Addressing top of mind issues for banking and capital markets

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Contents

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Mergers and acquisitions

Fewer transactions and highly concentrated value characterized banking mergers and acquisitions (M&A) in recent quarters. Deal volume declined meaningfully both quarter-over-quarter and year-over-year. While total deal value fell from late 2025 levels, it remained modestly higher than the prior year. The strategic drivers for deals continue to be scale and acquisition of front-end platforms and data. There is also significant acceleration in execution speed as regulatory approvals and conversion timelines have dramatically shrunk. Key developments shaping the current M&A landscape include:

- **Strategic rationales are shifting:** Traditionally, the pursuit of scale and market entry were the core deal rationale, but today's transactions have more complex, multifaceted rationales. The primary focus has expanded to enhancing capabilities, strengthening the balance sheet, and advancing technology architecture to build more resilient and competitive institutions across both traditional banking institutions and fintechs. In addition, the recently announced capital notices of proposed rulemaking bring additional considerations and potential opportunities to bear.
- **Execution speed is paramount:** The timeline from deal announcement to close has compressed significantly, with the average time from signing to closing dropping from 12 months to just three months. For a significant number of transactions, closing to conversion timelines have also significantly shortened to a matter of months.
- **Disciplined integration is the key to success:** With approvals accelerating, the focus has shifted to post merger integration earlier in the lifecycle. Success requires front-loading conversion and synergy planning, bridging the gap between the diligence and integration teams, and having a clear roadmap from day one. In the meantime, protecting pivotal talent and culture during the transition is critical to safeguarding the franchise, especially during capability plays.
- **Artificial intelligence (AI) acceleration of the M&A process:** Involvement of AI in the deal process changes diligence and integration from a retrospective, sample-based process into a full-coverage, intelligence-led engine that not only identifies risk but also quantifies value at a process, contract, and data level. The real shift is that by the time a deal is signed, buyers can already have a detailed transformation roadmap and can begin executing value in alignment with accelerated timelines.

In today's fast-paced M&A landscape, speed is the new standard, but disciplined execution determines a deal's ultimate success. The strategic rationale for deals has matured, focusing less on just getting bigger and more on getting better. Institutions also need to consider capital implications as category thresholds are crossed. As timelines shrink, banks that can rapidly integrate operations, capture synergies, and protect their customer and cultural assets will be the definitive winners in the ongoing wave of strategic consolidation.

Opportunity

1

Target deals for strategic capabilities, that provide specific capabilities like advanced technology or a stronger balance sheet, rather than pursuing scale alone.

2

Build (or revisit) your M&A playbook, driving enhanced readiness that enables a preemptive, "ready-to-go" plan that unlocks speed and proactively manages execution risk.

3

Embed AI throughout the lifecycle to surface revenue opportunities, scalability constraints, and integration complexity earlier and faster while actively managing execution with immediate insights.

Resources

- M&A trends in financial services, Q1 2026
- 2026 Banking Survey: Technology

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Digital assets

Digital assets are accelerating the transformation of the banking industry and financial systems, moving decisively from strategic exploration to enterprise-scale implementation. The industry is entering a new phase of execution, supported by increasing regulatory clarity and landmark developments such as the Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act and the ongoing advancement of other regulatory developments, including the Digital Asset Market Clarity Act of 2025. Together, these frameworks are establishing clearer rules for stablecoins, market structure, and institutional participation, enabling organizations to scale digital asset strategies with greater confidence.

While long-term disruption remains a key theme, the near-term focus is on institutionalization and convergence. In particular, digital assets are intersecting with advancements in AI, the tokenization of money and financial instruments, and the establishment of robust operational models. Key developments and opportunities include, but are not limited to:

- **New competitors and charter expansion:** Fintech and crypto firms, alongside traditional financial institutions, are increasingly pursuing regulated structures, including bank charters or equivalent licenses, to participate in and support digital asset activities such as issuance, custody, and on-chain financial services. This trend reflects growing demand for regulated infrastructure as digital assets move into mainstream finance, supported by clearer regulatory guardrails and oversight requirements.
- **Advanced payment and treasury solutions:** Digital assets are rapidly evolving into core institutional infrastructure for payments and liquidity management. Digital asset use is expanding beyond trading into cross-border payments, treasury optimization tools, and programmable settlement payments ultimately reducing settlement times and operational costs.
- **Mainstreaming of tokenization:** Tokenization of assets is accelerating, with institutions actively issuing and distributing tokenized products, while the rise of tokenized deposits provides the digital cash needed for seamless, on-chain settlement. This dual momentum is transforming capital markets by enabling faster settlement and broader investor access, while positioning blockchain as a core infrastructure layer for asset issuance and lifecycle management.

