



# Q3 2024 Quarterly Outlook

Financial Reporting View webcast series

—  
September 2024



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# KPMG presenters



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## For more info

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[www.execed.kpmg.com](http://www.execed.kpmg.com)

# Agenda



**01** | Regulatory Insights for 2025



**02** | SEC developments



**03** | Sustainability reporting update



**04** | FASB standard-setting update



**05** | PCAOB developments of interest to audit committees

**01**

**Regulatory  
Insights  
for 2025**

# Regulatory intensity at a glance

## Enforcement

**\$5 billion**

in financial remedies,  
**2nd greatest amount**  
in SEC history



[SEC Speaks 2024](#)

**The largest**

settlement in history:

**\$4.3 billion**

across DOJ, CFTC, FinCEN and  
OFAC for AML/sanctions compliance

[U.S. Treasury](#)



**1st time ever**

CFPB employs  
technologists in  
enforcement



[CFPB blog,](#)  
[Jan. 29, 2024](#)

[SEC Speaks: Recap of 2023 Actions](#)  
[Heightened Risk Standards: Focus on AML/BSA](#)

## Consumer Voice

**\$10 billion**

in FTC consumer  
fraud losses, the  
highest on record  
and a **14%**  
**increase YoY**



FTC consumer complaints  
categorized in 3 main groups:

**Fraud (48%)**  
**Identity theft (19%)**  
**Other scams (34%)**

[FTC, Data](#)  
[Book 2023](#)

[Fraud, Identity Theft, and Other Scams](#)  
[Consumer Complaints: CFPB Analysis of 2023](#)

## Supervision

Increasing number of **supervisory findings** (e.g.,  
MRAs) for institutions of all sizes, including:

- Liquidity and interest rate risk management
- Operational resilience
- Cybersecurity
- BSA/AML compliance



**2/3**

of large financial institutions had **supervisory findings** related to governance and controls, while...

**1/3**

of large financial institutions had **satisfactory ratings across all three ratings components** (capital, liquidity, governance).



[Federal Reserve, 2023 Supervision and Regulation Report](#)

[Heightened Risk Standards: Focus on AML/BSA](#)  
[FRB Reports: Supervision and Regulation: Financial Stability](#)

## Rulemaking

**90,402**

pages in the Federal Register at  
the end of 2023.

**2nd highest**

gross page count  
in its history.



[Forbes, Dec. 29, 2023](#)

[Regulatory Alerts](#)  
[The 'Empowerment' of State Law and Regulation](#)

## Staffing

Agencies with the largest  
number of **proposed personnel hirings** in FY 2025:

**DHS** (11,200)

**Treasury** (7,800)

**DOJ** (3,500)

[Government Executive, Mar. 13, 2024](#)

