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Accounting, financial reporting, and regulatory developments

SECOND QUARTER 2026

This update highlights some of the more important 2026 second quarter accounting, financial reporting, and regulatory developments that may impact both public and private companies. The content is not meant to be all-inclusive.

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Accounting guidance

Accounting guidance issued in second quarter 2026

ASU 2026-01, *Equity (Topic 505): Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock* was issued to provide guidance on how entities measure paid-in-kind (PIK) dividends. Previously, there was no authoritative guidance that addressed how an entity should measure PIK dividends, which resulted in diversity in practice. This ASU addresses that by establishing a single measurement approach, requiring entities to measure PIK dividends based on the stated dividend rate in the preferred stock agreement. The new guidance will be effective for all entities for annual periods beginning after Dec. 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption of the ASU is permitted. Entities are permitted to apply the amendments in this ASU either (1) on a prospective basis or (2) on a modified retrospective basis for equity-classified preferred stock instruments that are outstanding as of the initial application date.

ASU 2026-02, *Environmental Credits and Environmental Credit Obligations (Topic 818)*, establishes a new topic in the Accounting Standards Codification that provides comprehensive financial reporting and disclosure guidance for environmental credits and environmental credit obligations. The update addresses the absence of guidance in this area and introduces an intent-based accounting model. Under Topic 818, an entity shall recognize environmental credits as assets when it's probable that the credits will be used to settle an environmental credit obligation, transferred in an exchange transaction, or used in a nonreciprocal transfer. The guidance requires entities to expense costs associated with environmental credits that don't meet these requirements when incurred.

Environmental credits are initially measured based on how they're obtained. Credits that are internally generated or received through a grant from a regulator are measured at transaction costs incurred to obtain the credits. Environmental credits acquired in a transaction initially measured following the requirements of another topic should be measured based on the guidance within that topic. All other credits are measured at cost using the asset acquisition guidance in ASC 805-50.

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Subsequent measurement depends on the intended use of the credits. Credits that are probable of being used to settle environmental credit obligations (compliance environmental credits) are measured at cost and aren't subsequently remeasured or tested for impairment. All other credits (noncompliance environmental credits) are measured at cost less impairment, with impairment evaluated at each reporting date and recognized when carrying value exceeds fair value. For eligible noncompliance credits, entities may elect an accounting policy to measure those credits at fair value, with changes recognized in earnings.

The ASU also requires entities to recognize environmental credit obligations liabilities when there is an enforceable obligation resulting from a regulatory compliance program to prevent, control, reduce, or remove emissions or other pollution, and that obligation may be settled with environmental credits. Environmental credit obligations are measured using a funded and unfunded approach. The funded portion is measured using the carrying amount of compliance environmental credits on hand that are expected to be used to settle the obligation. The unfunded portion is measured at the fair value of environmental credits required to settle the obligation at the reporting date, unless certain exceptions are met. At each reporting date, the obligation is remeasured using this same framework, with changes recognized in earnings (or capitalized as appropriate under other applicable guidance).

The ASU also requires enhanced disclosures to provide transparency into an entity's environmental credit activities and environmental credit obligations, including both qualitative and quantitative disclosures. The guidance will be effective for public business entities for interim reporting periods within annual reporting periods beginning after Dec. 15, 2027. The guidance will be effective for entities other than public business entities for reporting periods beginning after Dec. 15, 2028. Early adoption is permitted for all entities.

Regulatory update

SEC proposes transformative reforms to help public companies conduct registered offerings and simplify reporting requirements

The Securities and Exchange Commission (SEC) **proposed amendments** to its rules and forms governing registered offerings that are designed to increase efficiency, flexibility, and cost savings for public companies while maintaining robust investor protections. The SEC also proposed rule amendments to simplify its public company reporting framework and better calibrate disclosure obligations with a company's size and maturity.

