



Takeaways

2025 AICPA & CIMA Conference on Banks & Savings Institutions

October 2025

Smart decisions. Lasting value.™

Contents

Conference overview	<u>3</u>
Economic updates	<u>4</u>
Updates from the federal banking agencies	<u>6</u>
FASB updates	<u>10</u>
SEC updates	<u>15</u>
PCAOB updates	<u>16</u>
Artificial intelligence (AI)	<u>17</u>
Digital assets and stablecoins	<u>18</u>
Fintech relationships	<u>20</u>

Conference overview

The 50th annual American Institute of Certified Public Accountants (AICPA) & Chartered Institute of Management Accountants (CIMA) Conference on Banks & Savings Institutions was held Sept. 15 through 17, 2025, in National Harbor, Maryland. The event included remarks from industry leaders, regulators, standard-setters, economists, and other industry stakeholders on key accounting, regulatory, and other topics.

The current economic landscape, trends in consumer debt and real estate, and operating in what many view as a continued elevated interest rate environment were discussed at length. Generative artificial intelligence (GenAI) and its application in the banking sector were explored with conference participants. Accounting for current expected credit losses (CECL) continues to be a focal point of the conference, as it has been in recent years, with more discussion this year surrounding accounting for fintech relationships that could affect the allowance for credit losses (ACL).

Mark Koziel used his first keynote at this conference as AICPA CEO to reframe the profession's narrative from "issues" to "opportunities," underscoring the role of CPAs as trusted advisers. He focused his remarks on three primary themes – demographics, regulation, and technology – and argued that GenAI is accelerating long-running shifts in technology use by accountants rather than simply replacing CPAs. He said that both accounting firms and corporate finance teams must retrain employees, as much of the entry-level, fundamentals-building work is now automated. Koziel advocated for structured simulation programs to train employees on completing tasks using AI so staff can practice integrating AI into their judgments and documentation before working on audits of companies. He warned against creating a "two-tier audit" that would drive inefficiency by first performing tasks using AI and then reperforming those same tasks using manual techniques. Instead, Koziel urged audit firms as well as accounting and finance teams to deploy AI-assisted processes but redesign organizational controls so that the use of AI is subject to adequate governance. A company's use of AI beyond current applications might provide for further resource optimization.

With respect to the current state of the economy, Koziel noted CFO optimism has normalized after a late-2024 spike, largely due to the consideration of current tariff policy and the potential impact on the broader economy.

Koziel also addressed evolving changes in accounting firms' business models. With AI reducing manual hours and tech costs rising, he urged firms to rethink "hours multiplied by rate" and consider subscription-style engagement models and continuous-monitoring concepts that fit within existing professional standards.

Finally, Koziel was optimistic about rising enrollments in college accountancy programs. He also called for better early-career training for graduates in the face of evolving technology and business models as well as further improvements to CPA mobility, allowing practitioners more opportunities to work as CPAs.

In his remarks, Jonathan Gould, who was sworn in as the 32nd comptroller of the currency on July 15, 2025, framed his vision of risk-based regulation in contrast with a one-size-fits-all approach. He argued that post-2008 regulatory policy has kept banks' risk tolerance "too low for too long" and laid out priorities to "right-size" rules, regulations, and examinations. Gould noted that the very largest banks should face a much lower tolerance for error, while community banks, given their smaller systemic footprint, should experience tailored regulatory expectations, including less emphasis on *Community Reinvestment Act* (CRA) and fair-lending burdens. Gould said community bank supervision should focus on material financial risks.

On the second day of the conference, Douglas Duncan, an award-winning economist nationally recognized in economics, financial markets, monetary policies, and real estate, delivered a timely update on the U.S. real estate market. Duncan pointed to steady, if slower, growth and a labor market that is cooling but resilient, noting that he believes recession risks remain contained. Housing dynamics continue to be shaped by the "lock-in effect" from pandemic-era mortgages with lower-than-current market interest rates, labor productivity gains, and price support from a persistent supply-demand imbalance, even as affordability pressures remain elevated.

Lamont Black, associate professor of finance at DePaul University, outlined an “AI for Financial Institutions” road map that discusses moving from experimentation to targeted deployment of AI. Black highlighted near-term, practical use cases such as knowledge-based assistants, fraud triage, and loan approvals. He also emphasized that boards and executives should treat AI as enterprise change, not just an IT project, with strategy and governance leading the way.

On the third day, executive coach Jamelle Lindo gave a keynote titled “The EQ Leader in the Age of AI,” arguing that emotional quotient (EQ), including self-awareness, empathy, and resilience, will differentiate leaders as automation accelerates. He shared data on stress and burnout seen in the current workforce and offered practical, top-down approaches to gauge organizational climate and build EQ capabilities across teams. Lindo also offered his thoughts on how banks can adopt AI tools while sustaining culture and performance.

Throughout the conference industry leaders explored issues facing banks today. Participants received updates on current activities from representatives from the federal banking regulators, the Securities and Exchange Commission (SEC), the Financial Accounting Standards Board (FASB), and the Public Company Accounting Oversight Board (PCAOB). Other topics included accounting for tax credits, bank-fintech partnerships, balance sheet management strategies, and climate reporting.

The 2026 conference will take place Sept. 14 through 16, 2026, online and on-site, at the Marriott Marquis in Washington, D.C.

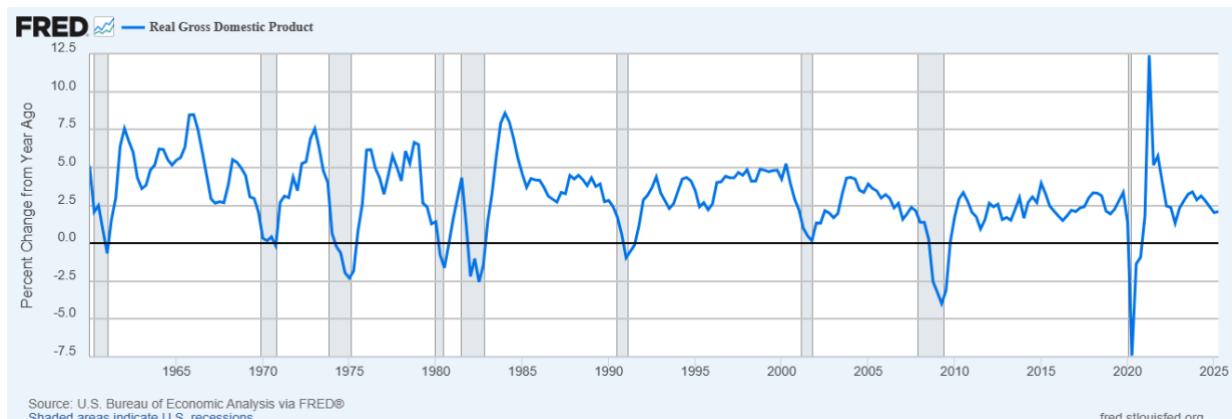
We hope you find this summary useful.