# 2025: The year of regulatory shift

## Potential 2025 regulatory activity

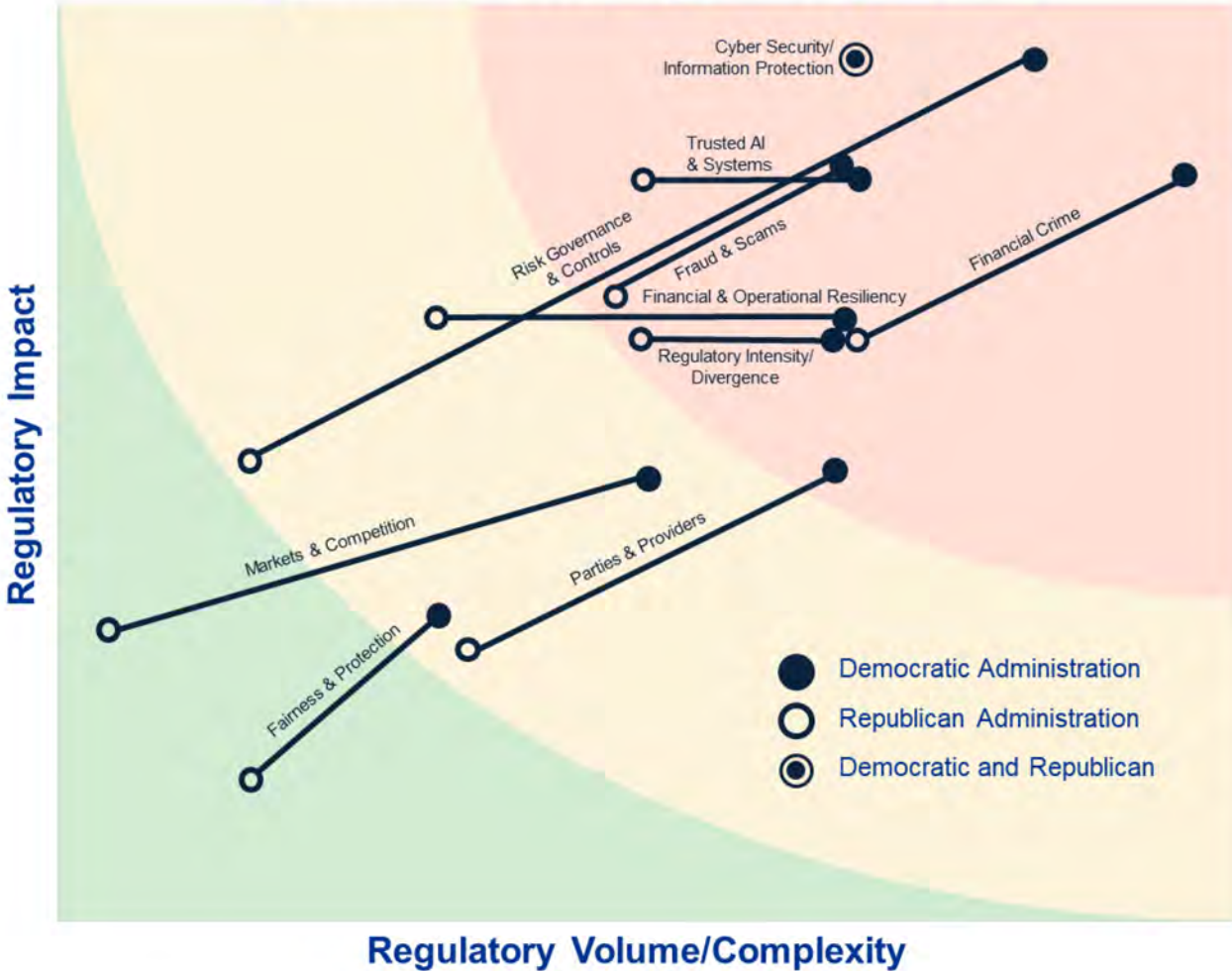
Regulatory area	Democratic administration	Republican administration	Legal activity	State activity
Cybersecurity/Information Protection	●	○	↔	↑
Trusted AI & Systems	●	○	↔	↑
Regulatory Intensity/Divergence	●	○	↑	↑
Fraud & Scams	●	○	↔	↑
Fairness & Protection	●	○	↓	↑
Financial & Operational Resiliency	●	○	↔	↔
Financial Crime	●	○	↔	↔
Parties & Providers	●	○	↔	↑
Markets & Competition	●	○	↓	↔
Risk Governance & Controls	●	○	↓	↔

Legend	Decreased regulatory activity	● ○ ↓
	Neutral	● ○ ↔
	Increased regulatory activity	● ○ ↑



# 2025: The year of regulatory shift

Potential 2025 regulatory shifts





# KPMG Regulatory Insights

In case you missed it!



[2025: The Year of Regulatory Shift](#)



[Ten Key Regulatory Challenges of 2024: Mid-year Look Forward](#)

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**02**

**SEC  
developments**

# Segment reporting – SEC clarifications

## Multiple segment performance measures and non-GAAP financial measures

### November 2023

The FASB issued ASU 2023-07, which significantly amends the US GAAP requirements for disclosing segment information (Topic 280).

- One amendment allows entities to disclose multiple measures of a segment's profit or loss in the segment reporting note to the financial statements, under certain conditions.
- Historically, only a single measure that is the closest to GAAP could be disclosed.

