National Conference on the Securities Industry

Speakers at the 2024 National Conference on the Securities Industry discussed several topics, highlighting economic, regulatory, technology and accounting matters impacting industry participants.

November 2024

Contents

1 Conference highlights

The securities industry continues down a long road of change that will affect operations, talent, and compliance with regulatory rules.

Speakers at the National Conference on the Securities Industry, presented by SIFMA FMS and AICPA & CIMA, which took place October 29-30 in New York City, discussed:

- the implications of the regulatory agenda for broker-dealers;
- the need to embrace technology with a focus on data in the current environment; and
- the importance of mentorship as the industry seeks to grow future professionals.

Firms, regulators, standard setters, and auditors all agreed that the industry is undergoing change from regulation, accounting, and technology driven factors that will transform what we currently understand as the finance and accounting profession.

Accounting topics such as accounting for and disclosure of crypto assets, improvements to income tax disclosures, and segment reporting were a focus of discussion with the FASB. The FASB also highlighted that they will solicit stakeholder feedback about their future standard-setting agenda via an invitation to comment, expected in December 2024. Feedback from the broker-dealer industry was strongly encouraged.

Overall, consistent with themes from this conference in the last couple of years, speakers recognized that the securities industry continues to evolve and that change isn't slowing down.

A securities industry and economic update

This year's conference focused on implementation considerations related to previously proposed or enacted regulation and to a lesser extent, future potential regulatory changes. The SEC's proposed amendment[1] related to the SEC Rule 15c3-3 Daily Reserve Computation was widely discussed across various panels that concluded with a Q&A session during the *Regulator Panel* with, among others, Michael Macchiaroli, *Associate Director, Office of Broker-Dealer Finances, Division of Trading and Markets, U.S. Securities and Exchange Commission ('SEC')* and Bill Wollman, *Executive Vice President, Head of Office of Financial and Operational Risk Policy, FINRA*.

During the conference, Gabriela Santos, *J.P. Morgan Asset Management Managing Director and Chief Market Strategies, Americas*, discussed[2] the state of the U.S. economy, including a 'normalization' of economic trends from historical averages now that we are in a post COVID-19 market. Santos shared her views on interest rates, geopolitical risks and the 2024 election, including the potential effect election results could have on the securities industry.

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1 For insights and a summary of key highlights related to this proposed amendment, visit our Regulatory Alert and September 30, 2024 Top-of-Mind Issues – Capital markets and wealth management.

2 For the presentation discussed during the conference, visit J.P. Morgan Asset Management's Guide to the Markets.

Data, data, data

Data forms the foundation of everything broker-dealers do, and the volume of data that broker-dealers collect and generate continues to grow as both technology and regulatory reporting requirements expand. Speakers throughout the conference shared some best practices for ensuring data in the firm is accurate, transparent, and available, and reminded firms about the requirement to implement internal controls over data from the point of input through ultimate use in financial and regulatory reporting.

Data, and the systems that process and store it, is also a target for cyber criminals seeking to cause damage and extort payments from firms. Speakers at the *Systemic Cyber Risk and the Financial Ecosystem*, the *Senior Executive's Perspective*, and the *Broker-dealer CFO* sessions discussed key strategies to evaluate threats and develop contingency plans.

Talent, technology and transformation

Firms shared the competing priorities for existing talent, implementing new regulatory (sometimes non-broker-dealer) requirements while having to innovate their existing processes with new technologies. The challenge of attracting and retaining talent with appropriate skills was shared by many. Speakers at the *Women in Finance* and *Broker-dealer CFO* panels agreed on the importance of mentorship within the industry to aide in growing and retaining its future finance professionals.

While the potential for technology improvements and Artificial Intelligence (AI) to bring transformation is promising, speakers emphasized that there is still a need for professionals with a deep understanding of finance, accounting, and broker-dealer regulatory reporting to drive those changes. Other speakers waived a caution flag at automation and AI, highlighting the need to maintain strong controls as processes become more automated.

Many speakers noted that firms have turned to technology in response to regulatory changes and to fill gaps in the talent pool. Economists suggested technology as a potential solution for the effect aging demographics will have on the economy. The potential effect of the switch to technology improvements within the securities market seems limitless and firms have begun to explore its possibilities. Other speakers voiced concerns about AI and anticipate a future landscape that includes further regulations over the use of technology.

