



National Conference on the Securities Industry

Speakers at the 2025 National Conference on the Securities Industry discussed several topics, highlighting economic, regulatory, technology and accounting matters impacting industry participants.

November 2025

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01

Conference highlights

The securities industry continues down a long road of change that will affect operations and compliance with regulatory rules. Coupled with that, a renewed focus from regulators on innovation in the digital assets space is opening the door to new opportunities and risks for broker-dealers.

At the National Conference on the Securities Industry, which was presented by the Securities Industry and Financial Markets Association's (SIFMA) Financial Management Society (FMS) and the American Institute of Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA) on October 28-29 in New York City, speakers discussed:



The implications of the regulatory agenda for broker-dealers



The reemergence of digital assets as a key focus of the broker-dealer industry



Impending changes under the treasury clearing rules set to take effect in 2025 and 2026

Financial Accounting Standards Board (FASB) discussion topics focused on refinements to the scope of Topic 815 (derivatives), improvements to internal-use software accounting guidance, and upcoming key technical research projects, including targeted improvements to the statement of cash flows and accounting for commodities. The FASB also highlighted that it is analyzing stakeholder feedback about its future standard-setting agenda and expects to issue an agenda consultation report in 2026.

Not to be overshadowed by headline-grabbing developments in the digital assets space, less splashy changes to regulatory rules will affect broker-dealers in the coming years, including clarifications and enhancements to the calculation of net debits under Rule 15c3-3, the requirement for daily reserve calculations for certain broker-dealers under Rule 15c3-3(e), and updates to materiality thresholds for Securities Investor Protection Corporation (SIPC) agreed-upon-procedure reports.

Overall, speakers recognized that the securities industry continues evolving and the pace of change isn't slowing down.



Securities industry update

US economy: A new equilibrium

Against a backdrop of significant regulatory activity, speakers throughout the conference discussed the state of the US economy, highlighting the new equilibrium being forged by shifts in trade, immigration, and fiscal policy. Rather than a slowdown, the industry is navigating through the implementation of major new rules and preparing for a wave of potential new frameworks, particularly in the digital assets space.

Gabriela Santos, *Chief Market Strategist, Americas at J.P. Morgan Asset Management*, discussed the state of the US economy and the key themes shaping the path forward.



The US economy is navigating a period of profound adjustment.

A decade of economic nationalism and protectionism has reshaped the landscape for trade, while shifts in immigration policy are altering labor dynamics. With the government shutdown introducing near-term data ‘fogginess,’ economists, industry participants, and the broader American public are evaluating the following aspects of today’s economy to understand what the future may hold.

Tariffs, Trade, and the Deficit. A defining feature of the current economic environment is the higher tariff rates, which have settled at levels not seen in decades. While the most aggressive tariff scenarios did not materialize, helping to lower recession risk, the overall effective rate of around 11% is still a significant factor. Panelists noted that the ‘One Big Beautiful Bill’, despite increased tariff revenue, is forecast to contribute to elevated deficit levels, with projections showing debt as a percentage of GDP potentially rising from 97.4% to over 100% by 2034.

Labor Market Dynamics. The labor market is experiencing a slowdown in hiring with payroll gains in August of approximately only 22,000, influenced by both policy uncertainty and a sharp drop-off in the foreign-born workforce, which had previously been a major source of labor growth. While jobless claims remain low, the decline in job openings and quit rates signals a loss of momentum. This ‘low hiring, low firing’ environment, combined with a high jobless rate for recent college graduates, points to a labor market that is further along in its cycle.

Pockets of Credit Stress.

While broad indicators of consumer health remain strong, defaults have started to pick up in specific pockets, most notably in the subprime automotive industry. Panelists described these as 'idiosyncratic' events for now, often related to stress from tariffs, now expired Electric Vehicle credits, and in certain cases, fraud in collateral management. It was noted that while the market reaction has been focused on private credit, these defaults are primarily in asset-backed and warehouse lending lines. The consensus view is that while a systemic credit crisis is not on the immediate horizon due to lower overall leverage compared to 2008, every credit cycle begins with such isolated events, warranting close monitoring.

One thing is certain.

The economy will continue to be top of mind for industry participants as they navigate a more protectionist and uncertain global environment. The resilience of the US economy is being tested, and businesses must remain agile to adapt to the new equilibrium.



The digital frontier: Investment, innovation, and regulation

A central theme of speakers was the 'sea change' in Washington's approach to digital assets, marking a 180-degree shift from the enforcement-heavy environment of just a year ago. This has created momentum for two key pieces of legislation:

01

The enacted Genius Act

Establishes a common regulatory framework for payment stablecoin issuers (digital assets which an issuer must redeem for a fixed value), assigning clear oversight to financial regulators.

02

The proposed Clarity Act

Aims to provide a definitive regulatory framework for digital assets, including the legal character of a digital asset (security, commodity, or neither) and establish clear rules for all market intermediaries.