Additional reported measures of segment profit or loss not determined in accordance with GAAP are non-GAAP financial measures.

The SEC staff will not object to additional non-GAAP measures of profit or loss being included in the notes to the financial statements if they:

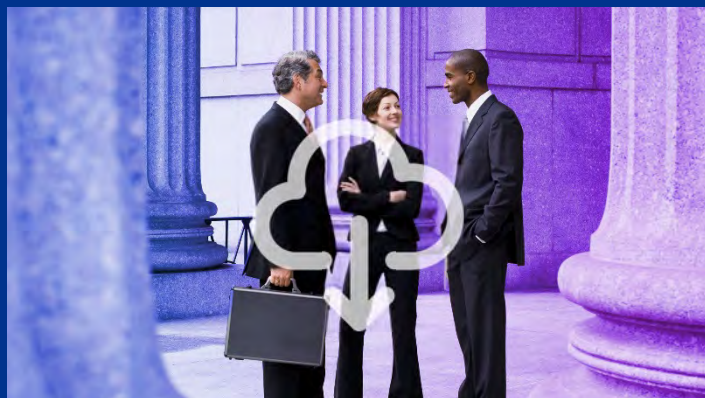
- are regularly reviewed and used by the CODM to allocate resources and assess segment performance; and
- comply with the requirements under both Topic 280 and the SEC's non-GAAP financial measures rules and regulations (Regulation G and Regulation S-K Item 10(e)).

# Segment reporting – SEC clarifications

## Other topics

Topic	Issue	SEC staff views
<b>Single reportable segment entities</b>	Appropriate performance measure for a single reportable segment entity managed on a consolidated basis	<ul style="list-style-type: none"> <li>• Entities managed on a consolidated basis must use consolidated net income as the required measure of segment profit or loss.</li> <li>• Certifying the Form 10-K or 10-Q is simply one data point indicating that the certifying officer receives and reviews consolidated net income.</li> <li>• Facts and circumstances dictate if an entity could be organized as a single operating (and reportable) segment and not managed on a consolidated basis               <ul style="list-style-type: none"> <li>• KPMG believes an entity that aggregates multiple operating segments into a single reportable segment is not managed on a consolidated basis.</li> </ul> </li> </ul>
<b>Significant segment expenses</b>	Disclosure of significant segment expenses not calculated in accordance with GAAP	Topic 280 does not require a significant segment expense to be calculated in accordance with GAAP. Other requirements may apply (for example, Regulation S-X Rule 4-01(a)).
<b>Different measures of segment profit or loss</b>	Disclosure of different measures of segment profit or loss for different reportable segments	It may be acceptable for an entity to disclose different measures of segment profit or loss for different reportable segments IF the CODM uses those measures to assess performance and allocate resources.

# SEC resources



## SEC Hot Topic on Segment reporting

SEC staff remarks on multiple segment performance measures and elaborates on single reportable entities.

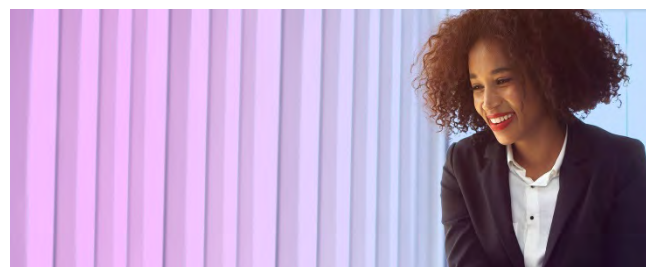
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### Handbook: Segment reporting

We explain the amendments (ASU 2023-07) to segment reporting in detail, providing examples and analysis.

[Read more >](#)



### Clawback Hot Topic

Issuers face questions as they look to apply their recovery policies under the SEC's compensation clawback rules.