The dynamic public securities markets of the United States offer benefits to issuers and investors alike. Issuers can raise capital through the public markets on more favorable terms as compared to private markets, and investors benefit from the increased transparency and liquidity provided by the public markets.

However, compounding regulatory requirements over recent decades have corresponded with a decrease in the number of public companies. The proposed amendments — together with the recently proposed optionality for semiannual interim reporting and other forthcoming rule proposals — represent important steps toward incentivizing companies to go and stay public.

Registered offering reform

The registered offering reform proposal, if adopted, would be the most significant modernization of the registered offering framework in more than 20 years. Under the proposal:

- *A greater number of public companies would be able to conduct shelf offerings, which allow quicker access to the public capital markets, regardless of the company's public float.*
- *More public companies would be able to utilize certain registration and offering communication flexibilities that currently are reserved for companies with a large public float defined as "well-known seasoned issuers."*
- *Broker-dealers would be able to provide research report coverage for a greater number of public companies.*
- *State securities law registration and qualification requirements would be preempted for all registered offerings, which would mitigate the costs and complexity of conducting a multistate registered offering.*

- *Parity between certain Form N-2 filers and operating companies across registration, offering, and communication provisions would be maintained, and access to broad-based advertising for certain nonvariable annuity insurance products would be expanded.*
- *Other aspects of the registration process would be streamlined, such as the ability to incorporate information by reference into Form S-1.*

Filer status and emerging growth company accommodations reform

The proposed amendments would extend disclosure scaling and other accommodations currently utilized by smaller or emerging companies to approximately 81% of all current public companies. New public companies would enjoy these accommodations for a minimum of five years. The smallest public companies also would have additional time to file their annual and other periodic reports.

- *The proposed rule amendments notably would raise the threshold for a public company to become a large accelerated filer from $700 million to $2 billion. A company wouldn't become a large accelerated filer for at least 60 months following its IPO regardless of its public float, effectively providing it an "IPO on-ramp" to stabilize and grow while benefiting from disclosure scaling and other accommodations.*
- *All other public companies would be categorized as nonaccelerated filers and would benefit from nearly all disclosure scaling and other accommodations currently available to smaller and emerging companies. All nonaccelerated filers would also be exempt from the requirement to obtain an auditor's attestation on their internal control over financial reporting.*
- *In addition, the proposed rules would establish a subcategory of small nonaccelerated filers that would receive an additional 30 days to file their Form 10-K annual reports and an additional five days to file their Form 10-Q quarterly reports. This change is intended to meaningfully reduce the reporting costs for this category of companies, which represent the smallest 18% of public companies by assets.*

The public comment period for both proposals will remain open for 60 days, following publication of the proposing releases in the Federal Register.

SEC and CFTC jointly propose amendments to reduce private fund reporting burdens

The SEC and the Commodity Futures Trading Commission (CFTC) jointly proposed amendments to reduce private fund reporting burdens while enabling the continued collection of necessary and appropriate information. The agencies proposed to amend Form PF, the confidential reporting form for certain SEC-registered investment advisers to private funds, including those that also are registered with the CFTC as commodity pool operators or commodity trading advisors. Form PF collects information designed to facilitate the Financial Stability Oversight Council's (FSOC) monitoring of systemic risk in the financial markets. The SEC and CFTC use the information collected on Form PF in their investor protection efforts.

The proposed amendments would eliminate filing requirements for smaller advisers, who represent almost half of the advisers currently required to file Form PF, by raising the filing threshold from $150 million in private fund assets under management to $1 billion. The proposal would also raise the exposure reporting threshold for “large” hedge fund advisers from $1.5 billion in hedge fund assets under management to $10 billion. Form PF would continue to obtain information on over 90% of private fund gross assets and require detailed exposure information for funds managed by large hedge fund managers. In addition, the proposed amendments to Form PF would enable a method to identify funds that are active in the private credit market.

In addition to amending these thresholds, the proposal would eliminate or streamline many Form PF requirements, significantly reducing burdens for advisers required to file Form PF.