Navigating the new frontier: The US Treasury clearing mandate

One of the most significant and complex regulatory shifts discussed at the conference was the SEC mandate¹ requiring in-scope US Treasury and repurchase and reverse repurchase ('repo') transactions be cleared via a Covered Clearing Agency (CCA). This rule represents a fundamental change to the market's infrastructure, driven by the SEC's desire to increase transparency and standardize risk management in the vital Treasury market.

By 2027, all in-scope transactions will need to be centrally cleared, and market participants are actively addressing the impacts of the central clearing mandate on their internal processes, clients, and vendors. The implementation timeline is set with several key dates. By September 2025, CCAs were required to enforce written policies for separately computing and holding margin for proprietary

¹ See SEC [Treasury Clearing Implementation](#).

and customer positions. Following this, by December 2026, all covered cash U.S. Treasury trades must be centrally cleared. The final phase of the mandate requires that all covered repo and reverse repo transactions be routed through central clearing mechanisms by June 2027.

During the conference, representatives from the AICPA Stockbrokerage and Investment Banking Expert Panel ('Expert Panel') had an in-depth conversation about the accounting implications of the Treasury Clearing Rule, which followed a session entirely focused on Treasury Clearing.

The discussion on Treasury Clearing highlighted the complexity in the rule and brought to the forefront all the different 'languages' that stakeholders must understand to respond to the mandate. These 'languages' include operations, regulatory, legal, compliance, margin, and accounting, among others.

In unpacking this complexity, there are various resources available including the recent white paper² published by SIFMA in September about the accounting treatment for US Treasury repo transactions cleared through the Fixed Income Clearing Corporation (FICC) on behalf of its customers. The white paper provides background related to the FICC's introduction of an agent clearing service model ('ACS'). The ACS provides market participants with indirect access to clearing on both a 'Done-Away' basis, where an agent clearing member ('ACM') clears customer transactions executed by the customer with a pre-novation counterparty other than the ACM, and on a 'Done-With' basis, where the trading desk of the ACM is the customer's pre-novation counterparty. The SIFMA working group ultimately concluded that an ACM, in its capacity providing clearing services to its customer, is legally considered an agent of the customer with respect to the customer's repo transaction (for both "Done-With" and 'Done-Away' trades). Therefore, the customer's repo transaction is off-balance sheet. The accounting analysis provided is specific to FICC given it relies upon legal opinions related to the FICC Rulebook.

It was emphasized that the SIFMA working group did not address IFRS accounting, and there is currently



diversity in practice within the industry. Additionally, under the sponsored service, the sponsoring member provides FICC with a written guarantee of the sponsored member's performance, and under the ACS model the ACM is responsible for the performance of all outstanding obligations to FICC on behalf of its customer. In both scenarios, it was determined that these transactions are guarantees for accounting purposes and therefore Topic 460 (guarantees) is applicable.

Some other notable items discussed, in relation to Treasury Clearing include the following:

01

Both Intercontinental Exchange (ICE) and Chicago Mercantile Exchange Group (CME) are in the process of becoming authorized clearinghouses for US Treasuries. At the current time, the FICC is the only entity currently registered as a CCA for US Treasury Transactions.

02

As it relates to access models and service offerings, direct participant firms should evaluate each access model to determine the model(s) that is (are) best suited for meeting firm and customers' needs. Firms should also evaluate whether to offer non-segregated margin, segregated customer margin, or both based on firm and customer needs.

² See SIFMA white paper "[Accounting Treatment for UST Repo Transactions Cleared Through FICC](#)."

03

From a SEC Rule 15c3-3 perspective, there is more clarity based on FAQs from the Division of Trading and Markets³ that address various questions, including the prefunding of customer margin requirements, the use of customers' securities to meet a margin requirement, and others.

04

The SEC released a FAQ⁴ on September 30, 2025 that concluded that the staff does not believe a mixed CUSIP triparty repo, in which US Treasury securities are allocated as collateral based on a 'collateral eligibility schedule,' is subject to the Treasury Clearing mandate when the parties have selected a matching CUSIP (or similar collateral matching mechanism) at trade execution that corresponds to securities other than US Treasury securities.



Impact on financial responsibility rules and other key concerns

The US Treasury clearing mandate has a direct and significant impact on core financial responsibility rules and raises other critical industry concerns:



Rule 15c3-3 Debit Relief: The SEC amended the rule to permit a 'debit' in the customer reserve formula for initial margin posted to the CCP. However, this relief is only available if the broker-dealer is able to adhere to all of the conditions within Note H of SEA Rule 15c3-3a ("Exhibit A").



Omnibus Account Concerns: A concern raised by panelists is that there is no debit relief for margin in non-segregated omnibus accounts. This creates a potential funding and liquidity challenge for firms using this account structure.



Double-Margining Problem: Another industry concern is the issue of 'double-margining,' where sponsoring members must post margin to the FICC for their clients' trades while also providing a haircut to money market fund clients on the same transaction. Panelists noted that FICC is aiming to address this by developing a 'collateral-in-lieu' version of its Sponsored General Collateral service, which would allow the FICC to take a lien on securities at the tri-party bank, creating margin efficiencies and obviating the need for the intermediary to collect and post margin.⁵

³ See SEC Division of Trading and Markets: [Frequently Asked Questions – Treasury Clearing and Rule 15c3-3a](#).

