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Issues & Trends

AICPA Conference on Current SEC and PCAOB Developments

December 2025

Three days of discussion and analysis

Over the course of the conference (Dec 8-10), we heard from regulators, standard-setters and practitioners.

The messaging was dominated by the remarks of SEC Chairman Paul Atkins as he laid out his vision – back to basics with a focus on compliance costs, governance and innovation.

Key initiatives highlighted by the SEC included the following.

- **Rationalizing disclosure:** The SEC plans to address disclosures that are overly complex and burdensome, such as risk factors and executive compensation disclosures.
- **Streamlining corporate governance:** The SEC intends to depoliticize shareholder meetings and reform the litigation landscape to eliminate frivolous securities lawsuits while preserving avenues for meritorious claims.
- **Clarity on crypto:** The SEC is continuing to progress in providing clearer rules on crypto for the market, while the FASB is taking on crypto accounting.

Remarks from FASB Chair Rich Jones and PCAOB Acting Chair George R. Botic were consistent with the overall tone set by the SEC. And SEC staff gave practical tips to sharpen today's reporting quality, as the broader policy agenda moves forward.

As expected, AI was a pervasive theme with the opportunities and risk mitigation being raised in equal measure. In addition, there were calls to be prepared for the level of tax transparency coming into view, and tariffs uncertainty remains on the agenda.

This highlights summary provides an easy-to-digest snapshot of select discussions, organized by theme. For more insights about the discussions, see our full listing▶ of conference blogs published on KPMG Financial Reporting View.

And as you prepare for 2025 year-end reporting, register for our SEC update webcast▶ on January 28 or 29 (1.5 CPE).

Timothy Brown
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Buckle up!

That's the key takeaway from the SEC's agenda as it prioritizes clear, decision-useful disclosures over the boilerplate and immaterial.

Following a slower than expected 2025 due to the government shutdown, expect staged proposals starting in 2026 targeting risk factors, executive compensation and MD&A clarity.

Top takeaways

Amidst economic and geopolitical uncertainties, and with the ever-present influence of tariffs, the 2025 Conference highlighted the SEC's commitment to simplifying regulations, improving audit quality and embracing new technologies like AI and crypto – all while emphasizing the foundational importance of investor protection.

AI is ubiquitous and transformative

AI presents immense opportunities while requiring responsible adoption. AI can improve efficiency and effectiveness, but governance is key. AI implementation requires a human-centric, cross-functional approach to drive accuracy and consistency, and enhanced internal controls.

Expect segment reporting challenges

Corp Fin is challenging how companies identify and report segments, including the measure(s) of profit or loss. Misaligned segment disclosures can undermine your strategic narrative and trigger comments. Check that segment definitions reflect business reality and reconcile cleanly to GAAP.

Tariffs uncertainty complicates reporting

Companies need to make adequate disclosures related to the risks of tariffs uncertainty because outcomes could significantly differ from current expectations. But disclosure committee hygiene is critical so that disclosures are thoughtful. Plus, think before adjusting key metrics.

Be prepared for tax transparency

With increasing tax transparency, it's crucial to address internal alignment so that public Country-by-Country Reporting (CbCR) data reconciles with income tax notes in the financial statements, segment reporting and investor messaging. Any inconsistencies may create credibility risks.

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Back to basics for the SEC

SEC Chairman Paul Atkins and Chief Accountant Kurt Hohl outlined their priorities aimed at revitalizing the public markets and making it attractive to be a public company.

Their shared goal is to right-size regulations and make the vast amount of information currently provided to investors more readable, understandable and relevant.

Rapidly-evolving business environment sets the scene

Emerging issues are creating challenges for financial reporting and auditing. This necessitates a focus on the fundamentals as well as streamlining standards to make them more relevant, timely and cost-effective.

A regulatory focus that meets the moment

The SEC is working to deregulate and simplify, aiming to reduce burdens on companies. This includes actions such as re-evaluating the costs of being public and embracing innovation in the digital asset space.

Standards collaboration an imperative

The SEC is seeking as much cooperation and convergence as possible on international accounting and auditing standards to reduce investor confusion and costs. It believes the US should leverage the work of international bodies to develop standards more quickly.

Upfront preparer engagement constructive

To achieve high-quality standards at a reasonable cost, the SEC wants preparers to participate in the standard-setting process by engaging at the outset (not after the fact) and sharing new information. The SEC recognizes that standards are not static.

Targeted at investor needs

Ultimately, the SEC's objective is to maintain fair and efficient markets that protect investors, supported by disclosures that are decision-useful for the reasonable investor.

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Perspectives from securities lawyers

From rationalizing disclosure requirements to clarifying crypto regulation, the Commission is signaling its belief that simplicity and clarity will drive investor confidence.