As the industry evolves, the core challenges remain centered on risk management, governance, and operational readiness. The unique risks of digital assets—including public blockchain interactions, custody and private key management, and rapidly evolving regulatory requirements—are now coupled with emerging risks related to AI integration, data integrity, and automation. Banks must continue to perform comprehensive risk assessments and evolve their control frameworks to safely capitalize on the immense opportunities in this new financial landscape.

Opportunity

1

Assess digital asset strategies, including emerging risks related to AI integration, data integrity, and automation.

2

Understand rapidly developing regulatory frameworks and **requirements**.

3

Establish a comprehensive governance model and framework and continue to monitor core challenges, including risk management and adoption.

Resources

- KPMG 2025 Futures Report
- Stablecoins: The Bridge Between Traditional Finance and Digital Assets
- Crypto and Digital Assets: Final GENIUS Act and Other Actions

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GenAI

Financial institutions are witnessing a historic shift in the economics of “build versus buy,” as AI-powered custom development becomes faster and more efficient than traditional off-the-shelf software. However, the more fundamental shift is not just in how AI is built, but in how it is consumed. The emergence of “tokenomics”—the unit economics of AI usage—is rapidly becoming an executive-level concern, forcing institutions to evaluate cost per token, tokens per task, and ultimately cost per outcome with the same rigor applied to infrastructure and capital allocation. Key developments shaping the generative AI (Gen A) landscape include:

- AI coding agents now allow financial institutions to develop custom tools in weeks, replacing six-month vendor implementations and multiyear SaaS contracts. At the same time, these capabilities are expanding from simple code generation to orchestrated, multi-step workflows that increasingly resemble autonomous execution rather than discrete tools.
- Technology budgets are being reallocated as banks increase the share of spend devoted to AI and autonomous “agentic AI” systems. This shift is not only reallocating spend away from traditional SaaS platforms, but also introducing a new cost model where consumption scales with usage. As reasoning-capable and agentic models consume significantly more tokens per task, unmanaged adoption risks driving exponential increases in underlying compute costs.
- Agentic AI is moving from pilot to production, with expectations for full embedding in risk, compliance, fraud detection, and core operational processes by the end of 2026. Critically, the architectural model is evolving: rather than deploying hundreds of fragmented agents, institutions are converging on unified agent platforms, or “agent harnesses,” that orchestrate many instances of a single agent equipped with hundreds or thousands of reusable “skills.” This consolidation is essential to make governance, observability, and cost management tractable at scale.

To maintain a competitive edge, the focus must shift from integrating AI into legacy frameworks to architecting a business model where AI consumption is actively managed and optimized. This includes establishing disciplines around token efficiency, workflow design, and agent orchestration to ensure that scaling AI usage translates into economic value rather than unchecked cost growth. Leading institutions are re-architecting core functions, such as loan origination, compliance monitoring, and portfolio management, agentic systems where AI is the foundational driver of value, not an overlay.

Opportunity

1

Operationalize tokenomics — frontier model prices have held roughly flat for 12+ months while reasoning and agentic workloads consume 5 to 50x more tokens per task; without observability and model routing, AI becomes financially unsustainable at enterprise-wide scale.

2

Adopt the harness-plus-skills model — shift from “many agents” to “one agent, many skills.” A single governed harness with hundreds of natural-language skills is easier to secure, audit, and scale than a fleet of point-built agents.

3

Architect for the cost/consumption coexistence — route lightweight tasks to cheap models, reserve frontier reasoning models for high-value work, and treat AI usage as a first-class operational metric, not an IT line item.