⁴ See SEC Division of Trading and Markets: [Frequently Asked Questions – Treasuring Clearing and mixed CUSIP triparty repo](#).

⁵ See KPMG's detailed thought leadership on this topic: [US Treasury central clearing and settlement transformation](#).

Change is here to stay

Reinvigorated by a positive shift in sentiment of the US administration toward digital assets, broker-dealers are navigating a period of rapid expansion and innovation while keeping an eye on capital investment levels. Speakers at the conference discussed a variety of key changes affecting the industry.

The digital asset age has dawned

Discussion about the current US Administration's supportive stance on digital assets and technological innovation reverberated throughout the conference, with one speaker referring to the current regulatory environment as a 180 degree shift from a year ago. This sentiment is bolstered by recent statements from several US broker-dealer regulatory agencies.

Speakers at the Emerging Regulatory Framework for Tokenized and Digital Asset Markets session highlighted statements made by SEC Chairman Paul S. Atkins on July 31, 2025 emphasizing that the SEC needs to encourage, not constrain, innovation in the crypto market. Similarly, Commodity Futures Trading Commission (CFTC) acting Chair Caroline D. Pham issued a joint statement with SEC Chair Atkins on September 5, 2025 announcing a 'new beginning' for coordination between the CFTC and the SEC and the need for US regulators to be flexible to help foster innovation in new markets and products. The Financial Industry Regulatory Authority (FINRA) also released Regulatory Notice 25-04 on March 12, 2025 announcing its commitment to modernizing requirements and removing unnecessary regulatory burdens.

Regulators should provide the minimum effective dose of regulation necessary to protect investors while allowing entrepreneurs and businesses to flourish.

- Paul S. Atkins

SEC Chairman

Washington, DC, July 31, 2025
American Leadership in the Digital Finance Resolution Speech

One early sign of the shift in the SEC's perspective on digital assets arose on January 23, 2025 with the publication of SEC Staff Accounting Bulletin 122 (SAB 122). At the AICPA Stockbrokerage and Investment Banking Expert Panel session, KPMG Partner Jim McConekey discussed SAB 122, which rescinded certain interpretative guidance previously issued under SAB 121. Mr. McConekey explained that for the last couple of years SAB 121 has been a challenge for broker-dealers seeking entry into the digital assets space because it required broker-dealers to record both an asset and liability associated with digital asset custody; with the asset treated as non-allowable under SEC Rule 15c3-1.

The rescission of SAB 121 allows broker-dealers to apply US GAAP and IFRS® accounting standards for loss

contingencies, in many cases resulting in off-balance sheet accounting treatment. Mr. McConekey noted that with the issuance of SAB 122, more broker-dealers are exploring reentry into digital assets services for their customers.

The shift in the regulatory landscape reinvigorated the topic of digital assets at this year's conference, with a marked increase in discussion of digital assets across all sessions compared to last year's conference. Speakers on the Emerging Regulatory Framework for Tokenized and Digital Asset Markets panel provided insights on two key digital assets products: payment stablecoins and tokenized securities.

Payment Stablecoins are cryptocurrency designed to maintain a stable value relative to a specified asset, commonly a fiat currency such as the US Dollar, Euro, or other foreign currency. The underlying asset/currency are held in reserve by a centralized issuer commonly on a one-to-one basis.

Tokenized securities are digital representations of financial assets, such as stocks and bonds; tokens are generated on a blockchain to represent ownership rights to the financial asset. Two sub-categories of tokenized securities are 'native' and 'wrapped tokens'. Native tokenized securities are issued directly on the blockchain

as a token and are the sole source of ownership. Wrapped tokens involve a custodian that holds the traditional security backing each token issued on the blockchain, commonly on a one-for-one basis of token and security held in custody.

The speakers discussed potential advantages of payment stablecoins and tokenized securities over traditional currency and securities, including faster settlement on-blockchain and ability to settle transactions around the clock (24x7 settlement). A key item that must be addressed by broker-dealers that must be addressed by broker-dealers seeking to enter the digital assets space: where are the assets custodied, including tokens/coins and any underlying securities and currency, and what protections are in place for the customer?

With the question of custody and safeguards in mind, Mr. McConekey highlighted an ongoing Expert Panel project to look at what types of assurances broker-dealers can obtain from custodians, or issue themselves if providing custody services. Potential solutions include a tailored SOC 1 report or a new type of compliance examination with defined control objectives tested by a third-party auditor. Mr. McConekey noted that the Expert Panel hopes to publish guidance in early 2026.

Always on

Discussions on the operational advantages of digital assets evoke another significant movement gaining traction in the securities industry: extended trading, a.k.a. 24x7 settlement. Whether effectuated through traditional securities trading or digital assets, there is a growing interest among customers in extended trading and settlement services.