Post-conference events: Outlook to 2025

On November 5, 2024, Donald Trump won the US presidential election. Going into the next presidential term, Republicans will have control of the U.S. Senate and House of Representatives. The election results are likely to affect tax legislation in 2025[3] and the future regulatory landscape[4]. In addition, on November 7, 2024, the Federal Reserve voted to cut rates by a quarter point. Despite the Federal Reserve's non-commitment on a December cut, KPMG economists still expect another quarter point cut in December and are holding to their forecast for another percentage point of cuts in 2025[5].

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3 For further insights on election results and potential impact on tax legislation, read KPMG report: Election results, preliminary observations regarding effect on future tax agenda

4 For further insights on election results and potential impact on the regulatory environment, read Three Regulatory Takeaways: Post-Election Shifts.

5 For further insights from KPMG Economists, read Fed cuts 1/4 point, no hint on December.

2 Securities industry update

While the pace of new regulation has subsided as compared to years past, speakers throughout the conference discussed the state of the U.S. economy and the potential impact that the 2024 U.S. election could have on the regulatory agenda. Further, industry participants discussed challenges related to the implementation of previously enacted regulations that take effect throughout the remainder of 2024 and into 2025.

The U.S. economy, the 2024 U.S. election, and the impact on the securities industry

Gabriela Santos, *J.P. Morgan Asset Management Managing Director and Chief Market Strategies, Americas*, discussed the state of the U.S. economy and the election's potential impact on the securities industry.

The economy is in the process of going through a 'normalization' whereby economic trends are starting to revert to historical averages, which were distorted as a result of the COVID-19 pandemic. From a spike in labor market participants, to record low interest rates, to changes in consumer behaviors and increases in the price of goods and services, there was no question that the pandemic challenged the status quo and distorted historical norms. With the pandemic fading in the rear-view mirror, economists, industry participants and the broader American public are evaluating three aspects of today's economy to understand what the future may hold.

- Interest rates have risen significantly since the pandemic as a result of the U.S. Federal Reserve ('Fed') raising benchmark interest rates to combat inflation. As the Fed continues to strive for a 'soft landing' it is expected that rate cuts will continue in the remainder of 2024 and into 2025 with the short end of the yield curve declining while longer-term rates remain relatively consistent with current levels. These reactions are largely driven by uncertainty in the U.S. election, fiscal and monetary policy and the size of the U.S. deficit.

- Geopolitical risk and it's potential to impact commodity prices and the supply chain represent potential headwinds for the economy. Although focusing on these events is important for many reasons, from a market perspective, geopolitical events are typically short lived and result in a relatively small market correction. Over the long term, market fundamentals prevail with the market reverting to its equilibrium. Additionally, Santos noted that the number of geopolitical events may increase moving forward, resulting in increased uncertainty, inflationary pressures and heightened interest rates as compared to the last decade.

- The 2024 U.S. election is top of mind for industry participants who were interested in understanding how each presidential candidate's political agenda could affect the economy and their business. Three key items were discussed: (1) expiration of the Tax Cuts and Jobs Act (TCJA), reversion to higher tax rates and changes to consumer consumption, (2) immigration policy and its effect on the labor force and wage growth, and (3) the potential that economic and immigration policy could result in stagflation where the U.S. will have slow economic growth, relatively high unemployment, and rising prices.

One thing is for certain, the economy will continue to stay top of mind for industry participants post-election as they look for clues on potential actions that their businesses may need to take to navigate a dynamic economic and political environment[6].

Daily reserve computation – SEC proposal

During the Regulator Panel, Michael Macchiaroli, *Associate Director, Office of Broker-Dealer Finances, Division of Trading and Markets, U.S. Securities and Exchange Commission ('SEC')*, received a number of questions about the SEC's proposed amendment to SEC Rule 15c3-3 (the Customer Protection Rule) to require certain broker-dealers to increase the frequency with which they perform computations of the net cash they owe to customers and other broker-dealers from weekly to daily. The proposed changes would apply to broker-dealers with average total credits equal to or greater than $250 million.