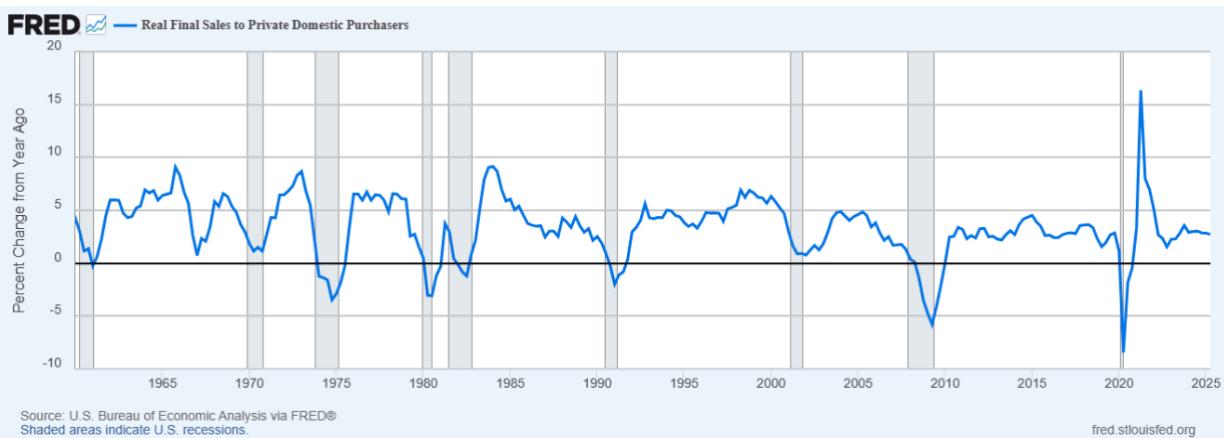
Economic updates

State of the economy

On the first day of the conference, former White House adviser, economist, and author Todd Buchholz focused on aspects of the domestic and global economies that inform the current presidential administration’s policies. Buchholz’s comments were followed by an address from Doug Duncan, former chief economist at Fannie Mae, who focused on interest rates, unemployment, real estate, the national debt, and an overall outlook.

Both economists described current U.S. performance as moderately strong. Duncan pointed to both gross domestic product (GDP) growth and real final sales to private domestic purchasers, considered a core piece of GDP and measured more frequently (monthly). This measure aims to provide a clearer picture of private sector activity by excluding inventories and government purchases from the economic analysis. The following illustrations compare the two metrics as publicly available on the St. Louis Federal Reserve Bank’s “FRED” tool.





In his remarks, Buchholz discussed his view of the economy based on real observable metrics rather than political narratives. He offered examples of long-term economic growth and improvement in today's living standards as compared to the past, highlighting longer life expectancies and that fewer work hours are now required than in the past to buy goods such as a refrigerator (80 hours in 1960 versus 20 now).

Regarding future economic performance, Duncan highlighted several phenomena that could indicate recessionary risks, including declining housing permits. He also discussed demographic pressures such as the aging current workforce and slowing immigration, which can increase the burden of funding entitlement programs such as Social Security, Medicare, and Medicaid. If rising entitlement program costs are spread across a smaller workforce, long-term borrowing rates could rise. He characterized an economic slowdown as underway but did not call it a recession. Buchholz also acknowledged an economic slowdown and risks to future economic growth, considering the United States economy's ability to weather these risks depends on consumer resilience. He noted that publicly reported delinquencies by companies do not appear to show any concerning trends, supporting his claim that American consumers seem able to continue handling the challenges that face the current economy. He also emphasized that policy choices such as tariffs can add strain, even if some costs are temporarily absorbed by foreign suppliers and U.S. retailers.

Inflation, interest rates, and tariffs

The Federal Reserve (Fed) cut interest rates on Sept. 17, as expected, with the likelihood of further rate cuts in 2025 being uncertain. Buchholz and Duncan discussed the considerations that the Fed must weigh when approaching interest rates. Buchholz noted that the Fed's ability to change interest rates affects only short-term interest rate decisions, but long-term interest rates are harder to control and difficult to bring down unless inflationary concerns are alleviated. Duncan noted that the Fed's "dual mandate" could cause tension among Fed governors when considering interest rate policy, as rate cuts generally reduce unemployment, while higher interest rates help fight inflation. Duncan suggested the Fed might lean toward fulfilling the full employment mandate, "at least in the near term," but acknowledged that future monetary policy is uncertain.

Both speakers addressed the tariffs announced by the Donald Trump administration earlier this year. Duncan characterized tariffs as a relative price shift rather than ongoing inflation, absent additional money growth. Buchholz highlighted the channels by which tariffs can raise the overall price level: Imported goods become more expensive at the border, and reduced foreign competition can allow domestic producers to raise prices. He also said that, for now, a majority of the tariff burden appears to be being absorbed evenly by foreign suppliers and U.S. retailers, with consumers bearing the remaining 20% to 25% of the impacts, and that the absorption of tariff-related costs by the foreign suppliers reflects their desire to maintain competitive prices to not lose market share.

Labor market trends

On. Sept. 5, the United States Bureau of Labor Statistics (BLS) released its "Employment Situation Summary," which notes that total nonfarm payroll employment increased by 22,000 jobs in August

2025. Economists had previously projected the release to show an increase of 75,000 jobs. Duncan commented that this reflects reduced immigration and private sector executives' caution amid tariff uncertainty, which in his view has led many employers to pause head count additions until the effects of tariffs become clearer.

On Sept. 9, the BLS released its "Current Employment Statistics Preliminary Benchmark (National Summary)," which contains a 911,000 downward revision in jobs from the March 2025 employment national benchmark – an unusually large adjustment. Duncan commented that this was partly attributable to the way that the Labor Department measures employment. The initial measurement includes residents, workers who are legally in the United States, and workers who are not legally in the United States or are undocumented but have their employment reported through an individual tax identification number (ITIN), whereas the rebenchmarking does not include undocumented workers or workers who are not legally in the United States.

Residential real estate

Both economists shared information on the residential real estate market, noting that real estate continues to be less affordable for the average American household. They cited several reasons for the housing shortage:

- The fed funds rate, which was lowered in 2020, created a "lock-in" effect for homeowners who purchased and refinanced homes at rates lower than current market rates. Some of these homeowners might retain these houses as investment properties.
- Mortgage rates and median housing prices have come down slightly since their peaks in 2022, but they remain elevated.
- Tariffs have increased the cost of goods used to construct houses, and immigration constraints make it harder to find labor.
- The 2000s and 2010s were marked by low credit cost and income growth, which created demand for larger homes and the ability for purchasers to finance them.
- Houses being built are trending larger than historical averages. Duncan mentioned that historically an entry-level house was 1,400 square feet; however, in 2024, only 7% of all newly constructed houses were 1,400 square feet or smaller. This makes entry point homes for new homeowners less attainable.

Duncan also referenced historical trends, noting that in the 1980s, when mortgage rates were at their peak, housing sales still occurred, suggesting that there is an adjustment period during which homeowners' ability to buy houses gradually updates to reflect the prices, as salaries and household budgets adjust to the housing prices. He suggested that the adjustment period is being prolonged due to the previously mentioned factors.

Updates from the federal banking agencies

In a conversation moderated by Sydney Garmong, Crowe partner, OCC Comptroller Gould laid out his vision for recalibrating risk-based regulation. Gould stressed that tailoring expectations also means reenergizing the chartering process and bringing more dynamism back into the system. He noted that de novo activity has been stagnant and consolidation has gone largely unchecked, trends he wants to counter by encouraging a wider range of entrants and by centralizing chartering decisions within the comptroller's office. On the regulatory front, Gould pointed to capital and liquidity as near-term priorities, including coordinated work on the community bank leverage ratio (CBLR), the capital framework recommended by the Basel Committee on Banking Supervision, and the enhanced supplementary leverage ratio (eSLR), while also calling for supervisory authorities to reduce unnecessary burden, particularly for community banks, so they can focus on meeting the credit needs of their local markets. When asked about the debanking executive order, Gould noted that the Office of the Comptroller of the Currency (OCC) has stopped using reputational risk in its evaluation of banks. In fact, Gould indicated he would propose a rule to prohibit the OCC from using reputational risk in its exams. Gould also highlighted innovation as a critical area of focus, emphasizing that regulators should be creating safe and sound pathways for responsible innovation rather than walling off banks from emerging

opportunities. Gould commented that the *Guiding and Establishing National Innovation for U.S. Stablecoins Act* (GENIUS Act) offers a timely vehicle to return the OCC to a more proactive role in shaping financial innovation.