While the industry as a whole is not ready for 24x7 trading, some broker-dealers are starting with a phased-in approach, including 24x5 trading for a handful of CUSIPs. During the Expert Panel session, Mr. McConekey discussed some of the operational and regulatory challenges of extended trading. First and foremost,



broker-dealers looking to offer extended trading will need to consider how their control environment will operate throughout the full day. This type of change may benefit larger firms that already have an international footprint where the broker-dealer can follow the sun through operational hubs across time zones.

Mr. McConekey also discussed some key matters that need to be addressed by the industry and regulators. Many broker-dealers operate on a batch cycle with end-of-day reconciliations and closure of the books for financial reporting and regulatory processes, including the net capital computation, determination of possession or control, and customer and PAB (proprietary securities accounts of broker-dealers) reserve computations. When trading occurs throughout the entire day, how and when

will broker-dealers handle these important functions? Additionally, the determination of fair value for securities may be affected by periods of lower liquidity during extended trading hours, which may also affect margin calculations. There is not yet clarity from regulators on how broker-dealers are expected to address these key issues, and broker-dealers will need to keep close to these issues as extended trading begins to cement across the industry.

For a deeper dive into extended trading, see KPMG's [24x5 Trading: Market Opportunities and Trends](#).



Put it all together, and what do you get?

Speakers at the Emerging Regulatory Framework for Tokenized and Digital Asset Markets session referenced Chair Atkins's vision of the 'super-app.' Chair Atkins explained in a recent statement that securities intermediaries should be able to offer a broad range of products and services in one place while operating under a single federal license, and nothing in the federal securities laws prohibits SEC-registered trading venues from listing non-securities on their platforms today. Chair Atkins has directed the Commission staff to develop guidance and proposals to bring the 'super-app' vision to fruition.

The speaker at the Insights from a Financial Industry Analyst session discussed shifting customer sentiments regarding price and convenience. While customers do place priority on low prices, they are now more willing to compromise to some degree in exchange for convenience.

One of the ways financial services companies offer convenience is by offering a wider array of services that

the customer wants in one place, which is aligned with Chair Atkin's 'super-app' concept.

For broker-dealers looking to expand and enhance service offerings, CFO speakers at the Securities Industry: A Senior Executive's Perspective and at the CFO Panel sessions offered insights on deploying capital to develop new solutions and keeping focused on longer-term innovation. One speaker at the CFO Panel explained that absent key performance indicators or quarterly metrics, some of the biggest future growth engines look terrible for years until they pay off. One example given was the advent of electronic trading. Building out electronic trading capability looked like a low-return investment until electronic trading suddenly exploded in popularity.

Another speaker pointed out that failing to innovate can build a technological debt over time, becoming expensive, painful, and distracting to correct in the future. Finally, a speaker at the CFO panel explained one approach on spending is to clearly separate projects between those that support business-as-usual and those that focus on innovation that will fuel growth in 2-3 years and beyond, but with clear decision points over the life of the project to evaluate whether benefits are beginning to materialize.

However broker-dealers choose to approach investing in change and innovation, speakers throughout the conference were clear that the securities industry continues to evolve and the pace of change is not likely to slow. Broker-dealers need to stay up to date on changes and developments in order to stay competitive and successfully navigate the future.

The latest from the FASB: Practicality and insight

Standard setting in motion

In a session moderated by Robert Malhotra, Partner, KPMG US, Dr. Joyce T. Joseph, Board Member, Financial Accounting Standards Board ('FASB', 'the Board') provided an update on recently issued Accounting Standards Updates ('ASUs') and ongoing projects relevant to the broker-dealer industry. Throughout its various projects, the Board strives to balance practicality for preparers of financial statement reports, while enhancing financial statement information users find most valuable. The table below presents a summary of recently issued ASUs discussed:

Topic	Highlights
Derivatives Scope Refinements (ASU 2025-07)⁶	<p>Summary of the final standard:</p> <ul style="list-style-type: none"> Issued in September 2025. Refines the scope of Topic 815 (derivatives) by adding a scope exception from derivative accounting for contracts that (1) are not exchange traded and (2) have underlyings based on operations or activities specific to one of the parties to the contract. Contracts based on certain underlyings do not qualify for the scope exception. Effective for annual and interim periods in fiscal years beginning after December 15, 2026. Early adoption is permitted. <p>Insights from the conference:</p> <ul style="list-style-type: none"> Adoption of the standard is expected to enhance decision-usefulness of information presented within financial reports and reduce costs and complexity of analysing and applying derivatives accounting guidance.
Accounting for and Disclosure of Software Costs (ASU 2025-06)⁷	<p>Summary of the final standard:</p> <ul style="list-style-type: none"> Issued in September 2025. The ASU eliminates accounting consideration of software development 'stages' for internal use software. Cost capitalization will begin solely when (1) management has authorized and committed to funding the software project, and (2) it is 'probable' the project will be completed and the software used to perform its intended function (the 'probable-to-complete' threshold).