Resources

- KPMG AI Quarterly Pulse Survey Q2 2026
- How generative AI is transforming mergers and acquisitions tax
- Auditing artificial intelligence
- Reimagining the front office for a smarter, faster future
- 2026 Banking Survey: Technology

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Digital transformation and payments modernization

The banking and capital markets sector is accelerating its digital transformation, moving decisively from planning to scaled, enterprise-wide execution. Institutions are shifting beyond incremental upgrades toward structural modernization of platforms, payment infrastructures, and operating models, driven by rising customer expectations and competitive pressure. GenAI continues to act as a catalyst—particularly in payments—while the strategic focus has sharpened on AI-led platform transformation that integrates GenAI with cloud-native, real-time, and ecosystem-based architectures enhancing productivity; automate workflows; and deliver intelligent, embedded client experiences across channels. Key developments in this transformation journey include:

- **AI-led platform modernization:** There is a clear industry trend toward modernizing legacy systems by moving to cloud-based, modular platforms that support scalability and real-time processing. Banks are using GenAI to accelerate this transition through code modernization, workflow automation, and enhanced software development lifecycles, while also embedding AI capabilities directly into core platforms and payment flows.
- **Data-rich payments transformation:** The rapid adoption of real-time payment infrastructures is reshaping the payments landscape, with instant payments becoming an expected standard for both consumers and businesses. These developments are driving a shift from payments as a utility to payments as a strategic, data-enabled business model.
- **Focus on new business models:** The perspective on GenAI has evolved from a tool for operational efficiency to a driver of growth. Financial institutions are increasingly embracing embedded finance, banking-as-a-service, and platform-based ecosystems, partnering with fintechs, technology providers, and nonfinancial platforms to deliver integrated financial experiences.
- **Specific and compelling use cases:** Institutions are prioritizing targeted, high-impact uses cases, including embedding AI copilots and proactive insights into digital channels, deploying real-time fraud detection and risk monitoring solutions, enhancing customer engagement through personalized payment experiences and intelligent assistants, and leveraging AI and data to improve treasury, liquidity, and cash management in real time.
- **Persistent risks and barriers:** Significant barriers to adoption remain the quality of organizational data, cybersecurity and fraud vulnerabilities, data privacy concerns, and regulatory compliance requirements. The need for a more mature risk management, governance, and control framework is key to preventing these risks and barriers.
- **Talent and governance:** To succeed, firms are prioritizing the hiring of critical skills, including adaptability, deep industry knowledge, and technical expertise. Simultaneously, establishing robust governance frameworks and a steering committee to manage ethical deployment, risk, and compliance is seen as essential for sustainable success.

As the banking landscape continues to evolve, the key to empowering the workforce lies in building an intentional, sustainable, and holistic transformation strategy. By aligning these elements, organizations can harness the full potential of digital transformation to drive innovation and long-term growth.

Opportunity

1

Reevaluate ways to modernize legacy platforms leading to scale and efficiencies.

2

Continue to expand technology partnerships and evaluate AI-led platform opportunities.

3

Evaluate risks and barriers, ensuring a mature risk management, governance, and control framework.

Resources

- KPMG AI Quarterly Pulse Survey Q2 2026
- Partnering for payment modernization
- 11 Game-Changing Ways to Empower your Workforce with GenAI
- Accelerating Payments Modernization: Strategies for Banks to Stay Ahead

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Risk and regulatory

With established regulatory agencies' leaders, banking regulators continue to execute against their agendas to modernize and tailor supervision and enforcement through rulemaking and updated guidance. Key regulatory activity, potential impacts, and opportunities include the following:

- **Capital:** Interagency proposed revisions to the capital framework for banks, often called the "Basel III Endgame," to better align regulatory capital with risk and modernize the system introduce a new "Expanded Risk-Based Approach" for the largest banks and a revised "Standardized Approach" for other firms, aiming to simplify the rules and enhance risk sensitivity.
- **Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT):** FinCEN proposed reforms to modernize the US AML/CFT regulatory and supervisory framework to focus on program effectiveness.
- **Digital assets:** Regulators have proposed implementing regulations for permitted payment stablecoin issuers under the GENIUS Act, while SEC and CFTC actions continue to clarify crypto oversight as broad market structure legislation remains pending.
- **Model risk management:** Recently issued interagency revised model risk management guidance, effective immediately, clarifies model risk management principles and sets forth a risk-based approach to model risk management.
- **Technology:** The White House put forth a National Policy Framework for AI which includes seven policy objectives and calls on Congress to turn the framework into legislation. A key feature of such legislation would be the preemption of certain state laws and regulations to avoid a "fragmented patchwork" that would "hinder" innovation and national competitiveness.

The shift in regulatory priorities, including approaches to innovative products, may create a more favorable environment for certain business activities. However, this may also result in increased complexity for intuitions as they manage diverging regulations across jurisdictions (global, federal, and state). Financial institutions, regardless of size or complexity, may be challenged to keep pace with and implement the volume of regulatory changes and as such, risk and compliance professionals within institutions should continue to leverage technology to modernize compliance processes, respond to regulatory change, and refine risk assessment approaches to address new and evolving risks.