The proposal requests comments on all the proposed amendments. The proposing release for the amendments will be published in the Federal Register, and the public comment period will remain open until 60 days after publication in the Federal Register.

SEC proposes amendments to permit optional semiannual reporting by public companies

The SEC proposed rule and form amendments that would give public companies the option of filing semiannual reports in lieu of quarterly reports to meet their interim reporting obligations under the federal securities laws.

Public companies, subject to Exchange Act Section 13(a) or 15(d), are currently required to file quarterly reports on Form 10-Q. The proposed amendments, if adopted, would allow these public companies to elect to file semiannual reports on new Form 10-S instead of quarterly reports on Form 10-Q. As a result, companies that elect to file semiannual reports would file one semiannual report and one annual report for each fiscal year in lieu of three quarterly reports and one annual report. The flexibility provided under proposed amendments would enable public companies to choose the interim reporting frequency that would best serve the company and its investors.

Under the proposal, the filing deadline for semiannual reports on Form 10-S would be 40 or 45 days, depending on the company’s filer status, after the end of the first semiannual period of the fiscal year. The proposal also would amend Regulation S-X, which governs the financial statement requirements for periodic reports, registration statements, and proxy statements, to reflect the new semiannual reporting option and simplify the existing financial statement requirements.

The proposing release will be published on SEC.gov and in the Federal Register. The public comment period will remain open until 60 days after the date of publication of the proposing release in the Federal Register.

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Standards adoption

Standards issued in 2026

Final ASU	Early adoption	Effective date
ASU 2026-02: *Environmental Credits and Environmental Credit Obligations (Topic 818)*	Yes	**Public:** Annual periods beginning after Dec. 15, 2027, including interim periods within those fiscal years. **Nonpublic:** Annual periods beginning after Dec. 15, 2028, including interim periods within those fiscal years.
ASU 2026-01: Equity (Topic 505): *Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.

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Standards issued in prior years effective 2026 or after

Final ASU	Early adoption	Effective date
ASU 2025-12: *Codification Improvements*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.
ASU 2025-11: *Interim Reporting (Topic 270): Narrow Scope Improvements*	Yes	**Public:** Annual periods beginning after Dec. 15, 2027, including interim periods within those fiscal years. **Nonpublic:** Annual periods beginning after Dec. 15, 2028, including interim periods within those fiscal years.
ASU 2025-10: *Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*	Yes	**Public:** Annual periods beginning after Dec. 15, 2028, including interim periods within those fiscal years. **Nonpublic:** Annual periods beginning after Dec. 15, 2029, including interim periods within those fiscal years.
ASU 2025-09: *Derivatives and Hedging (Topic 815): Hedge Accounting Improvements*	Yes	**Public:** Annual periods beginning after Dec. 15, 2026, including interim periods within those fiscal years. **Nonpublic:** Annual periods beginning after Dec. 15, 2027, including interim periods within those fiscal years.
ASU 2025-08: *Financial Instruments-Credit Losses (Topic 326): Purchased Loans*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.
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*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.
ASU 2025-06: *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2027, and interim periods in within those annual reporting periods.
ASU 2025-05: *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2025, and interim periods in within those annual reporting periods.
ASU 2025-04: *Compensation — Stock Compensation (Topic 718) and Revenue from Contracts with Customer (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.
ASU 2025-03: *Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in within those annual reporting periods.