⁶ KPMG Defining Issues – [FASB issues ASU on derivative scope refinements](#)

⁷ KPMG Defining Issues – [FASB issues final ASU on software cost accounting](#)

Topic	Highlights
Summary of the final standard (continued):	
<ul style="list-style-type: none"> • Disclosures required under Subtopic 360-10 will now be required for all software costs capitalized under Subtopic 350-40, regardless of how they are presented on the balance sheet (e.g. as intangible assets or property, plant, and equipment). • Effective for annual and interim periods in fiscal years beginning after December 15, 2027. Early adoption is permitted. • The final ASU will be applied <ul style="list-style-type: none"> – Retrospectively; – Prospectively only to software costs incurred on new and existing software projects after the adoption date; or – Prospectively to software costs incurred on new and existing software projects after the adoption date with a cumulative effect adjustment for existing, in-process project capitalized costs. • Transition disclosures will be required under Topic 250 based on the transition method selected. 	
Insights from the conference:	
<ul style="list-style-type: none"> • The manner in which software is developed has shifted over time from a strict linear to a more agile process. The ASU modernizes the standards and provides clarity as to when software costs, including development of software to be sold via Software as a Service ('SaaS'), should be capitalized. 	

In addition to discussion of recently issued ASUs, the following key technical agenda and research projects were discussed:

Topic	Highlights
Summary of the project:	
Accounting for Environmental Credit Programs⁸	<ul style="list-style-type: none"> • The proposed ASU would create Topic 818, define the attributes of environmental credits and environmental credit obligations, and require environmental credits to be accounted for based on how an entity intends to use the credit and the probability of an entity using the credits.
Insights from the conference:	
<ul style="list-style-type: none"> • While ESG is far broader than financial reporting, the proposed standard clarifies how environmental credits should be recognized, measured, and disclosed. 	

⁸ KPMG Defining Issues – [FASB proposes ASU on environment credit programs](#)

Topic	Highlights
Statement of Cash Flows Targeted Improvements	<p>Summary of the projects:</p> <ul style="list-style-type: none"> The technical project is focused on making targeted improvements to the statement of cash flows to provide investors with decision-useful information. These targeted improvements include better aligning cash flow classifications, requiring targeted supplemental disclosures for entities applying the indirect method, and disaggregating cash flows (such as investing cash flows into capital versus maintenance). The research project is exploring further improvements to the statement of cash flows to provide additional decision-useful information for investors and other allocators of capital. <p>Insights from the conference:</p> <ul style="list-style-type: none"> The objective of both projects is to address common implementation areas where there is diversity in practice instead of a broad overhaul of the model.
Hedge Accounting Improvements	<p>Summary of the project:</p> <ul style="list-style-type: none"> The proposed ASU includes 5 targeted improvements that are intended to improve alignment of hedge accounting guidance with risk management activities. The main proposals relate to cash flow hedging and have been proposed in response to stakeholder feedback from implementing ASU 2017-12. <p>Insights from the conference:</p> <ul style="list-style-type: none"> The targeted improvements have been proposed to address opacity in current hedge accounting standards and facilitate a more accurate depiction of economic risk within financial reports.
Accounting for Commodities	<p>This research project is exploring the accounting for and disclosure of commodities for financial institutions. One specific factor being considered is allowing financial institutions that hold physical commodities for trading purposes to apply the fair value option.</p> <p>Insights from the conference:</p> <ul style="list-style-type: none"> The FASB is currently evaluating which commodities are relevant and determining whether proposed solutions should be industry-specific or broader.

Striking the right balance



The FASB develops standards with the goal of fostering financial reporting that provides decision-useful information to investors and other users of financial reports. The Board acknowledges that perspectives can differ between preparers and users of financial reports. As such, the Board encourages feedback on proposals and its technical agenda from both users of the financial reports, as well as preparers of financial reports. This broad range of feedback allows the FASB to better understand the costs and challenges associated with a standard setting proposal, while ensuring inclusion of information that users find most valuable when making decisions.

Setting the FASB Agendas



In January 2025, the FASB Issued an Invitation to Comment, Agenda Consultation, to understand the next priority areas that the Board should address. The Board has begun analyzing feedback received, and in 2026, will issue an agenda consultation report that summarizes the feedback received from the varying groups of stakeholders and how that feedback has influenced the Board's research and technical agendas. Based on feedback evaluated to-date, the statement of cash flows remains a top priority for investors, while risk management and hedge accounting is a top priority for financial statement preparers.

Definition of a public business entity

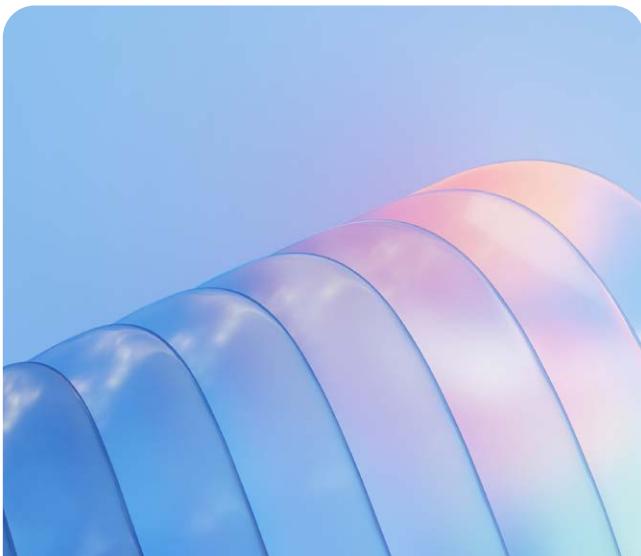
While widely considered a neutral priority across respondents, comments from those affected, including non-issuer broker-dealers, indicate a desire for the Board to revisit the definition of a public business entity. The comments received suggest redefining or simplifying the definition of a public business entity to exclude certain entities like non-issuer broker-dealers and conduit bond obligors, indicating that the cost to comply with public business entity requirements for these types of entities does not outweigh the benefit to users. The definition of a public business entity is a topic that the Board is open to exploring and will consider adding to its agenda during upcoming meetings.