But even simplified rules are new rules, and they demand close collaboration among company management, legal counsel, and external auditors or accounting advisors.

A panel of SEC lawyers from blue chip firms gave their perspectives.

The practical path forward

Panelists tempered expectations in several areas, most notably the following.

- **Shareholder proposals:** Because Corp Fin will no longer provide substantive responses to most no-action requests for excluding shareholder proposals in proxy statements, companies might see increased legal and reputational risk as decisions to exclude proposals now rest entirely with them.
- **Executive compensation:** While the SEC may consider bold changes, including reducing disclosure volume or easing burdens for smaller reporting companies, congressional mandates and investor demand for transparency will limit how far deregulation can go.
- **Quarterly reporting:** Other major capital markets, as well as FPIs, already have less frequent reporting requirements even though the majority continue to report more frequently. Optionality was discussed as a potential outcome for quarterly reporting rather than full elimination.

Year-end disclosure reminders

Panelists listed several topics to consider when crafting disclosures for this year's annual financial statements – most of which were familiar.

- Rethink the use of **aspirational statements** (e.g. human capital, use of AI, cybersecurity practices) in SEC filings and evaluate whether adequate procedures and controls exist related to reviewing and updating such disclosures for accuracy.
- Update **risk factors** for risks that have gone from hypothetical to being materialized, given changes in the business environment (e.g. geopolitical issues, tariffs, government shutdown).
- **Consider rationalizing** risk factors disclosures, including for risks that are no longer present and for boilerplate language.
- Continue to **review and refresh** disclosures for recently issued SEC rules (e.g. cybersecurity, clawback rule).

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FASB and PCAOB priorities

SEC Chief Accountant Kurt Hohl detailed his support for standard-setting collaboration.

Greater convergence of accounting standards would reduce investor confusion and the potential for undue costs.

A single set of high-quality auditing standards would reduce costs and complexity for multinational group audits, benefiting all stakeholders in the long run.

FASB prioritizes stakeholder feedback

FASB Chair Rich Jones repeatedly demonstrated how the Board is making good on previous commitments to act on stakeholder feedback.

- **Crypto projects added to clarify:**
  - The derecognition guidance for crypto transfer arrangements by addressing the issue of when control of a crypto asset has been transferred; and expanding the scope of Subtopic 350-60 to include wrapped tokens and receipt tokens.
  - When stablecoins may be classified as cash equivalents.
- **Deep-dive Invitations to Comment:** Targeted ITCs on intangibles and financial KPIs are enabling the FASB to take an in-depth look in specific areas at stakeholder needs for decision-useful information balanced by the cost of providing that information.

PCAOB focuses on audit quality

PCAOB Acting Chair George R. Botic emphasized the Board's foundational pillars of investor protection: inspection, standard-setting and transparency.

The following best practices were observed in inspections:

- **Leadership and culture:** Firms with a strong tone at the top and a culture that prioritizes audit quality and ethics – supported by robust systems of quality control – are more likely to achieve high-quality audits.
- **Specialist involvement:** High-quality audits feature specialists engaged throughout the process, so that complex areas are addressed with the right expertise.
- **Tailored risk assessment:** Leading audit teams tailor their risk assessments to the specific business and industry, and even at the transaction level – resulting in more relevant and effective audit procedures.

More from KPMG: • Hot Topic collection, Crypto and other digital assets • KPMG's Financial Statement Audit • Audit Quality 24/7/365

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AI is transforming financial reporting

The dialogue around AI is no longer about *if* but *how* it will reshape the finance function.

Data security and privacy, reliability and compliance are all critical, and finance leaders must proactively address ensuing issues to mitigate risks.

A panel explored how AI strengthens, rather than undermines, the core principles of strong internal controls, investor confidence and transparency.

Take advantage of the opportunities

Successful transformation isn't about deploying the latest technology for its own sake, but about fundamentally solving business problems. The most significant gains come from a human-centric rethinking of how work gets done.

Leading finance organizations are already moving beyond pilots to full-scale deployments. The following are examples.

- **Automated contract analysis:** AI tools are analyzing contracts and drafting initial accounting memos for complex topics like revenue recognition.
- **Intelligent expense auditing:** AI agents are auditing 100% of employee expense reports, a significant leap from the small samples previously performed by humans.
- **Enhanced analytics:** FP&A teams are using AI to produce variance analyses complete with written explanations of the key drivers.

But mitigate the risks

The deployment of AI within finance processes is not without its challenges. The following are examples of control approaches being used in practice.