Questions raised during the panel related to a potential change (e.g. reduction) in requirements for broker-dealers computing net capital using the alternative method to reduce aggregate reserve formula debits by 3% and the practicability of performing daily computations on certain days of the year (e.g. day before major holiday), which are consistent with questions raised by SIFMA as part of their comment letter issued to the SEC on September 11, 2023. As of this writing, the Commission is still evaluating the industry's concerns and has not made any formal decisions. Additional questions included the amount of time broker-dealers will have to comply with the daily reserve requirements to the extent the proposed Rule is approved by the SEC, potential changes in SEC Rule 17a-4 recordkeeping requirements and if broker-dealers are able to 'opt-out' of the requirement to perform daily computations. It was noted that broker-dealers with average total credits that are equal to or less than $250 million can opt-in to the proposed amendment as there may be a benefit from potential changes in the 3% aggregate debit requirement but the broker-dealer would need to perform daily reserve computations. Further, the proposed daily reserve computation requirement does not change the requirements of SEC Rule 17a-4 and the time required to implement the daily reserve computation was 'substantial,' potentially six months or longer, although no formal conclusion has been made.

Cash sweeps

During 2024, there has been increased regulatory scrutiny by the SEC and FINRA on cash sweep programs offered to retail advisory clients and brokerage customers, impacting investment advisors and broker-dealers. During the *Regulator Panel*, cash sweeps were discussed in the context of the reserve computation, specifically, whether cash sweeps are required to be included as a credit within the computation and if cash and/or qualified securities are required to be segregated to protect customers in these programs. As an example, to the extent a broker-dealer receives customer cash related to a sweep program on a Friday where a weekly reserve computation is performed on Monday related to the prior Friday, if the broker-dealer holds the customer's cash on Friday, the customer cash is required to be included as a credit within the reserve computation calculated by the broker-dealer on Monday. This is the case even if the cash is swept out of the broker-dealer on Monday prior to the broker-dealer segregating cash / qualified securities by 10am on Tuesday. At this time, the weekly reserve computation requirements related to cash sweeps

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[6] For further economic insight and analysis, visit our KPMG Economics site.

would be consistent with how cash sweeps would need to be treated from a daily reserve computation standpoint. Further, the SEC noted that they are considering potential next steps to formalize the currently informal and unpublished “16 points letter” detailing conditions that must be met by broker-dealers that offer cash sweep programs.

Treasury clearing rule

The *AICPA Stockbrokerage and Investment Banking Expert Panel* (‘Expert Panel’) had an in-depth conversation about recently issued Treasury Clearing rules.

In December 2023, the SEC mandated that secondary trading of in-scope U.S. Treasury and repurchase and reverse repurchase (‘repo’) transactions be cleared via a Covered Clearing Agency (CCA). The discussion included the types of secondary market transactions that fall within the scope of the Rule along with the associated timelines for implementation.

As a result of the U.S. Treasury Clearing Rule, the Fixed Income Clearing Corporation (‘FICC’ has introduced the Agent Clearing Service (‘ACS’) as an alternative client clearing model, in addition to its long-standing Sponsored Service model. The rules associated with ACS are in the proposal phase and subject to change. It should be noted that the FICC will continue to offer its Sponsored Service model, which is the primary indirect access model used today for indirect participant activity in clearing at FICC.

Throughout the discussion with the Expert Panel, there were a number of questions on evaluating the impact Treasury Clearing rules have on securities industry participants. It was noted that the FICC has been in discussions with a law firm to obtain legal opinions based on current proposals. Additionally, SIFMA has established a working group for centralized clearing that has been working with the DTCC to develop a view on ACM’s accounting for repo transactions. The primary question to the Working Group is whether the ACM is acting as a principal or agent to the transactions submitted to the FICC on behalf of the ‘Executing Clearing Firm’. It was noted that an ACM acting as principal would be required to account for the repo transaction on the balance sheet while an ACM acting as agent would not report the repo transaction on the balance sheet but would report any assets or liabilities resulting from its role as agent (e.g. guarantees). The SIFMA working group is actively working to finalize its views on the accounting for repo transactions under the ACM.