Regulatory updates

Despite one of the longest federal government shutdowns in history, regulatory activity for broker-dealers has not come to a standstill. Speakers at the Conference discussed many key regulatory changes that are expected to affect broker-dealers over the coming months.

Regulatory Notice 25-12

Kris Dailey, Vice President in FINRA's Office of Financial and Operational Risk Policy, joined the Regulator Panel to discuss recent updates outlined in [Regulatory Notice 25-12](#). The updates discussed included enhancements introduced through the FINRA Forward initiative to better support members, markets, and investors, as well as new interpretive guidance concerning SEA Rule 15c3-1 - Net Capital Requirements for broker-dealers and SEA Rule 15c3-3 – Customer Protection – reserves and custody of securities.



FINRA forward

The Regulator Panel outlined the goals of FINRA Forward, an initiative designed to enhance regulatory programs while reducing unnecessary compliance burdens for firms. The initiative centers on three core objectives:



Modernizing oversight by reviewing, updating, and enhancing FINRA rules.



Empowering compliance through improved support for member firms to help safeguard investors and maintain market integrity.



Supporting resilience by expanding cybersecurity and fraud prevention activities.

A key enhancement discussed as part of the FINRA Forward initiative was released as part of Regulatory Notice 25-12. FINRA updated its Interpretations to include hyperlinks to source materials such as SEC Staff No-Action Letters, FINRA Regulatory Notices, NYSE Interpretation Memos, and other referenced guidance. The Regulator Panel noted that this aggregation of resources within the Interpretations is intended to help broker-dealers more effectively meet their compliance obligations.

Treatment of free credit balances in IRA accounts

Kris Dailey discussed the new interpretation 15c3-3(a)(5)/011 “Treatment of a Free Credit Balance in a Customer’s Individual Retirement Account(s) (IRA accounts);” included within Regulatory Notice 25-12, which states:

A broker-dealer need not combine a free credit balance in a customer’s IRA account(s) with a debit balance in the customer’s other securities account(s) when determining the customer’s net debit balance under interpretation 15c3-3(a)(5)/01, provided:

- 01 The IRA account(s) comply with all US Treasury and Department of Labor regulations applicable to IRA accounts.
- 02 The gross amount of the free credit balance in the customer’s IRA account(s) is included as a credit item in the broker-dealer’s customer reserve formula computation.
- 03 The amount on deposit in the firm’s reserve bank account is at all times equal to or greater than the total of all gross amounts of free credit balances in customers’ IRA accounts.

This interpretation is significant as it provides clarity on the treatment of IRA-related balances as it relates to computing the 140% rehypothecation limits for firms netting by customer tax ID, helping firms maintain compliance and protect customer assets.

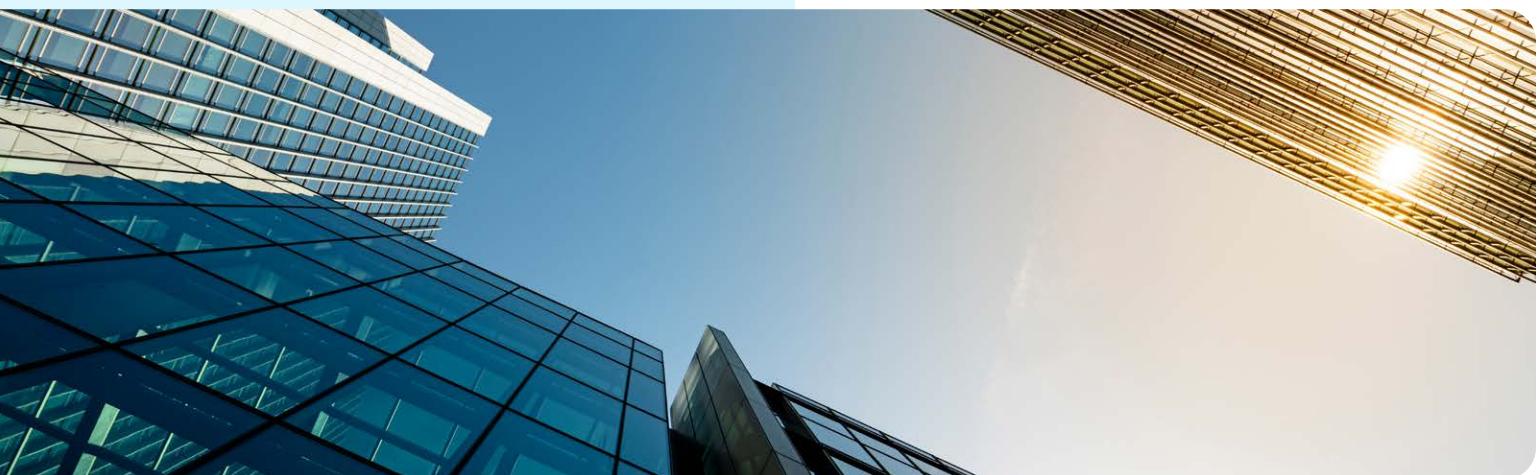
Capital treatment of securities with more than minimal amount of credit risk