- **Human in the loop:** A human expert reviewing and validating AI output.
- **Performance testing:** Using test data with known inputs and expected outputs to validate the model is operating as intended.
- **Multi-model validation:** Employing a second, independent AI model to corroborate the results of the primary model.
- **Data analytics:** Using traditional advanced analytics to monitor the AI system's activity and outputs to quickly spot anomalies.
- **Third-party validation:** Engaging an independent third party for an assessment of the model's effectiveness.

More from KPMG: • Series, *What's your aIQ?* A primer on human-centric AI and Essential elements of responsible AI • In-depth guide, AI and automation in financial reporting

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Tariffs uncertainty continues

The level of uncertainty created by major policy shifts and the pending Supreme Court decision on tariffs has direct financial reporting implications.

Companies must evaluate the potential effects on their financial statements and verify that their disclosures around risks and uncertainties are robust enough to give investors a clear picture of the potential consequences.

A panel explored these uncertainties.

Disclosure is your friend

- **Integrate disclosures:** Weave disclosures into the company's narrative – from discussing and quantifying tariffs as a key driver of period-over-period changes and known uncertainties in MD&A, to updating specific risk factors, to detailing strategic shifts in manufacturing or sourcing in the business description.
- **Vet thoroughly:** Disclosure committee hygiene is critical. Consider 'disclosure brainstorming sessions' to draw out key issues and enable the committee's oversight to extend to all SEC filings – including earnings releases and proxies.
- **Key metrics:** Think carefully before seeking to exclude tariffs from key metrics. They are generally considered a normal, recurring operating expense and may not be suitable for a non-GAAP adjustment.

Supreme Court case adds uncertainty

- On November 5, 2025, the US Supreme Court heard oral arguments challenging President Trump's use of the International Emergency Economic Powers Act to impose broad tariffs. The timing of a decision remains uncertain.
- If the tariffs are struck down, it is unclear how any refund would be structured, including whether the ruling would be applied on a prospective or retrospective basis. The nature of the decision will raise numerous accounting questions.
- A ruling that invalidates the tariffs could necessitate a rapid and accurate calculation of the refund amount. Companies may also need to consider their contractual obligations, because they may need to pass refunds on to customers.

More from KPMG: • Providing real-time insights simultaneously to multiple stakeholders, KPMG Tariff Modeler • Articles, Effects of tariffs on financial reporting and Effects of tariffs on SEC quarterly disclosures • Audit Committee Briefing, Ask the right financial reporting questions • In-depth guide, Accounting for economic disruption

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The age of tax transparency

Tackling the complexities of ASU 2023-09 and global tax shifts requires a truly integrated approach.

It's essential to build robust internal controls, ensure open cross-functional coordination and strategically leverage technology.

This isn't just about compliance – it's about turning these challenges into opportunities for balanced transparency and operational efficiency.

A panel explored these challenges.

Transparency via financial statements

In effect for FY25 reporting, the increased granularity of ASU 2023-09 helps financial statement users better understand a company's tax position and cash flows, but it requires significant judgment.

- **Data and sorting:** The standard demands considerable judgment in categorizing and disaggregating income tax data, which need to be consistent across global operations.
- **Internal controls:** Companies must develop and implement new internal controls to facilitate the integrity and accuracy of the required disclosures.
- **Adoption approach:** A crucial decision involves selecting between prospective or retrospective adoption of the standard. Each approach carries distinct advantages and disadvantages requiring careful evaluation.

Transparency via tax law

Be prepared for the increased transparency that is part of Pillar Two and Country-by-Country Reporting (CbCR).

- **Interpretation risk:** A significant concern is the potential for misinterpretation of complex tax data by stakeholders, including investors and the media, which could result in reputational damage.
- **Consistency with financial reporting:** New CbCR will be compared to the consolidated financial statements and/or related disclosures, which could raise additional questions from regulators and investors.
- **Cross-functional coordination:** To maintain consistent messaging, tax teams must coordinate closely with financial reporting, legal and investor relations departments.
- **Increased scrutiny:** Public disclosures are expected to generate more inquiries from both tax authorities and the public, affecting various areas from audits to competitive intelligence to mergers and acquisitions diligence.

More from KPMG: • Hot Topics, Income tax disclosures, Checking in on Pillar Two, Accounting for One Big Beautiful Bill • Executive Guide, Pillar Two Gameplan

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Reminders on well-worn topics

Staff from Corp Fin OCA provided practical advice on several reporting issues.

By illuminating common preparer foot faults with concrete examples, Corp Fin staff provided a clear path for companies to elevate their filings and disclosures.

They also highlighted that the easiest way to avoid a Corp Fin comment is to provide clear, company-specific, decision-useful disclosure.