[Read more >](#)



# Questions & Answers



**03**

# **Sustainability reporting update**

# California climate laws

	SB-253 (GHG emissions)	SB-261 (climate risks)
Original	<p>Scope 1, 2 and 3 GHG emissions</p> <p>First reports in 2026 (2025 data)</p>	<p>Climate-related financial risk and measures adopted to reduce and adapt to climate-related financial risk</p> <p>First reports due by Jan 1, 2026</p>
SB-219	<p>No change in effective date</p> <p>CARB<sup>1</sup> to adopt regulations by July 1, 2025</p> <p>Permit reporting at consolidated parent level</p>	<p>No change in effective date</p> <p>N/A</p> <p>[Same relief in original SB-261]</p>

SB-219 becomes law unless vetoed by Governor by Sept 30

<sup>1</sup> California Air Resources Board



# California climate laws

SB-253 and SB-261		AB-1305 (carbon offset disclosures)	
<b>Original</b>	<p>GHG emissions and climate risks</p> <p>First reports in 2026</p>	<b>Original</b>	<p>Carbon offsets, GHG emissions associated with claims</p> <p>First report by Jan 1, 2024</p>
<b>SB-219</b>	<p>No change in effective dates</p> <p>CARB to adopt regulations by July 1, 2025</p>	<b>AB-2331</b>	<p>First report by July 1, 2025</p> <p>RECs<sup>1</sup> would stay in scope</p>

Timeline on AB-2331 unclear

<sup>1</sup> Renewable energy certificates

# Sustainability reporting resources



**KPMG Sustainability** helps your company create a more sustainable future while driving measurable growth today.



**KPMG Sustainability Assurance** provides insights that help your business in this new era of sustainability reporting.



**Article and Hot Topic:** California climate laws



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**KPMG insights** on sustainability reporting under IFRS® Sustainability Disclosure Standards, including a comparison to ESRS and the SEC's stayed climate rule.



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**04**

# **FASB standard- setting update**

# Accounting for government grants (FASB project)



## Model



Uses the main principles in IAS 20 with targeted improvements, including scope and recognition threshold



## Scope/definition of government grant



Includes transfers of monetary and tangible nonmonetary assets from a government to a business entity



## Recognition



Recognize a government grant when it is probable that

the entity will comply with the conditions attached to the grant

and

the grant will be received

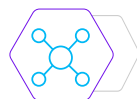


**Grants related to assets**



**Grants related to income**

# Accounting for environmental credit programs (FASB project)



## Purpose



Provide guidance for participants in programs that result in the creation of environmental credits



## Scope



Environmental credit assets (EC)



Environmental credit obligations (ECO)



## Recognition



Recognized as an asset when it is probable that it will be used to settle an ECO, sold, or traded



Liability recognized when activities or events occurring on or before a balance sheet date indicate the existence of an ECO



## Measurement



Initially measured at historical cost



Funded portion: carrying amount of EC



Subsequently measured based on how the entity will use the credit



Unfunded portion: fair value of credits needed to settle obligation

# Other forthcoming FASB developments



## Exposure Drafts (Q3)



Accounting for/disclosure of software costs



Interim reporting



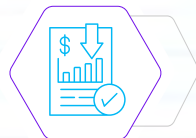
Share-based consideration payable to a customer



Topic 815 – Derivative scope refinements



Topic 815 – Hedge accounting improvements



**Final standard (Q4) – Disaggregation—Income statement expenses**



**05**

**PCAOB developments  
of interest to  
audit committees**

# PCAOB Standards and Rules approved by the SEC

**Aug. 20,  
2024**

- AS 1000, General Responsibilities of the Auditor in Conducting an Audit
- Amendments Related to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Form
- Rule 3502, Responsibility Not to Knowingly or Recklessly Contribute to Violations

**Sept. 9,  
2024**

- QC 1000, A Firm's System of Quality Control





# Questions & Answers



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KPMG professionals provide a high-level overview of share-based payments, including scope and recognition principles

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#### SEC comment letter trends 2024

KPMG professionals discuss recent themes and trends in comment letter activity from the SEC and focus areas on the horizon.

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### JAN 7+8

#### Q4 2024 Quarterly Outlook

We discuss this quarter's accounting and financial reporting headlines.

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