Kris Dailey introduced the added interpretations 15c3-1(c)(2)(vi)(I)/01 and 15c3-1(c)(2)(vi)(J)/04, which address the appropriate haircut treatment for non-convertible debt securities, certain convertible debt securities, and preferred stock that possess a ready market but either exhibit more than minimal credit risk or lack a formal creditworthiness assessment.

Ms. Dailey clarified that the following instruments would be classified as ‘other securities’ and therefore subject to the 15% haircut deduction under paragraph 15c3-1(c)(2)(vi)(J):

-  **Non-convertible debt and preferred stock** deemed to have a ready market, but which either present more than minimal credit risk or have not undergone a creditworthiness assessment.
-  **Convertible debt securities** with a ready market, where the market value is less than the principal amount, which either have more than minimal credit risk or lack a credit risk assessment.

These updates provide firms with clearer guidance on the classification and capital treatment of securities with elevated credit risk, supporting more consistent application of the net capital rule.



Daily 15c3-3

Thomas J. Favia, Managing Director of Goldman Sachs and Chair of the SIFMA Capital Committee, introduced the progress made by the Committee as the implementation date for the SEA Rule 15c3-3 daily reserve computation approaches for clearing broker-dealers averaging more than \$500 million in customer credits, effective June 30, 2026. He explained that the SEC and SIFMA have collaborated to develop a calendar that provides relief from performing daily reserve computations on certain dates surrounding holidays—such as Black Friday and Christmas Eve—when broker-dealers typically operate with reduced staffing.

This coordinated effort reflects a practical approach to regulatory compliance, balancing investor protection with operational realities within the industry.

Kris Dailey and the Regulator Panel also addressed a key frequently asked question regarding 'test' computations, which broker-dealers may perform as part of their preparation for the June 2026 implementation. They emphasized that firms should maintain a formal conversion planning document outlining scheduled 'test' computation dates and proactively communicate these dates to their assigned risk monitoring analyst. This process will help

establish a clear audit trail for regulators and auditors, supporting transparency and readiness.

The Regulator Panel also presented forthcoming changes to the Financial and Operational Combined Uniform Single (FOCUS) Report, targeted for release in Q1 2026. These updates will include a new line item for broker-dealers performing daily SEA Rule 15c3-3 computations subject to the 2% aggregated debit reduction. Additionally, the Customer and PAB reserve computation sections will be expanded to reflect changes associated with the Treasury clearing rule. Broker-dealers that choose to early adopt the daily reserve computation and apply the 2% aggregated debit reduction prior to the FOCUS Report updates were advised to note the adjustment in the comment field, indicating that the 2% reduction was applied in place of the 3% currently shown on the report.

Collectively, these developments highlight the importance of proactive engagement, clear documentation, and coordination with regulators to ensure a successful transition to the new daily reserve requirements and reporting standards.

SIPC materiality limits

Members of the Stockbrokerage and Investment Banking Expert Panel discussed recent updates to Materiality limits included in the SIPC-7 Agreed Upon Procedures (AUP) Reports of Independent Public Accounts ('AUP Reports').

SIPC addressed frequent questions regarding materiality limits for the purpose of AUP Reports via updates to [MemberFAQs](#). The limits discussed are summarized in the table below:

AUP Report Procedure	Materiality Limit
SIPC Rule 600(b)(3)(i) – Compare assessment payments made in accordance with the General Assessment Payment Form (Form SIPC-6) and applied to the General Assessment calculation on the Form SIPC-7 with respective cash disbursements record entries	\$1 or less
SIPC Rule 600(b)(3)(ii) – Compare amounts reflected in the audited financial statements required by an SEC rule with amounts reported in the Form SIPC-7	\$25 or less

AUP Report Procedure	Materiality Limit
SIPC Rule 600(b)(3)(iii) – Compare adjustments reported in the Form SIPC-7 with supporting schedules and working papers supporting the adjustments	\$25 or less
SIPC Rule 600(b)(3)(iv) – Verify the arithmetical accuracy of the calculations reflected in the Form SIPC-7 and in the schedules and working papers supporting any adjustments	\$1 or less
SIPC Rule 600(b)(3)(v) – Compare the amount of any overpayment applied with the Form SIPC-7 on which it was computed	\$1 or less

The Stockbrokerage and Investment Banking Expert Panel clarified that materiality limits are optional. However, to apply these limits when reporting exceptions, the following conditions must be met:

01

The SIPC member and the independent public accountant who prepared the AUP Report agreed to such materiality limits for reporting exceptions as part of the independent public accountant's engagement letter.