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Final ASU	Early adoption	Effective date
ASU 2025-02: *Liabilities (405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122*	Yes	The amendments in this update are effective immediately and on a fully retrospective basis to annual periods beginning after Dec. 15, 2024.
ASU 2025-01: *Income Statement — Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in annual periods beginning after Dec. 15, 2027.
ASU 2024-04: *Debt — Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2025, including interim periods within those fiscal years. Early adoption is permitted for all entities that have adopted the amendments in Update 2020-06.
ASU 2024-03: *Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expense*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2026, and interim periods in annual periods beginning after Dec. 15, 2027.[1]
ASU 2024-02: *Codification Improvements — Amendments to Remove References to the Concepts Statements*	Yes	**Public:** Annual periods beginning after Dec. 15, 2024, including interim periods within those fiscal years.** **Nonpublic:** Annual periods beginning after Dec. 15, 2025, including interim periods within those fiscal years.
ASU 2024-01: *Compensation — Stock Compensation (Topic 718) — Scope Application of Profits Interests and Similar Awards*	Yes	**Public:** Annual periods beginning after Dec. 15, 2024, including interim periods within those fiscal years.** **Nonpublic:** Annual periods beginning after Dec. 15, 2025, including interim periods within those fiscal years.
ASU 2023-09: *Income Taxes (Topic 740) — Improvements to Income Tax Disclosures*	Yes	**Public:** Annual periods beginning after Dec. 15, 2024.** **Nonpublic:** Annual periods years beginning after Dec. 15, 2025.
ASU 2023-08: *Intangibles — Goodwill and Other — Crypto Assets (Subtopic 350-60) — Accounting for and Disclosure of Crypto Assets*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2024, including interim periods within those fiscal years.*,**
ASU 2023-07: *Segment Reporting (Topic 280) — Improvements to Reportable Segment Disclosures*	Yes	Effective for all entities that are required or elect to disclose segment information for fiscal years beginning after Dec. 15, 2023, and interim periods beginning in fiscal years beginning after Dec. 15, 2024.*,**
ASU 2023-06: *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*	No	**SEC registrants or other entities subject to SEC disclosure requirements:** Effective date based on date on which the SEC removes the related disclosure from Regulation S-X or Regulation S-K. **All other entities:** The amendments will be effective two years after the effective date for entities following the SEC disclosure requirements.

[1] *The interim effective date reflects the clarification made in ASU 2025-01, Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40) — Clarifying the Effective Date.*

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Final ASU	Early adoption	Effective date
ASU 2023-05: *Business Combinations — Joint Venture Formations (Subtopic 805-60) — Recognition and Initial Measurement*	Yes	Effective for all joint ventures with a formation date on or after Jan. 1, 2025.**
ASU 2023-02: *Investments — Equity Method and Joint Ventures (Topic 323) — Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*	Yes	**Public:** Fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years. **Nonpublic:** Fiscal years beginning after Dec. 15, 2024, and interim periods within those fiscal years.*
ASU 2022-05: *Financial Services — Insurance (Topic 944) — Transition for Sold Contracts*	Yes	**SEC registrants (excluding entities that qualify as SRCs):** Fiscal years beginning after Dec. 15, 2022, including interim periods within those fiscal years. **All other entities:** Fiscal years beginning after Dec. 15, 2024, and interim periods beginning in fiscal years beginning after Dec. 15, 2025.**
ASU 2022-03: *Fair Value Measurement (Topic 820) — Fair Value Measurement of Equity Securities Subject to Contractual Sales Restrictions*	Yes	**Public:** Fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years. **Nonpublic:** Fiscal years beginning after Dec. 15, 2024, and interim periods within those fiscal years.*
ASU 2020-11: *Financial Services — Insurance (Topic 944): Effective Date and Early Adoption*	Yes	**SEC registrants (excluding entities that qualify as SRCs):** Fiscal years beginning after Dec. 15, 2022, including interim periods within those fiscal years. **All other entities:** Fiscal years beginning after Dec. 15, 2024, and interim periods beginning in fiscal years beginning after Dec. 15, 2025.**
ASU 2018-12: *Financial Services — Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*	Yes	**SEC registrants (excluding entities eligible to be SRCs):** Fiscal years beginning after Dec. 15, 2022, and interim periods within those fiscal years. **All other entities:** Fiscal years beginning after Dec. 15, 2024, and interim periods beginning after Dec. 15, 2025.**

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