On Monday, Garmong hosted a “fireside chat” with Bryan Jonasson, acting chief accountant of the Federal Deposit Insurance Corp. (FDIC); Amanda Freedle, chief accountant of the OCC; and Lara Lylozian, chief accountant of the Fed. The speakers began by discussing the changes in leadership at each agency since the last conference, along with the current priorities and policy initiatives in process at each agency. The chief accountants shared their views on innovation in the banking industry, which has led to new and evolving accounting and financial reporting questions. The panel addressed topics such as stablecoin issuances, increasing merger and acquisition activities, considerations on the fair value of certain financial assets and liabilities, and income recognition on problem loans.

A major focus for the OCC is implementing the GENIUS Act, which expands the agency's authority to regulate, license, and supervise certain nonbank payment stablecoin issuers. The OCC is required to establish rules by July 18, 2026, and Freedle assured participants that the OCC is actively working on determining how to implement these requirements. Related to artificial intelligence, Freedle encouraged institutions to remain vigilant, particularly for deepfake scams given the increasingly sophisticated voice and face recognition tools.

As has been the case for the past 10 years, the chief accountants also shared their views on institutions' application of the CECL standard.

The speakers reaffirmed remarks from the prior year's conference that their offices have received very few questions from banks or field examiners on application of the CECL standard. They stressed their expectation of continual improvement when it comes to the ACL estimate process.

The chief accountants reminded participants that the following items are expected to also be a focus of both auditors and bank examiners in their review of the appropriateness of the ACL.

- **ACL documentation:** Speakers said banks need to continue to maintain robust documentation supporting allowance methodologies and qualitative adjustments made by management, particularly in uncertain economic environments. In response to audience questions, Jonasson further indicated that while negative provisions are not prohibited, the ACL should be based on a reasonable and supportable methodology and be well documented and supported.
- **Individually evaluated and collateral dependent loans:** Speakers reminded institutions of the requirements in Accounting Standards Codification (ASC) 326-20 to individually evaluate loans that do not share risk characteristics with collectively evaluated loans. They said that not all individually evaluated loans are collateral dependent (as defined in ASC 326), but all collateral-dependent loans are individually evaluated for purposes of estimating credit losses. When measuring the credit losses on collateral-dependent loans, institutions must use the practical expedient in ASC 326-20-35-5 for regulatory reporting and estimate credit losses using the fair value of the loan's collateral, regardless of whether foreclosure is probable.
- **Nonaccrual classification:** Freedle reminded participants that loans should be classified nonaccrual when income is recorded on a cash basis because the borrower's credit has deteriorated, management no longer expects full repayment of principal and interest, or principal and interest has been past due for 90 days or more. Return to accrual status is appropriate when no principal or interest is due and unpaid and the bank expects full repayment of the remaining amounts due or when the loan is well secured and in the process of collection. Freedle defined “in the process of collection” as when management concludes that the loan will be paid off or brought current in the very near term, generally considered to be within 30 days. Freedle added that government guarantees, which often do not cover the entire loan balance, do not exempt institutions from evaluating the accrual status of those assets. If a loan with a partial government guarantee is determined to meet the nonaccrual criteria, the entire asset would need to be placed on nonaccrual.
- **Loan modifications:** Jonasson discussed the July 2025 joint notice issued to the Federal Register by the federal banking agencies that summarized certain prospective changes to reporting loan modifications made to troubled borrowers in regulatory reporting. The changes

will align call report guidance to specify a duration for reporting these loans consistent with U.S. GAAP disclosures prescribed by Accounting Standards Update (ASU) 2022-02. Jonasson noted that these changes are effective for the December 2025 regulatory reports filed with the Federal Financial Institutions Examination Council (FFIEC); however, the agencies will not object to institutions reporting loan modifications under the new framework in the September 2025 regulatory filings.

Crowe observation: In a September 2023 notice of proposed rulemaking, the federal banking agencies proposed revisions to all three versions of the call report (FFIEC 031, FFIEC 041, and FFIEC 051), and the Fed proposed revisions to the FFIEC 002, related to the FASB's ASU 2022-02. As proposed, institutions would have reported loan modifications to borrowers experiencing financial difficulty for a minimum period of 12 months after modification and until an institution performs a current, well-documented credit evaluation to support that the borrower is no longer experiencing financial difficulty, unless the loan is paid off, charged off, sold, or otherwise settled. Currently, the supplemental call report instructions require insured depository institutions (IDIs) to follow the reporting requirement proposed in the 2023 proposed rulemaking. This reporting requirement deviates from the disclosure requirements codified in ASU 2022-02. Based on comment letters received, the federal banking agencies deferred action on codifying changes to call report instructions.

In July 2025, the federal banking agencies released a joint notice and request for comment that stated that the agencies have completed their review and are revising the instructions to align the regulatory reporting of loan modifications to borrowers experiencing financial difficulty with U.S. GAAP. These revisions will be effective as of the Dec. 31, 2025, report date. However, the agencies do not object if an institution chooses to implement this revised reporting in advance of the effective date for the Sept. 30, 2025, report date.

Pushdown accounting and mortgage servicing rights

With the increase in bank mergers and acquisitions, including complex and unique deal structures, the chief accountants are evaluating banks' conclusions on the election and application of pushdown accounting. Lylozian reminded participants that pushdown accounting occurs when an acquired entity establishes a new accounting basis in its separate financial statements following a change in control. Essentially, the parent company's basis is pushed down to the acquired entity in its separate financial statements.

While pushdown accounting is optional under U.S. GAAP, Lylozian emphasized the need to involve accountants early on in discussions to address meaningful accounting, regulatory, and financial reporting considerations. An institution's primary federal regulator reserves the right to require or prohibit the institution's use of pushdown accounting for call report purposes based on the regulator's evaluation of whether the election appears to be supported by the facts and circumstances of the business combination.

Panelists also discussed accounting for mortgage servicing rights (MSR). While Freedle emphasized that she does not think it is indicative of increasing risk, exam and bank management teams have been looking at policies, procedures, and governance related to determining the fair value of mortgage servicing rights. Examiners and management teams must understand the assumptions that are considered significant to the estimate, such as cash flow estimates, discount rates, and prepayment speeds. Freedle reminded institutions of the importance of maintaining sufficient appropriate documentation of the assumptions used in the valuation of MSRs and how management is developing those assumptions, including justification and explanation as valuations change from period to period.

Conference observation: Lylozian emphasized the need to involve accountants early in discussions when contemplating pushdown accounting. Freedle stressed the need to maintain sufficient appropriate documentation over MSR valuations, including changes from period to period.

FDIC proposes inflation-based adjustments to Part 363 asset thresholds

On July 15, 2025, the FDIC board approved a notice of proposed rulemaking¹ to update and index several regulatory thresholds, most notably those in 12 Code of Federal Regulations (CFR) Part 363 governing the requirements for independent financial statement audits and audits of internal control over financial reporting (ICFR). The proposal was published in the Federal Register on July 28, 2025, with comments due Sept. 26, 2025.

Key changes under the proposal include:

- Increasing the initial threshold from \$500 million in total assets to \$1 billion for Part 363 IDI requirements to, among other things, form an audit committee, adhere to SEC independence requirements, and have an independent financial statement audit.
- Raising thresholds for an independent ICFR audit from \$1 billion to \$5 billion.
- Increasing the threshold for incremental requirements of IDI audit committees from \$3 billion to \$5 billion in total assets.
- Creating an indexing methodology to automatically adjust most thresholds every two years based on cumulative changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers. Thresholds would not be reduced during periods of deflation.

The FDIC estimates that moving the general applicability threshold to \$1 billion would remove nearly 800 institutions from Part 363's scope while keeping coverage at roughly 1,000 institutions, similar to historical levels when the *FDIC Improvement Act of 1991* was signed into law. Additionally, approximately 600 "small" IDIs between \$500 million and \$1 billion would no longer be subject to Part 363. The FDIC's proposal did not recommend a change to the measurement date for Part 363 compliance, currently measured at the beginning of an IDI's fiscal year; nor did it change the ability for IDIs to satisfy certain requirements of Part 363 at the holding company level when specified conditions are met.

