y-9SP or FR Y-9LP regulatory report to satisfy reporting requirements under Section 36 of the FDI Act and Part 363 of the FDIC's regulations will no longer be accepted by the agency.

Crowe resource: [2023 AICPA Conference on Banks & Savings Institutions: Takeaways and hot topics from our specialists](#)

FDIC REPORTING REMINDERS

- Clarification on uninsured deposits – issued July 24, 2023:
 - Third quarter call report updates
 - Uninsured amounts should not exclude intercompany balances and collateralized balances
 - FDIC: Should amend call reports that were incorrect

FDIC Chief Accountant Shannon Beattie reminded participants at the 2023 AICPA National Conference on Banks and Savings Institutions that the federal banking agencies follow legislative and regulatory definitions for uninsured deposits. Banks and bank holding companies should read the FDIC's Financial Institution Letter (FIL) 37-2023, [Estimated Uninsured Deposits Reporting Expectations](#), for certain observations made by the FDIC in review of uninsured deposit reporting on Call Reports.

Crowe resource: [2023 AICPA Conference on Banks & Savings Institutions: Takeaways and hot topics from our specialists](#)

||

From the PCAOB

PCAOB SPOTLIGHT: 2022 CONVERSATIONS WITH AUDIT COMMITTEE CHAIRS

Topics of 2022 conversations with Audit Committees:

- Staffing
- Auditing in a remote environment
- Communication
- Critical Audit Matters (CAMs)
- Information outside of financial statement

PCAOB Spotlight:

**2022 Conversations
With Audit
Committee Chairs**

[PCAOB Spotlight: 2022 Conversations With Audit Committee Chairs](#)

[PCAOB resources for audit committees](#)

PCAOB SPOTLIGHT: AUDIT COMMITTEE RESOURCE

Questions audit committees might ask themselves or auditors on:

- Risk of fraud
- Risk assessment and internal controls
- Auditing and accounting risks
- Digital assets
- Merger and acquisition activities
- Use of the work of other auditors
- Talent and its impact on audit quality
- Independence
- Critical audit matters
- Cybersecurity

PCAOB Spotlight:

**Audit Committee
Resource**

[PCAOB Spotlight: Audit Committee Resource](#)

PCAOB INSPECTIONS IN 2023 – STAFF PRIORITIES

- Among other areas, staff priorities include:
 - Risk of fraud
 - Auditing and accounting risks
 - Risk assessment and internal controls
 - Financial services specific considerations
 - Broker-dealer specific considerations
 - Other areas:
 - CAMs
 - Cybersecurity
 - Use of data and technology

PCAOB Spotlight:

Staff Priorities for 2023 Inspections

[PCAOB staff priorities](#)

PCAOB STANDARD SETTING UPDATE: NONCOMPLIANCE WITH LAWS AND REGULATIONS (NOCLAR)

- Reminder: Key objectives of the proposal
- Comment period closed early Aug. 2023
- Received comments from a wide variety of stakeholders
- ~140 separate comment letters received

PCAOB

NOCLAR Amendments



|| Other matters

2022 AUDIT COMMITTEE TRANSPARENCY BAROMETER

- Annual survey results released regarding questions posed to Audit Committee members about execution of various oversight roles
- Four new questions in two broad areas:
 - External audit oversight
 - ESG and cyber oversight



[2022 Audit Committee Transparency Barometer](#)

AUDIT PARTNER PULSE SURVEY

- Increasing optimism for the economic outlook over next 12 months (though less than 20% surveyed)
- Top risks:

Spring 2023	Fall 2022
Inflation	Inflation
Cybersecurity	Labor shortages
Regulation	Supply shortages/supply chain disruption
Labor shortages	Cybersecurity
Supply shortages/supply chain disruption	Regulation

- Cost management and financial performance are the most important corporate priorities (versus cost management and talent in Fall 2022 survey)

**Approximately
600 audit
partners from
the eight CAQ
governing board
firms**

INTERNAL CONTROL OVER SUSTAINABILITY REPORTING (ICSR)

- Issued by COSO on March 30, 2023
- Non-authoritative, but provides key perspectives
- Expands on initial study conducted in 2017
- Five action points:
 - Commit to integrity by stating purpose
 - Determine objectives
 - Identify and consider risks and opportunities
 - Identify control activities
 - Evaluate effectiveness
- Provides insights on applying sustainability to existing COSO principles (control environment, risk assessment, control activities, information and communication, and monitoring activities)



COSO ICSR
resource

CROWE INSIGHTS

Financial Institutions Executive Briefing (FIEB)

- Monthly publication focused on matters impactful to financial institutions
- Insights on financial reporting, governance, and risk management
- Summarizes developments from regulatory and standard setting bodies

Quarterly accounting and financial reporting developments (AFRD)

- Quarterly publication focused on accounting and financial reporting developments across an array of industries
- Provides FASB accounting standards update (ASU) checklists

[Register for Crowe communications and personalized emails](#)

||

QUESTIONS?



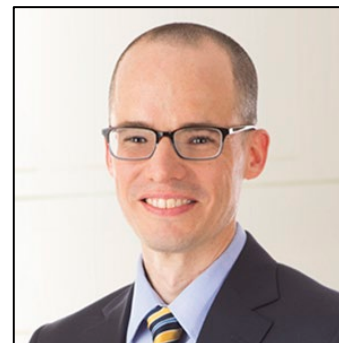
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