Segment reporting expectations

- Companies must reconcile the total of reportable segments' measure(s) of profit or loss (without adjustment) to consolidated net income before tax.
- The segment profit or loss measure 'closest to GAAP' is the measure with the fewest adjustments and most GAAP line items included.
- Single segment companies must provide all required segment disclosures, even if some details appear elsewhere in the financial statements. In that case, it's best practice to note this explicitly in the segment disclosures.

Updates to staff guidance

- The Financial Reporting Manual has been updated three times this year to reflect rule changes in recent years. In addition, a number of C&DIs were updated this year, including to clarify staff views on the loss of Smaller Reporting Company filer status.

Misleading non-GAAP measures

- Staff will not accept an argument that a measure is not misleading if it is disclosed solely because investors and other financial statement users expect to see it.
- If the staff objects to a non-GAAP measure and immediate removal or revision of the measure is overly burdensome or impracticable, companies are advised to contact their SEC filing review team.

Miscellaneous reminders

- Check that the **statement of cash flows** is detailed without improper netting.
- Confirm that **revenue and expense** line items meet S-X Rule 5-03 requirements.
- Separately present **revenue** from tangible products or services when either exceeds 10% of net sales.
- Present all material **related-party amounts** on the face of the statements under S-X Rule 4-08(k).

More from KPMG: • Webcast replay, SEC comment letter trends 2025 • In-depth guides, Segment reporting, Statement of cash flows, Financial statement presentation • Defining Issues, SEC staff updates Financial Reporting Manual

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Emerging transactions, issues

Capital is rapidly flowing into data center development, with deals increasingly focused on segregating the data center itself into a special purpose entity. A panel discussed the accounting issues stemming from these deals.

In addition, Corp Fin addressed questions about predecessor determination, which have increased with the rise in spinoffs and put-together transactions.

Navigating data center deals

- **Consolidation: Is it your SPE?** Determine whether the SPE qualifies as a variable interest entity and the company is the primary beneficiary. A key focus is on the most significant activities of the SPE and who controls those activities.
- **The lease: It's more than just rent:** Consider the total arrangement to identify if there is a lease in the arrangement and then consider the impact of lease accounting. These arrangements can be complex, given their highly specialized nature, the longer expected lease term of the facilities, and the significant lead time to build the data center.
- **Unpacking financing complexity:** Data center projects are capital-intensive; it's common to see complex financing arrangements that can include instruments such as convertible debt, warrants and other derivatives.

Predecessor financial statements

- Questions focus on whether a registrant succeeds to substantially all of an assumed or acquired business and its prior operations appear insignificant.
- Determining the predecessor is complex and depends on the transaction's nature, structure and history.
  - Key factors include legal form and historical operations, such as whether investors previously saw separate results for the spun business.
- In put-together transactions, a new registrant may be the accounting acquirer while one or more acquired businesses serve as predecessors because the new registrant's operations are insignificant.
  - Factors include acquisition timing, fair value, size and management structure.

More from KPMG: • In-depth guides: Consolidation, Leases, SEC reporting for business combinations

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Actions for audit committee members

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Drawing on insights from our survey work and interactions with audit committees and business leaders, we highlight eight issues to keep in mind as audit committees consider and carry out their 2026 agendas – consistent with themes at the Conference.

1	Continue to focus on the effects of volatility – tariff-related, economic and geopolitical – on financial reporting and related internal control risks.
2	Help ensure that management monitors the SEC's planned deregulatory and regulatory actions and how they may impact the company.
3	Clarify the role of the audit committee in the oversight of AI, cybersecurity and data governance.
4	Understand how technology is affecting the finance organization's talent, efficiency and value-add.
5	Monitor management's preparations for new climate and other sustainability reporting frameworks and standards.
6	Reinforce audit quality and set clear expectations for frequent, candid and open communication with the external auditor.
7	Help maintain internal audit's focus on the company's critical risks, beyond financial reporting and compliance.
8	Take a fresh look at the audit committee's composition and skill sets.

Conference blogs

Day 1

The SEC's investor-focused agenda ▶

FASB ready to tackle crypto, other projects ▶

AI's transformative role in financial reporting ▶

Day 2

Corp Fin's focus on disclosure thoroughness, transparency ▶

PCAOB's focus on audit quality ▶

Tax in transition: ASU 2023-09 and global shifts ▶

Day 3

Securities lawyers share their perspectives ▶

Financing capital transactions ▶

Tariffs, trade and taxes ▶

Abbreviations

C&DIs: Compliance & Disclosure Interpretations

CbCR: Country-by-Country Reporting

CODM: Chief Operating Decision Maker

Corp Fin: SEC's Division of Corporation Finance

FP&A: Financial Planning and Analysis

FPI: Foreign Private Issuer

OCA: SEC's Office of the Chief Accountant

SPE: Special purpose entity

Keep in touch

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