Crowe observation: Institutions evaluating the impacts of the proposed changes also should ensure that they are continuing to maintain compliance with requirements from other regulators, as amendments to 12 CFR Part 363 would not affect other laws or regulations that might impose similar requirements.

The comment period on the proposal closed on Sept. 26, 2025. Lylozian indicated the Fed is considering the impact of the FDIC proposal on its own rules and regulations, including the annual audit requirement for bank holding companies. In the discussion, panelists fielded questions about coordination among the agencies on accounting-related issues. Freedle discussed the OCC's publication of the agency's Bank Accounting Advisory Series (BAAS), noting that annual changes to the BAAS are shared among the agencies to avoid the OCC operating "in a vacuum." However, Freedle reminded the audience that the BAAS is agency-specific, rather than interagency, guidance on accounting for specific fact patterns and transactions.

Crowe observation: Freedle noted the most recent version of the BAAS, published in August 2025, made certain clarifying edits to the fact patterns and questions and answers published in previous versions; however, these edits did not change the OCC's conclusions published in prior editions of the BAAS.

The most recent BAAS publication can be found on the OCC's website.

Finally, the chief accountants underscored the importance of stakeholder engagement in shaping regulatory priorities and reporting requirements. With multiple efforts underway, including the federal banking agencies' quinquennial review of rules and regulations and the interagency *Economic Growth and Regulatory Paperwork Reduction Act* (EGRPRA) review, institutions were strongly encouraged to

¹ <https://www.federalregister.gov/documents/2025/07/28/2025-14132/adjusting-and-indexing-certain-regulatory-thresholds>

provide feedback to the banking agencies. The panel emphasized that maintaining open lines of communication among the agencies and institutions remains critical and that the agencies are actively listening and seeking industry perspectives to ensure supervision and reporting frameworks remain both effective and efficient.

Crowe observation: Subsequent to the conference, on Sept. 18, 2025, the OCC published News Release 2025-89 announcing a new supervision structure that is explicitly framed as aligning with the OCC's "risk-based supervision approach" and tailoring oversight to each bank's risk profile.

Effective Oct. 1, the OCC will supervise via three distinct lines of business that will replace the Bank Supervision and Examination group by size and complexity:

- Large and global financial institutions (assets greater than \$500 billion or with a foreign parent)
- Regional and midsize (\$30 billion through \$500 billion)
- Community banks (less than or equal to \$30 billion)

Acting senior deputy comptrollers for these new lines of business will be selected by the comptroller in early October.

FASB updates

FASB Deputy Technical Director Rosemarie Sanguuolo, along with board member Fred Cannon and Supervising Project Manager Erin Cahill, provided an update on the FASB's standard-setting agenda,² including current priorities.

Technical agenda update

The FASB's technical agenda is being informed by the results of the 2021 agenda consultation. The FASB anticipates issuing nine final ASUs and one exposure draft before year-end.

Final ASUs issued or expected to be issued in 2025:

- "Financial Instruments – Credit Losses (Topic 326): Purchased Financial Assets"
- ASU 2025-06, "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software" (issued Sept. 18)
- ASU 2025-07, "Derivatives and Hedging (Topic 815) and Revenues From Contracts With Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration From a Customer in a Revenue Contract" (issued Sept. 29)
- "Derivatives and Hedging (Topic 815): Hedge Accounting Improvements"
- "Debt – Modifications and Extinguishments (Subtopic 470-50) and Liabilities – Extinguishments of Liabilities (Subtopic 405-20): Accounting for Debt Exchanges"
- "Environmental Credits and Environmental Credit Obligations (Topic 818)"
- "Government Grants (Topic 832): Accounting for Government Grants by Business Entities"
- "Interim Reporting – Narrow-Scope Improvements"
- "Codification Improvements" (evergreen)

Exposure drafts issued in 2025:

- Proposed ASU, "Equity (Topic 505): Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock" (issued Sept. 30)

² <https://www.fasb.org/projects/current-projects>

Other relevant items on the technical agenda currently being deliberated include targeted cash flow statement improvements.

FASB panelists focused on the technical agenda items that they believe to be the most impactful to participants.

Purchased financial assets (PFAs)

Status: ASU expected to be issued Q4 2025

The proposed ASU on PFAs was issued in 2023, a result of the FASB's CECL post-implementation review (PIR). The board completed redeliberations on the PFA project at its April 30, 2025, meeting, with a final ASU coming in Q4 2025. As feedback indicated that investors and preparers didn't have a pervasive issue with the treatment of loans that were already accounted for under the current purchased credit-deteriorated (PCD) guidance, the FASB pivoted from proposing a singular model for all PFAs to proposing narrow amendments to revise the accounting for only seasoned non-PCD loans.

The board decided the following:

- Revise the project objective, so the current PCD accounting will be retained.
- Affirm the seasoning criteria initially proposed to determine which non-PCD loans would be subject to the gross-up approach.
- Require entities to measure seasoned non-PCD loans under the gross-up.
- Exclude credit cards and held-to-maturity debt securities from the scope of PFA.

Transition is applied prospectively for annual reporting periods beginning after Dec. 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted for any annual or interim reporting period for which the financial statements have not yet been issued. If an entity early adopts, it may apply the amendments as of either the beginning of the interim reporting period in which the entity adopts the amendments or the beginning of the annual reporting period that includes that interim period.

With respect to the CECL PIR process, Sangiuolo noted that while early-stage focus was on evaluating the implementation of the CECL standard and assisting stakeholders with implementation questions, the PIR process also involves researching whether realized costs and benefits are consistent with expectations. Sangiuolo also noted that staff will begin to evaluate costs and benefits to stakeholders with a preparer cost survey and will host a roundtable, expected to be held in 2026.

Accounting for and disclosure of software costs

Status: ASU 2025-06 issued Sept. 18, 2025

This standard, issued the day after the conference wrapped, overhauls the internal-use software cost capitalization model by eliminating the legacy "project stage" framework and replacing it with a principles-based framework more aligned with modern software development practices.

When the original internal-use software guidance was written, technology projects typically followed a clear linear sequence: planning → design → development → implementation → post-launch maintenance. However, today's software projects are far less linear. Agile development, with its emphasis on incremental builds, continuous testing, and user feedback, often involves overlapping workstreams and recurring iterations. The rule better aligns the treatment of modern system implementations such as cloud core conversions, digital lending platforms, or online banking enhancements with their economic substance. As FASB staff explained during the presentation, the update focuses on management intent and project readiness.

Under the new model, entities will begin capitalizing costs when two conditions are met:

1. Management has authorized and committed to fund the project.
2. It is probable the project will be completed and used as intended.

The guidance adds a new concept of "significant development uncertainty," directing entities to expense costs when a project's features are novel, untested, or still subject to major revisions.

Disclosure requirements will mirror those for property, plant, and equipment, improving visibility into software investments without necessarily changing capitalization levels. The standard becomes effective for annual periods beginning after Dec. 15, 2027, with early adoption permitted. The ASU allows for prospective, modified retrospective, or full retrospective adoption.

To read more, see the Crowe article “FASB Revises Internal-Use Software Cost Guidance.”

Derivative scope refinements

Status: ASU 2025-07 issued Sept. 29, 2025

Cahill commented on the now final ASU 2025-07, “Derivatives and Hedging (Topic 815) and Revenue From Contracts With Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration From a Customer in a Revenue Contract,” mentioning that the feedback initially received was that the current definition of a derivative was too broad, and that investors at times found the derivative accounting conclusion to be unintuitive. In response to the feedback, the board added a scope exception to the derivative guidance: Non-exchange-traded contracts where the underlying is based on the operations or activities of one of the parties to the contract will qualify for a derivative scope exception. Cahill referenced ESG loans and bonds with interest rates tied to a company’s ESG metrics as examples of instruments that have an embedded feature that would qualify for the scope exception.