Additionally, it was noted that although the FICC is currently the only clearing house for U.S. Treasuries, in March 2024, CME Group said it will apply to clear U.S. Treasuries, the first exchange company to publicly state its ambitions to enter into the largest global bond market. London Clearing House and Intercontinental Exchange have also expressed interest in operating Central Clearing Counterparties (‘CCPs’) in the U.S. Treasury market. Having multiple CCPs could improve competition and prices, as well as drive operational efficiency by having pre-existing relationships with a CCP, while also reducing systemic risk.

Further, during the *Regulator Panel*, it was noted that the Treasury Clearing rule impacts the reserve computation, specifically margin collected from a customer and deposited with a clearing agency, which are permissible credits and debits, respectively, subject to certain conditions[7]. It was further noted that the SEC is in the process of evaluating omnibus account relationships between a firm and the FICC and their effect on the reserve computation.

[7] For insights and a summary of key highlights related to this proposed amendment, visit March 31, 2024 Top-of-Mind Issues – Capital markets and wealth management and U.S. Treasury Securities Clearing Agency Standards: SEC Final Rule.

On the horizon

On December 20, 2023, the Federal Deposit Insurance Corporation ('FDIC') amended its advertising rules that apply to insured depository institutions ('IDIs') and intermediaries, including broker-dealers that offer brokered CD's and cash sweep programs. The Final Rule became effective April 1, 2024, with an 'extended compliance date' of January 1, 2025. Key disclosure provisions of the Rule include:

- intermediaries (other than IDI's) making any statement about FDIC insurance must clearly and conspicuously disclose that they are not FDIC-insured;
- intermediaries relying on pass-through deposit insurance for customer deposits must clearly and conspicuously disclose that pass-through insurance is subject to conditions; and
- intermediaries must clearly and conspicuously identify all IDIs into which customer deposits may be placed.

It was noted that FINRA anticipates issuing a Notice to Members to enhance Member awareness of the Final Rule requirements.

During the *Regulator Panel*, a question arose from an industry participant about the manner in which the 140% fully paid or excess margin securities possession or control calculation should be determined specific to Individual Retirement Accounts (IRA) and if IRA accounts should be gross or net when performing the calculation. SEC and FINRA have developed interpretations on this question that are in the process of being analyzed. FINRA also noted that they are evaluating Uniform Gift to Minor Accounts as part of their assessment as well.

The *Regulator Panel* continued with a discussion around the potential addition of a new schedule within the FOCUS Report that broker-dealers would be required to complete on a monthly basis. This schedule will require broker-dealers to list the name of the bank and the amount of cash deposited at said bank that are in segregated accounts for the exclusive benefit of customers/brokers. It was noted that this proposal has yet to be issued for public comment or submitted to FINRA's board for approval.

3 Data drives everything

As the volume of data that firms handle continues to grow exponentially, there is an intensifying spotlight on data integrity. The stakes are high – bad data can lead to poor management decision-making, erroneous transactions and financial loss, and enforcement action from regulators.

Everyone convenes at the data lakehouse

Speakers on the *Data on Command* panel discussed data democratization—providing reliable data that empowers all team members to make data-enabled decisions. The speakers highlighted three tenets of data democratization: make data available, discoverable, and trustable.

One solution to make data available is to establish a data lakehouse, which provides on-demand storage for large volumes of all data types combined with data warehouse-like capabilities, including data structures and data management features. This enables team members to access the data they need without IT intervention. A data lakehouse can also simplify how a firm provides data to its third-party service organizations, by providing a single source of relevant and reliable data for transmission.

When considering a data lakehouse, the speakers encouraged firms to engage team members across the firm. It is paramount to understand what data elements team members need, what sources the data should come from, and how the team will use the data.

Data discoverability refers to the users' ability to find relevant data. The speakers discussed the importance of establishing a data glossary that clarifies the nature and source of each data element. Further, users should have visibility into the data's lineage—from initial capture, through intermediary systems, and into the data lakehouse—in part to allow users to trace identified errors back to the source.

The speakers concluded the discussion of data democratization with data trustability; e.g., accuracy. Once the relevant data elements and sources are identified, the firm should consider how data will be accurately and completely transferred through the systems and, if used, into the data lakehouse. Speakers at the *AICPA Stockbrokerage Expert Panel* also stressed the requirement for firms to implement internal controls over data elements from the point of data input through the firm's systems, and ultimately over data extraction and financial and regulatory reporting. Firms should also keep apprised of changes in financial and regulatory reporting rules to reassess whether existing controls continue to address all reporting objectives. To that end, the panelists identified a helpful resource: the Summary of relevant SEC financial responsibility rules and requirements published by the Expert Panel, which summarizes relevant SEC financial responsibility rules requirements and provides AICPA members with a non-inclusive list of potential compliance risks.