02

Any agreed-upon materiality limits for reporting exceptions are described in the AUP Report.

Prediction markets

Speakers at the AICPA Stockbrokerage and Investment Banking Expert Panel discussed the emergence of Prediction Markets, which allow participants to enter into event contracts, a type of swap structured with a binary outcome of "yes" or "no". These contracts provide payoffs based on the occurrence or non-occurrence of specific events that have commercial, financial, or economic consequences, such as economic indicators, company performance, financial markets, election results, weather outcomes, sport competitions, and other measurable events.

Event contracts fall under the regulation of the CFTC and require the contracts and firms that offer them to register

with the CFTC. Further, because event contracts intersect with gaming, many states are actively considering regulation, which will complicate the regulatory landscape for these contracts. The speakers emphasized that the requirements of the CFTC should not be underestimated and consultation and close coordination with the CFTC is encouraged. The CFTC's [Staff Letter No. 25-36](#) provides critical reminders to entities of their responsibilities under CFTC regulations.

For more information, see KPMG's publication on [The Current State of Prediction Markets](#).

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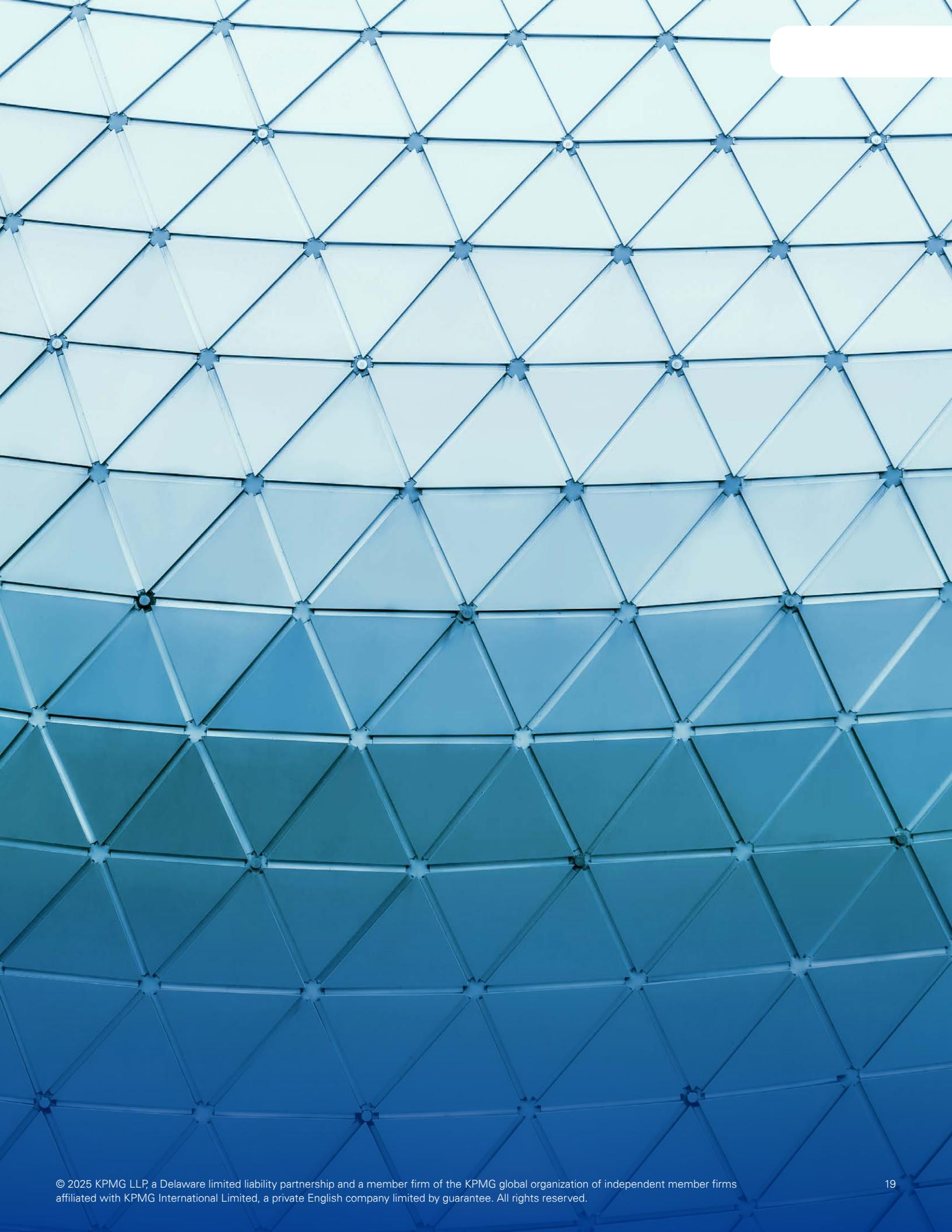


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DASD-2026-19124