Transition is prospective with the option to apply on a modified retrospective basis, and entities adopting on a modified retrospective basis may reevaluate any fair value option elections made in the past. ASU 2025-07 is effective for annual periods beginning after Dec. 15, 2026, and interim periods within those annual periods. Early adoption is permitted, and entities that adopt in an interim period will be required to apply the standard as of the beginning of the annual period that includes that interim period.

Read more in the recent Crowe article “FASB Issues Derivatives Scope Refinements.”

Hedge accounting improvements

Status: ASU expected to be issued Q4 2025

The panelists discussed the forthcoming ASU on derivatives and hedging (Topic 815): hedge accounting improvements, which addresses a series of issues identified from past feedback, including London Interbank Offered Rate (LIBOR) cessation issues. The project responds to stakeholder feedback following the issuance of ASU 2017-12 and subsequent agenda consultations, with the stated objective of allowing financial statements to more faithfully portray common, highly effective hedging strategies.

A principal area of focus is hedging a group of forecasted transactions in a cash flow hedge. Under the current guidance, individual forecasted transactions in a group designated under a cash flow hedge are required to have a “shared risk,” which many institutions interpreted to mean “same index.” This threshold has become impractical as lending has migrated to multiple Secured Overnight Financing Rate (SOFR) tenors. The forthcoming ASU will replace “shared risk exposure” with a “similar risk exposure” criterion and clarify that a pool of financial instruments continues to qualify for hedge accounting as long as the designated derivative is highly effective against each risk in the group. Whether a pool of financial instruments share similar risk characteristics must be assessed both at inception and on an ongoing basis. In the conference session, FASB staff emphasized that if a risk within a designated pool ceases to be similar subsequent to inception, the entire hedge would need to be redesignated.

The board also addressed the net written-option test. Post-LIBOR mechanics have caused otherwise sound “swap-plus-floor” structures to fail the test solely because the loan and swap reference different derivations of SOFR or reset on slightly different dates. Rather than eliminate the test, the proposal would allow simplifying assumptions, limited to cash flow hedges of interest-rate risk in which the hedging instrument is a combination of a written option and a nonoption derivative (for example, a swap). Entities could assume the loan and swap have matching interest rates if their rates are a

derivation of the same index (for example, daily SOFR and term SOFR). In addition, entities could assume that the timing of the cash flows match if they are within the same 31-day period or fiscal month. The relief does not extend to combinations of options or to foreign currency hedges.

Transition will be prospective with early adoption permitted. Importantly, the forthcoming ASU will allow one-time operational relief so that entities may, without de-designation of the hedge, add risks to an existing portfolio, migrate forecasted transactions among pools, and reassign hedging instruments, enabling the designated pools to be realigned under a live hedge or hedging relationship. In the session, panelists indicated an expected effective date for fiscal years beginning after Dec. 15, 2026, for public business entities (PBEs) and one year later for others, with early adoption allowed.

Accounting for government grants

Status: ASU expected to be issued Q4 2025

The FASB panelists discussed the forthcoming ASU on government grants, where no current accounting guidance exists. The board proposed to leverage the accounting framework within International Accounting Standards (IAS) 20, "Accounting for Government Grants and Disclosure of Government Assistance," for government grants and to include targeted improvements to the international guidance. IAS 20 was used as the basis for the proposed ASU as many business entities currently analogize to either this standard or the current U.S. GAAP guidance on government grants for not-for-profit entities.

The board decided that government grants should be defined as transfers of monetary and tangible nonmonetary assets, which would include forgivable loans. Items that are out of scope would include income taxes, any transactions accounted for under Topic 740, below-market loans, and government guarantees.

The forthcoming ASU is expected to provide accommodations for grants that are received in the form of assets, which can be accounted for using the cost accumulation approach or the deferred income approach, or grants that are received in the form of income, which can be accounted for using the deferred income approach.

- **Asset grants, cost accumulation approach.** The amount of the grant is recorded as an adjustment to the asset on the balance sheet, and the grant gets recognized in the income statement in the form of reduced depreciation over the life of the asset. In this method the benefit of the grant lowers expenses over time, although there is no explicit income statement line item disclosed related to the grant.
- **Asset grants, deferred income approach.** The amount of the grant is recorded as deferred income, separate from the asset, which is amortized separately from depreciation on the income statement over the life of the asset. This method creates a clear link between the government support and financial results.
- **Income grants, deferred income approach.** The amounts are initially recorded as deferred income on the balance sheet and are recognized as the related expenses are incurred. This method matches the grant income with the expenses being subsidized.

For PBEs, implementation will be effective for annual periods beginning after Dec. 15, 2028, and one year later for non-PBEs. Early adoption is expected to be permitted for all entities.

Accounting for environmental credit programs (ECPs)

Status: ASU expected to be issued Q4 2025

The forthcoming ASU for ECPs prescribes accounting related to the purchase and sale of environmental credits, as well as the related environmental credit obligations. The panel explained that U.S. GAAP does not currently address transactions in ECPs, which has led to diversity in practice. Following the board's redeliberations concluded at its Aug. 13, 2025, meeting, staff members are drafting a final ASU that will establish a new codification topic devoted to ECPs. The guidance will address the flow of funds for entities that purchase and sell environmental credits and the related environmental credit obligations.

For measurement, the board decided to permit an accounting policy election to subsequently measure noncompliance environmental credits at fair value with changes recognized in earnings, with the

implication that noncompliance credits are those that are probable not to be used to settle an environmental obligation – commonly credits held for sale. For community banks, the discussion signals the need to inventory any exposure to environmental credit purchase and sale activities (including within Treasury or broker-dealer affiliates) and to determine whether a fair value policy by class would better reflect economics or introduce unwanted volatility.

Statement of cash flows – Targeted improvements

Status: Board deliberations ongoing

Cannon commented on the statement of cash flows project. He noted that while the board has been considering this project, it didn't have significant updates at the time of the conference. He also discussed the board's desire to make sure updates are meaningful to investors.

2025 agenda consultation

The FASB decided to undertake an agenda consultation currently, given that the board has made significant progress on the top agenda priorities that came out of the 2021 agenda consultation. Sangiolo noted the FASB also has received feedback from stakeholders on its 2025 agenda consultation, and that feedback will inform the board on what projects it will take on next. As part of the agenda consultation process, the FASB received 129 responses from stakeholders including investors, preparers, practitioners, trade groups, and others. The stakeholders also represented a variety of industries.

Preparers and trade groups in the banking industry identified three top priorities:

- Risk management and hedging
- Transfers and servicing of financial assets
- Accounting for commodities

Cannon commented on the variety of priorities provided in the agenda consultation. He noted that the responses come from a variety of industries; however, relative to banks specifically, a common view is that disclosure revisions should be focused on improvement of disclosures, which might or might not require an increase in volume of disclosures. As an example, he referenced how recent ASUs allowed banks to use information that was already collected and publicly available. Cannon also noted other disclosures, such as those related to hedging, that might not be helpful to users because they lack context on the reporting entity's overall hedging strategies, and improvements could be provided for enhanced, rather than more voluminous, disclosure.

The next steps in the agenda consultation process are for the board to begin to analyze the provided feedback and make changes and additions to its technical and research agendas, driven by the board's agenda criteria. In 2026, the FASB staff will issue an agenda consultation report that summarizes the stakeholder feedback received from the agenda consultation and how that feedback has influenced the board's research and technical agendas.

Research agenda

In addition to the statement of cash flows improvements, the panel discussed topics on the FASB's research agenda including a research project on hedge accounting added by the chair, with the goal of modernizing the hedge accounting model. Speakers commented that the hedge accounting model being used today was developed in the 1990s, when the use of derivatives was designed to be on a limited basis. Cahill mentioned that investors frequently need supplemental resources outside of a company's GAAP financial statements in order to understand an entity's balance sheet strategies. The board plans to issue a preliminary views document, which is a board document requiring board approval rather than a staff document and is more detailed than an invitation to comment.