Timing of data feeds is important to accuracy. Two examples of data feeds are streaming (real-time) and batch (scheduled at a point in time). Firms should consider how often data needs to be updated and whether there are relationships between data feeds, as misalignment of the timing of feeds of interdependent data could cause errors. Further, firms should ensure that there is a process in place to timely resolve data feed exceptions.

Generate data responsibly

AI continues to be top of mind, particularly with the ongoing advancement of Generative AI (GenAI). At the *Artificial Intelligence* session, speakers from FINRA reminded firms that they should be thinking about the implications of GenAI, particularly when outputs are customer-facing. The speakers emphasized the importance of keeping a human being in the loop to review outputs. In one example observed by FINRA, a firm used GenAI to generate emails directly to the customer, but the contents of those emails potentially constituted a recommendation, which would fall under FINRA rules and require human assessment.

A speaker from FINRA also emphasized the importance of using quality data when deploying GenAI solutions. If the corpus used to train the AI is inaccurate or incomplete, then the outputs from the GenAI model may contain errors. Firms should maintain a compliance mindset when deploying AI solutions. The speaker referred to FINRA Regulatory Notice 24-09, which reminds firms of their regulatory obligations when using GenAI and large language models.

Keep a tight lid on your data

Several speakers also reminded firms that data and systems is an attractive target for cyber criminals.

The speaker at the *Systemic Cyber Risk and the Financial Ecosystem* session provided some insight into the shifting landscape of cyberattacks. Cyber criminals are diversifying their portfolio of attack vectors—beyond just stealing a firm's data. For example, attackers increasingly use ransomware to encrypt a firm's data or disable its systems and extort payment to restore data and functionality. Attackers also target third-party service providers–taking down an industry utility to maximize the incentive to pay to restore functionality.

One important cybersecurity exercise highlighted by speakers at the *Senior Executive's Perspective* and the *Systemic Cyber Risk and the Financial Ecosystem* sessions are tabletop exercises. During a tabletop exercise, a firm simulates adverse events, including cyberattacks, to identify what decisions would need to be made as the event unfolds. Tabletop exercises should involve personnel from across the firm in order to understand and assess the full impacts on the business and the need for contingency plans.

Firms should also assess the impacts of an attack on their third-party service organizations. Speakers at the *Data on Command* session discussed the importance of identifying your vendor's vendors and understanding how your vendors handle their own vendor risk management. Attacks that are one or more degrees removed from a firm can still have a significant impact and should be considered when developing contingency plans.

Take small steps toward a grand result

All of the activity around producing and protecting the firm's data can be daunting. Various speakers reminded firms not to try solving every problem all at once. Speakers at the *Broker-Dealer CFO* Panel also stressed the importance of keeping the firm functioning while deploying new technologies. Speakers at the *Data on Command* and *Artificial Intelligence* sessions suggested that firms assess their overarching needs and break them down into smaller, more manageable projects. Firms can then focus on solving smaller problems in the short term (tactical solutions) with attention to how the solution will fit into the overall project (strategic solution). This approach focuses the team on producing tangible results that benefit the firm in increments as the firm works toward the ultimate goal.

4 The latest from the FASB: A focus on targeted improvements

In a session moderated by Robert Malhotra, *Partner and Chief Accountant, KPMG US*, Susan M. Cosper, *Board Member, Financial Accounting Standards Board ('FASB')* provided an update on the FASB's recently issued accounting standards updates and ongoing projects relevant to the broker-dealer industry. Recent focus areas were identified through the FASB's 2021 agenda consultation process. The FASB's approach has been to scale projects back, focusing on narrow improvements. The table below presents a summary of the projects discussed:

Topic	Highlights
Accounting for and Disclosure of Crypto Assets (ASU 2023-08)[8]	*Summary of the final standard:* • Issued on December 13, 2023. • Requires crypto assets in the scope of the standard to be subsequently measured at fair value with changes recognized in net income. • Requires separate presentation and enhanced disclosures about significant holdings and restrictions of crypto assets, among other disclosures. • Effective for annual and interim periods in fiscal years beginning after December 15, 2024. Early adoption is permitted. • Adoption on a modified retrospective basis. *Insights from the conference:* • The FASB chose to focus on 'plain vanilla crypto assets,' keeping this project fairly narrow for now with the notion that if there is more to do later, they will do it then.
Improvements to Income Tax Disclosures (ASU 2023-09)[9]	*Summary of the final standard:* • Issued on December 14, 2023. • Enhances income tax disclosures for the effective tax rate reconciliation and income taxes paid.

[8] KPMG Defining Issues – FASB issues final ASU on crypto asset accounting

[9] KPMG Defining Issues – FASB issues ASU to disaggregate income tax disclosures

<table>
<tr><th>Topic</th><th>Highlights</th></tr>
<tr><td></td><td>For public business entities (PBEs), effective for annual periods beginning after December 15, 2024. For other entities, effective for annual periods beginning after December 15, 2025. Early adoption is permitted.
Adoption on a prospective basis with retrospective application in all prior periods presented permitted.
Insights from the conference:
Through this ASU, the FASB is trying to address concerns about the utility of the income tax disclosures. Investor feedback indicates that the enhancements are ‘very powerful’ and will provide for more consistent and decision useful information.</td></tr>
<tr><td>Improvements to Reportable Segment Disclosures (ASU 2023-07)[10]</td><td>Summary of the final standard:
Issued on November 27, 2023.
Requires disclosure of:
significant segment expenses regularly provided to the chief operating decision maker (CODM);
other segment items for each reportable segment (reconcile each measure to segment profit/loss);
the CODM’s title and position; and
how the CODM uses the reported measure(s) of a segment’s profit or loss.
Permits reporting multiple measures of a segment’s profit or loss.
Scope includes single reportable segment entities.
Effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted.
Application on a retrospective basis to all periods presented unless it is impracticable to do so.
Insights from the conference:
FASB research found that the most significant impact of the ASU would be primarily as a result of:
Disclosure of interim information, because that wasn’t required before, and
Information on single segment entities, because of the diversity in practice.
Minimal early adoption has been observed.
Members of the Expert Panel are working on an illustrative example disclosure in their Brokers and Dealers in Securities – Accounting Guide (Guide) that reflects the changes in the ASU.</td></tr>
</table>

10 KPMG Defining Issues – FASB issues ASU requiring new segment disclosures

Topic	Highlights
	• The Expert Panel is also discussing what other measures of profit or loss could be considered for a broker-dealer. – Net income could be a broker-dealer's measure of segment profit or loss based on guidance that the SEC staff has issued.[11] • The Expert Panel discussed factors to consider when assessing whether a broker-dealer has a single segment, including who the CODM is, how budgeting is performed, and how individuals at the broker-dealer are compensated.
Statement of Cash Flows – Targeted Improvements	*Summary of the projects:* • The technical project is focused on reorganization and disaggregation of the statement of cash flows for financial institutions and disclosures on cash interest received. • The research project is exploring further potential improvements such as disclosures to reconcile period-to-period changes in revenue-related items and disclosure of cash received from revenue-related transactions. *Insights from the conference:* • The FASB is trying to make the statement of cash flows for financial institutions more decision useful information with some narrow improvements being discussed (as highlighted above). The FASB will try to balance requirements with information already being provided by institutions.
Accounting for Commodities	This research project is exploring the accounting for and disclosure of commodities for financial institutions. *Insights from the conference:* • The ask on commodities is whether the FASB would allow a fair value option. This is driven by the difficulties in qualifying for hedge accounting for commodities and the diversity in practice observed today. • The FASB is looking to the feedback on their current Accounting for Environmental Credit Programs project, in which certain environmental credits may be measured using the fair value option, as a barometer to understand whether the fair value option is something that can be extended to commodities. • Another alternative being evaluated by FASB staff is whether to eliminate the effectiveness assessment for fair value hedges of commodities.

[11] KPMG Hot Topic – SEC staff clarifies segment reporting disclosures

As the FASB develops standards, the board encourages feedback from preparers, which allows the FASB to better understand the costs and challenges associated with a proposal. The FASB is looking for that balance of information.