Other relevant projects on the board's research agenda include the following:

- A research project on digital assets, which was added in response to feedback received on the board's agenda consultation. The project would explore targeted improvements to the accounting for and disclosure of certain digital assets and related transactions, including whether certain payment digital assets are cash equivalents and the accounting for certain digital asset transfers such as crypto lending.

- A project to consider how a potential fair value option could be applied to commodities inventory, with a noteworthy challenge being how to define the scope of commodities in a way that wouldn't have unintended consequences for various industries.
- A project to address derivative modifications.

SEC updates

Office of the Chief Accountant (OCA)

Staff from the SEC's OCA described current priorities and how the SEC supports high-quality, decision-useful reporting. Themes included close oversight of accounting and auditing standard-setting authorities, attention to emerging areas such as digital assets, and coordination with other regulators and international bodies. Kurt Hohl, the SEC's chief accountant, also referenced work underway to improve the readability of disclosures and to reassess certain filer and offering frameworks in service of capital formation.

Related to accounting standard-setting, OCA staff emphasized three activities: overseeing the FASB and the PCAOB, monitoring legislation, and responding to pre-filing consultations. Gaurav Hiranandani, senior associate chief accountant, noted the SEC's belief that "accounting is not a barrier to innovation" and described crypto-related fact patterns including staking and decentralized finance that might require careful application of existing guidance.

As part of the work to address novel fact patterns and how those can affect the outcome of consultations, OCA staff described a recent pre-clearance whereby the staff considered a fact pattern related to digital assets and cash-equivalent classification. The pre-clearance resulted in the staff not objecting to a registrant classifying a U.S. dollar-pegged payment stablecoin, which is a stablecoin designed to maintain a 1:1 value with the U.S. dollar, as a cash equivalent, but only under the narrow facts and circumstances of that case. The discussion underscored that outcomes are fact-specific and that other fact patterns might not yield the same conclusion.

On the topic of AI, Hohl and Hiranandani encouraged responsible adoption of AI while maintaining robust disclosure controls and auditability. They said that AI may assist analyses but may not substitute for management's judgment or create an evidentiary gap for auditors. The OCA is actively gathering input on how AI changes financial reporting, internal controls, and the nature of audit evidence.

Staff also discussed the OCA's oversight of the PCAOB. Hohl characterized audit quality as "a cornerstone to our capital markets ecosystem" and described engagement with the PCAOB on the transparency and timeliness of standard-setting and on aligning inspections and quality control expectations with today's environment. He highlighted outreach beyond audit firms, including to preparers and audit committees, so that the SEC can understand the implications of proposed auditing standards from the perspective of all stakeholders, and he encouraged continued coordination with international standard-setters to reduce unnecessary divergence.

Hohl also referenced potential rulemaking initiatives intended to simplify or rationalize disclosure practices and to make it easier for companies to access the public markets (for example, shelf registration and filer status topics). He also commented on concerns around global standard-setting governance and funding, noting the commission's interest in ensuring that reporting frameworks used in U.S. markets remain high quality.

Finally, OCA staff underscored the value of early engagement with the staff. Hiranandani described the pre-filing consultation process as a practical way to identify complex or novel issues before filing. He also said that timing of an adequate response depends on complexity of the topic and the quality of submissions. Hohl framed the objective of OCA as to "help people get it right the first time." Staff invited registrants, auditors, and audit committees to "pick up the phone," including on evolving topics like bank-fintech arrangements, Treasury market developments, and the use of AI in financial reporting and audit evidence.

Division of Corporation Finance (CorpFin)

Staff from the SEC's CorpFin outlined recurring topics of correspondence with issuers: the adequacy of lending disclosures (including information about credit enhancements in fintech programs) as well as the need for consistency between the level of detail shared in earnings materials (for example, Form 8-K releases and investor presentations) and what appears in Form 10-K and Form 10-Q.

Related to loan disclosures, staff described the types of information that help investors understand exposure and risk management where concentrations are material. Examples include disaggregated portfolio data and context around the nature and quality of collateral, underwriting standards, and scheduled maturities with related repricing risk. Staff also noted that some commenters have sought expanded explanations for period-over-period movements in required credit quality ratios under Item 1405 of Regulation S-K.

Within lending disclosures, the staff highlighted gaps observed in certain consumer fintech arrangements. Staff noted that several banks filed Form 8-Ks to announce restatements in this area, which staff described as the number one restatement category for banks over the past year. In reviewing disclosures, staff members noted that they frequently see limited detail on key terms including "the existence of credit enhancements or even the dollar amount of loans subject to the program" despite effects that, once corrected, had an impact on interest income, provision for credit losses, and other financial statement line items. Staff encouraged registrants to reassess accounting policies, management's discussion and analysis (including any critical accounting estimates), and internal controls for these nonroutine programs.

Speakers also addressed consistency across reporting and disclosure channels. CorpFin indicated that information emphasized in earnings materials, including disaggregated or risk-focused data, also should be evaluated for inclusion in periodic reports, supported by appropriate controls, to avoid confusing or misleading differences between 8-K communications and Forms 10-K and 10-Q.

Finally, the staff encouraged early and direct interaction during the comment letter process, saying registrants should not only ensure that responses to comment letters fully address all questions but also should feel free to reach out to the staff identified in the comment letter if they have questions. Staff also noted that companies may request extensions through those contacts and that interaction with the SEC might help streamline reviews.

PCAOB updates

Barbara Vanich, chief auditor and director of professional standards at the PCAOB, discussed recent standard-setting activity and offered remarks on implementation of newly effective auditing standards (AS), highlighting certain standards that will affect 2025 bank audits: the new confirmation standard (AS 2310) and the technology amendments to AS 1105 and AS 2301 along with discussion of the quality control standard (QC 1000), which has been deferred one year.

Vanich reminded attendees that AS 2310 is now effective for audits of fiscal years ending on or after June 15, 2025. Key themes include maintaining auditor control, expectations when using intermediaries, use of negative confirmations, and clarifications related to confirming cash and accounts receivable. The PCAOB provides implementation resources, including a staff presentation and a knowledge check to assist auditors in complying with the new standard.

Regarding technology amendments, Vanich noted updates have been made to auditing standards designed for audits using technology-assisted analyses. The amendments clarify responsibilities when a single procedure serves multiple purposes, emphasize evaluating the reliability and appropriate disaggregation of electronic information, stress IT-related controls, and describe auditors' responsibilities when performing tests of details. These amendments apply to audits of issuers beginning after January 2026.

Vanich also discussed the status of delayed standards, particularly QC 1000. The board voted to delay QC 1000's effective date by one year, encouraging firms to coordinate adoption with Statement on

Quality Management Standards (SQMS) 1, "A Firm's System of Quality Management." QC 1000 becomes effective on Dec. 15, 2026, with the first evaluation date as of Sept. 30, 2027. Form QC for this period will be due on Nov. 30, 2027. Vanich pointed practitioners to the PCAOB's implementation page and noted the creation of a Small Firm Resource Group to help smaller firms adopt the standard.

Vanich noted active dialogue among stakeholders about rebalancing the PCAOB's oversight of audit firms toward firms' quality control systems once QC 1000 is in place. Any such recalibration will be a consideration for the next PCAOB board. Similarly, Vanich noted that further action on the proposed audit standard on noncompliance with laws and regulators (NOCLAR) also will be determined by the next board of the PCAOB.

Crowe observation: In July 2025, the SEC designated George R. Botic as acting chair following Erica Y. Williams' departure. The PCAOB's board currently has four members: Botic, Christina Ho, Kara M. Stein, and Anthony C. Thompson, with one vacancy. In late July, SEC Chair Paul S. Atkins opened a formal process to solicit candidates for all five PCAOB seats, including the chair. These developments signal potential directional changes in oversight and priorities.

Turning to inspections, Scott Dennis, associate director in the Division of Registration and Inspections, recapped 2024 inspection activity and shared 2025 priorities. For 2024, the PCAOB inspected about 232 firms and reviewed portions of about 900 audits, with roughly 18% in the financial services sector. Selection focused on areas with elevated financial reporting risks driven by the current economic environment including impairments, ACL, and fraud-prone areas. Additional focus areas for financial institutions included some nontraditional areas such as deposits, debt, and cash and cash equivalents.

Dennis said that inspection findings concentrated in six areas (revenue, inventory, long-lived assets and goodwill, ACL, business combinations, and investments) often are tied to ICFR and estimates. In banking, recurring issues include the following:

- **ACL:** Insufficient testing of significant inputs, assumptions, and sensitivity analyses
- **Fair value of investment securities:** Insufficient procedures or the auditor's evaluation of disconfirming evidence
- **Use of specialists:** Evaluation of the competence, objectivity, and sufficiency of work performed by the specialists
- **ICFR:** Design and operating effectiveness of management review controls, identification of controls over the completeness and accuracy of issuer-prepared data, and evaluation of the effect of identified control deficiencies

Looking ahead, Dennis said the 2025 inspection plan again focuses on selecting areas related to overall business risks including persistent high interest rates, tighter credit, increased inflation, complex estimates, technology changes, and personnel and staffing issues. Dennis noted that the PCAOB intentionally selects more audits of regional banks given commercial real estate exposures affecting both loan and securities portfolios.

He urged heightened professional skepticism over ACL assumptions, valuation of real estate-related assets, and risk assessment of the issuer's liquidity profile when evaluating the classification of investment securities. He also noted the PCAOB's ongoing work to better understand why the average number of critical auditing matters per report has decreased over time.

Artificial intelligence (AI)

Lamont Black, Ph.D., associate professor of finance at DePaul University, CEO and founder of Wide Open Ventures, and a research fellow to the Filene Research Institute, provided a keynote address to participants on the use of AI in financial institutions. Black's presentation was aimed at helping financial institutions reframe AI as a strategic, organizationwide opportunity rather than just a futuristic concept. Black emphasized that for boards, executive teams, and staff, the challenge is no longer *if* AI will affect banking, but *how* institutions will respond.

A new chapter in the history of technology

Black framed AI as the beginning of a new technological era – comparable to past breakthroughs such as the engine during the industrial revolution or the computer in the information age. The rise of large language models and generative AI (GenAI) since 2022 has fundamentally changed expectations for customers, management teams, and boards. Where early use cases focused on tasks such as writing recipes and generating stories, today's conversation centers on enterprise adoption of AI.

Black offered a practical framework for understanding the three dimensions of AI:

- **Machine learning (ML):** ML is a dynamic algorithm that learns and improves over time and is used to process data and make predictions. ML is the primary AI tool currently used in financial institutions, enhancing human capabilities in areas like consumer lending and fraud detection.
- **GenAI:** GenAI augments human work by creating text, images, or analyses – acting as a productivity tool across departments. Instead of only making predictions, generative AI can produce content.
- **Agentic AI:** Humans use agentic AI by assigning tasks to the model, which independently acts as the operator. Agentic AI is not limited to completing assigned tasks; it can make decisions and act on those decisions, raising both efficiency opportunities and governance questions.

Use cases for financial institutions

AI adoption is no longer theoretical. Institutions already are piloting and scaling use cases across internal operations and customer-facing channels. Black offered these examples:

- **Operations:** Automated credit decision-making, fraud detection through pattern recognition, and knowledge-based assistants make internal and external expertise more accessible.
- **Customer experience:** Self-service chatbots, real-time fraud prevention, personalized product recommendations, and digital personalization make interactions feel more human in an increasingly digital environment. For community banks, personalization powered by AI is positioned as essential to maintaining a human connection with customers in a digital-first world, a key differentiator among competitors.

Managing risk and change

Black acknowledged the dual reality of excitement and fear by adopters of AI. He said concerns center around data integrity, bias, hallucinations, and regulatory uncertainty. However, Black cautioned institutions not to let fear stall progress. Instead, AI should be approached as a risk to manage: identifying, governing, and mitigating issues while advancing adoption. Importantly, AI is not just an IT initiative. Successful adoption requires organizational change management, leadership alignment, and integration into the institution's overall strategic plan.

Strategic imperative: An AI road map

The clear message from this year's conference: Every financial institution should have an AI road map. Rather than wait and see, banks and credit unions should proactively define where AI can deliver the greatest value, whether through efficiency, risk management, or enhanced member experience. Strategy must drive tactics, ensuring that AI initiatives support broader institutional goals.

Crowe observation: AI is here to stay. Institutions that embrace it thoughtfully – balancing innovation with governance – will be best positioned to remain relevant, resilient, and competitive in the future.

Digital assets and stablecoins

Stablecoins, which are digital tokens designed to maintain a stable value and generally pegged to the U.S. dollar or another underlying asset, were another headline topic at this year's conference. With

federal legislation permitting and encouraging the use of stablecoins and financial institutions beginning pilots, the conversation has shifted from “what are stablecoins?” to “how will stablecoins affect banking?”

Unlike other cryptocurrencies, stablecoins are not intended to change in value. Instead, they serve as a digital representation of fiat currency and are custodied on blockchain networks. Potential benefits of stablecoins include near-instant settlement, low transfer costs, and the ability to streamline workflows such as collateral calls or cross-border transactions. Today, the global market capitalization for stablecoins is approximately \$250 billion, with rising activity in financial institutions and growing interest from nonfinancial corporations.

Legislative clarity: The GENIUS Act

A key turning point in 2025 was the signing of the GENIUS Act into law. The GENIUS Act is one of the first pieces of federal legislation focused specifically on payment stablecoins. The act prohibits issuers from marketing stablecoins as insured deposits or legal tender, and it bars issuers from paying interest on these assets unless the stablecoins are registered as securities. It also requires monthly disclosures of reserve assets, adherence to anti-money laundering and know-your-customer (KYC) rules, and restrictions on transfers to noncompliant addresses or digital wallets that have not gone through the stablecoin issuer’s KYC process. These provisions, combined with frameworks from regulatory agencies and the AICPA, are setting a foundation of trust and transparency that financial institutions have been waiting for.

Use cases and business impact

The strongest near-term use cases highlighted at the conference were business-to-business (B2B) payments and cross-border transactions, where stablecoins can reduce cost and settlement time compared to traditional methods. For consumers, adoption remains limited – retail payments with stablecoins lack rewards programs and acceptance infrastructure. However, in countries with high inflation of local currency or limited access to U.S. dollars, stablecoins already provide a valuable tool for preserving value.

From a banking perspective, stablecoins are unlikely to replace traditional banking deposits but might reshape the flow of liquidity and certain payment models. Credit card issuers, for example, see minimal immediate disruption to consumer payments, but they are investing in stablecoin-enabled B2B solutions.

Accounting considerations

Accounting for stablecoins requires careful analysis of the facts and circumstances to arrive at appropriate accounting conclusions. For coin issuers, stablecoins are typically recorded as noninterest-bearing demand deposit liabilities, with income derived from reserve asset investments. Holders may, in some circumstances, classify stablecoins as cash or cash equivalents, but this depends on redemption rights and contractual terms. The AICPA, standard-setters, and regulatory agencies are converging on reporting standards, such as disclosing outstanding token obligations, smart contract addresses, and reserve asset details, to provide transparency.

Strategic outlook

Speakers emphasized that stablecoins are likely to be concentrated in a handful of large coin issuers. While the U.S. leads in stablecoin-specific regulation, other countries are further ahead on broader digital asset frameworks, creating a competitive global environment. For U.S. financial institutions, the opportunity lies not in building their own stablecoins but in partnering through consortiums, leveraging vendors, and exploring use cases aligned with payments, Treasury, and liquidity management.