As the FASB has made significant progress on the priorities coming out of the 2021 agenda consultation they expect to issue another agenda consultation in December 2024. This 2024 agenda consultation will be used to reset priorities at the FASB so they can work on projects that are most important to stakeholders. Based on initial outreach in advance of the consultation, the statement of cash flows is one area where the FASB expects to receive feedback. The FASB encourages participation in the agenda consultation from the broker-dealer industry.

5 T is for talent, technology, and transformation

There was an underlying sentiment amongst the speakers and panelists at the conference that the industry is in a transformative state. Aside from the implementation of new regulatory requirements or accounting standards, technology has and will continue to be a major factor in shaping what the finance and accounting functions look like in the future.

Tom Hood, *Executive Vice President of Business Engagement and Growth, AICPA*, described the 'new skilling' that professionals are experiencing. He has observed that today's professionals are expanding in a wide array of competencies that encompass business, leadership, and digital skills and require an agility to adapt to the changing demands of the profession. However, Hood emphasized that the importance of deep technical accounting and finance knowledge, as well as broker-dealer regulatory reporting, remains unchanged as a fundamental basis for a successful professional in this industry.

> "You can't stop the waves, but you can learn to surf."
>
> — John Kabat-Zinn, quoted by Tom Hood

Panelists at the *Broker-Dealer CFO* session described how their firms are making significant investments into transformation and technology. Some speakers described how their firms are integrating technology professionals into the finance function as they continue to adapt to the changing environment. Having technology resources reporting into the CFO function has provided better control and understanding of ongoing technology projects that ultimately supports the finance function's needs. Other speakers emphasized the importance of careful planning and critical thinking to ensure data quality as technology continues to facilitate automation of more manual processes.

Representatives from FINRA at the *Artificial Intelligence* session discussed the evolving role of talent in the industry, particularly in the context of integrating AI into financial firms. They described how non-technology professionals are now able to write their own code with limited experience by prompting AI using, essentially, plain English. Examples included how finance professionals could now write Microsoft Excel macros in Visual Basic by prompting ChatGPT with a desired automation. Panelists emphasized the importance of governance and oversight when using AI and following firms' quality control measures before fully implementing such automations. The panelists agreed that the industry needs talent that combines financial acumen with technological expertise, critical thinking, and a proactive approach to learning and adapting to new tools and methodologies.

Panelists agreed that the next generation of finance professionals will see a lot of exciting transformation. Speakers described that as automation and technology helps drive efficiencies and capacity in the system, the finance function can shift to providing additional value to the business given their deep understanding of the end-to-end finances of the company. One speaker, for example, envisioned that the preparer of net capital calculations could articulate the capital requirements to individual traders on their portfolio or even on potential transactions to best understand returns on equity.

The ongoing changes within the industry have continued to shape the profession and put new demands on the finance and accounting professionals. Speakers at the conference agreed that talent continues to be a focus at their firms, who are in competition over talent amongst other firms as well as other demands within the firm. Some speakers observed that the 'regulatory knowledge' has shifted away from broker-dealer regulation toward banking regulation at their firms due to changing demands. Panelists at the *Women in Finance* panel emphasized the importance of mentorship and creating opportunities for rising professionals to not only retain talent but maybe more importantly help those professionals succeed in their careers. They shared personal stories of overcoming obstacles, emphasizing the need for resilience, self-advocacy, and leveraging relationships. They also stressed the importance of embracing change, upskilling, and staying positive.

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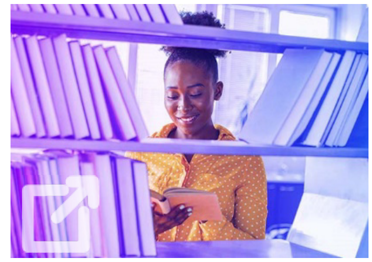

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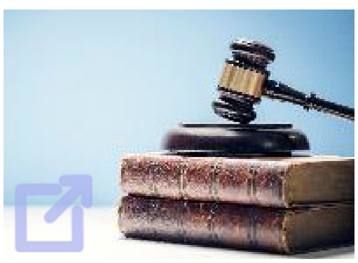

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