Crowe observation: Stablecoins are moving into regulated financial infrastructure. Institutions should begin exploring how stablecoins could fit into payment strategies, cross-border operations, and client services – while monitoring evolving accounting, audit, and regulatory requirements.

Fintech relationships

Fintech relationships continued to be a widely discussed topic at this year's conference, with a focus on evolving partnership models, accounting complexities, financial reporting concerns, and regulatory observations. Fintech partnerships discussed typically involve arrangements where banks collaborate with nonbank technology providers (fintechs) to offer financial products, particularly consumer and small-business loans, using fintech platforms to source and process applications digitally. In many cases, banks maintain control over underwriting and funding, often receiving some form of credit enhancement from fintech partners to mitigate elevated credit risk commonly associated with these loans.

Speakers noted that these arrangements have gained popularity by enabling banks to access new customer segments efficiently and expand their lending footprint without the need for extensive in-house infrastructure. Panelists at numerous sessions discussed accounting considerations related to these arrangements.

At the session on community bank financial reporting hot topics, panelists described two common ways banks engage with fintechs. One is direct lending or warehouse funding extended to the fintech itself. The other involves the fintech marketing to and onboarding customers and then delivering completed applications to a bank that retains underwriting control and books the loans. Speakers said that because these programs often target segments where the bank has limited loss history, fintechs frequently offer credit enhancements to induce the bank to participate.

Panelists reminded participants that the appropriate accounting is determined based on how the embedded credit enhancements are structured. Panelists explained that in certain arrangements, credit support from the fintech is negotiated as part of the overall arrangement and is not separable from the lending, which must be evaluated when determining whether the credit enhancement is a freestanding instrument accounting or a guarantee considered within the ACL. Panelists also underscored the practical need to evaluate the fintech's capacity to perform under that support before taking credit for it.

Panelists described common pitfalls observed in bank-fintech programs, including role clarity. They discussed the importance of ensuring that all parties understand roles and responsibilities of participants in the partnership. In addition, they noted that many fintechs have hockey stick-like growth projections that might outstrip a bank partner's risk appetite, funding capacity, or operational readiness. Panelists added that sale accounting conclusions can be undermined if documentation around legal isolation is incomplete.

When polled, most participants at the community bank financial reporting session indicated they either had no current plans to explore fintech relationships or were currently not interested, with about one in five indicating they were either somewhat or very interested.

Many of the views of banking agency chief accountants and other speakers from regulatory bodies at the conference pointed to known risk areas in these partnerships, especially resource and expertise constraints at banks, and emphasized not overlooking the accounting and reporting complexities when managing third-party relationships.

SEC Associate Chief Accountant Stephanie Sullivan, CorpFin, noted that fintech accounting conclusions are a leading area of restatements observed by CorpFin. She linked incorrect accounting conclusions to the complexity of these arrangements, as often the accounting involves the evaluation of multiple contracts and results in accounting conclusions focused on credit losses, interest income, sales accounting, unit of account, credit enhancements, derivatives, fair value, and related disclosures.

From a financial reporting lens, Sullivan said CorpFin staff often encounter disclosure about the terms of these programs and affiliated policies lacking until a restatement requires more detail. Sullivan highlighted limited disclosure in the space including dollar size of the arrangements as well as the existence of the enhancements themselves. She said this might be because the bank felt the lending agreements and resulting loan volume were not material to the bank, probably from a balance sheet perspective to total assets or total loans. However, relationships can become more material when

income statement effects are considered. After restatements, banks typically expand accounting policy narratives, enhance credit quality and trend discussions, and, in some cases, have auditors that identify credit enhancement accounting as a critical audit matter. Sullivan also noted that the volume of restatements observed indicates a high level of accounting complexity and offered considerations to preparers on the level of disclosures in public filings. Certain questions preparers and auditors involved in these types of transactions should consider include:

- Are accounting policy disclosures sufficient, and do they meet the definition of a critical accounting estimate?
- Do the loan terms have unique features that need to be separately described, such as loans with promotional periods?
- Do the credit quality indicators convey the appropriate credit indicators for these portfolios?
- Do the risk factor disclosures highlight all the risks related to these programs?
- Does the bank maintain effective ICFR related to these arrangements?

Hiranandani, Senior Associate Chief Accountant, SEC encouraged outreach to the OCA on fintech matters, highlighting that this is a place where the consultation process can be helpful.

OCC Comptroller Gould addressed concerns surrounding the long-term viability of banks as vehicles for innovation in response to a question on the OCC's position on fintechs and banks. He said that he is focused on providing as many paths as possible for banks to innovate to ensure their viability and relevance in the overall financial ecosystem. Gould expressed his belief that many times in the past regulators focused on the risk of financial innovation rather than collaborating with banks to innovate in a safe and sound manner. On the federal banking agencies' chief accountants panel, representatives from both the Fed (Lylozian) and the FDIC (Jonasson) said their offices have not received a significant amount of accounting inquiries on bank-fintech arrangements. Lylozian further noted that some questions might instead be flowing through the Office of Financial Technology within the OCC.

Crowe observation: While fintech relationships continue to open distribution and product opportunities for banks, they introduce technical accounting questions that span recognition, measurement, controls, and disclosure. The observed level restatements and complex issues panelists described suggest preparers in this area need further focus to ensure proper accounting and disclosure.

Crowe recently published an article, "Accounting for Credit Enhancements in Loan Structures," that highlights some of the key concepts to consider.

Crowe has a Take Into Account hub that houses all of our external accounting and financial reporting thought leadership. We encourage you to sign up for real-time alerts, which can be tailored to your interests.

Learn more

Sydney Garmong
Partner, National Office
+1 202 779 9911
sydney.garmong@crowe.com

JP Shelly
Partner, Audit & Assurance
+1 202 509 8154
jp.shelly@crowe.com

Shawn Lancaster
Audit & Assurance
+1 346 308 8524
shawn.lancaster@crowe.com

Joel McLeod
Audit & Assurance
+1 714 668 5345
joel.mcleod@crowe.com

Ryan Peebles
Audit & Assurance
+1 617 226 0867
ryan.peebles@crowe.com

Sally Tonini
Audit & Assurance
+1 502 420 4598
sally.tonini@crowe.com

Megan Rangen, Marianne Wade, Rick Anderson, and Sarah Paxton also contributed to this article.

Portions of AICPA materials reprinted with permission. Copyright 2025 by AICPA.

FASB materials reprinted with permission. Copyright 2025 by Financial Accounting Foundation, Norwalk, Connecticut. Copyright 1974-1980 by American Institute of Certified Public Accountants.

"Crowe" is the brand name under which the member firms of Crowe Global operate and provide professional services, and those firms together form the Crowe Global network of independent audit, tax, and consulting firms. "Crowe" may be used to refer to individual firms, to several such firms, or to all firms within the Crowe Global network. Crowe Cayman Ltd., C3 India Delivery Centre LLP (formerly known as Crowe Horwath IT Services LLP), and ITR Economics LLC are subsidiaries of Crowe LLP. Crowe LLP is an Indiana limited liability partnership and the U.S. member firm of Crowe Global. Services to clients are provided by the individual member firms of Crowe Global, but Crowe Global itself is a Swiss entity that does not provide services to clients. Each member firm is a separate legal entity responsible only for its own acts and omissions and not those of any other Crowe Global network firm or other party. Visit www.crowe.com/disclosure for more information about Crowe LLP, its subsidiaries, and Crowe Global.

The information in this document is not – and is not intended to be – audit, tax, accounting, advisory, risk, performance, consulting, business, financial, investment, legal, or other professional advice, and should not be relied upon as such. Some firm services may not be available to attest clients. The information is general in nature, based on existing authorities, and is subject to change. The information is not a substitute for professional advice or services, and you should consult a qualified professional adviser before taking any action based on the information. Crowe is not responsible for any loss incurred by any person who relies on the information discussed in this document. © 2025 Crowe LLP.

TACT2487400