Opportunity

1

Monitor potential changes to (and the lessening of) existing regulations and regulatory practices.

2

Maintain a robust governance and control environment to ensure safety and soundness amidst a changing regulatory environment.

3

Manage compliance expectations across diverging regulatory jurisdictions (federal, state, global).

Resources

- Capital Proposals
- BSA/AML/CFT: FinCEN and Federal Banking Agency Reform Proposals
- GENIUS Act: FDIC, NCUA, OCC Proposals for Applications, Prudential Frameworks
- Model Risk Management: Revised Interagency Guidance
- AI: National Policy Framework; Recommendations for Legislation
- Financial Services Bank Regulatory Tailoring
- Community Banking: Regulatory Tailoring Actions and Proposals
- Ten Key Regulatory Challenges of 2026
- Ten Key Regulatory Challenges of 2026: Midyear

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Credit

The credit market continues to navigate a complex environment characterized by widening credit spreads, emerging dispersion in credit quality, and delinquencies across both commercial and consumer loan portfolios continuing to rise. While select segments see continued stress, overall market conditions remain resilient, driven by increased refinancing activity and continued leveraged loan issuance. This dynamic requires lenders to enhance data analytics, recalibrate and refine risk models, and focus more acutely on borrower-level fundamentals to effectively manage these evolving risks and challenges. Key developments in this landscape include:

- **Private credit's continued expansion:** Private credit remains the leading substrategy for fundraising in global private debt and continues to serve as a competitive alternative to traditional bank lending. The sector is expanding into new areas such as asset-backed finance, infrastructure, and real estate, with healthcare, business services, and technology remaining dominant lending sectors. Recent trends indicate rising redemption requests, increased liquidity management challenges, and greater regulatory and investor focus on transparency and risk governance. As the private credit market matures—along with increased dispersion in performance and continued heightened scrutiny around valuation, performance, liquidity, and underwriting—liquidity management and strategy re-evaluation will continue to be key.
- **Rising strain on consumer debt:** Delinquency trends remain elevated particularly across specific products, such as credit cards and student loans. Total household debt has increased, a widening divergence across income levels is evident, and a growing percentage of household debt is in some stage of delinquency.
- **Stress in commercial real estate:** The commercial real estate sector continues to experience volatility, particularly in segments challenged by structural shifts and refinancing pressures. Loan performance remains variable, with volatile delinquencies, elevated sensitivity to interest rates, asset valuation adjustments, and evolving demand dynamics.
- **Persistent macroeconomic uncertainty and shifting regulatory environment:** Lenders must continue to navigate a complex macroeconomic environment shaped by elevated inflation, tariffs, fragile supply chains, shifting regulatory landscape, and geopolitical developments. While markets anticipate a gradual easing cycle, policy uncertainty and persistent inflationary pressures are likely to keep interest rates range-bound and volatility elevated.

The credit market's current challenges underscore the need for lenders to be proactive—enhancing risk frameworks, strengthening underwriting discipline, and leveraging data-driven insights—while positioning themselves to capture opportunities in refinancing, structured credit, and leveraged loan markets.

Opportunity

1

Identify and evaluate continued economic uncertainty associated with elevated inflation, tariffs, fragile supply chains, shifting regulatory landscape, and geopolitical developments.

2

Continue to monitor and address rising delinquencies across consumer and commercial real estate loan portfolios.

3

Continue to navigate the competitive landscape to capture opportunities in refinancing, structured credit, and leveraged loan markets.

Resources

- CECL Pulse Check Q2 2026
- 2025 AICPA & CIMA Conference on Banks & Savings Institutions

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Cost optimization

Financial institutions continue to intensify their focus on strategic profitability and cost management, with a majority citing it as their highest priority. Traditional, short-term cost-cutting is being replaced by holistic, multi-year transformation programs, typically spanning two to five years. The primary drivers are the need to achieve specific financial targets and offset persistent margin pressures. This strategic transformation combines sustainable cost optimization with performance improvement to ensure long-term growth and competitiveness.

To achieve this transformation, several key findings come into play:

- **Fund the future from the run rate:** Leaders are recycling structural savings into growth bets, on AI, data, client experience, and revenue platforms, betting on incremental growth with potential flywheel impacts.
- **Flatten the operating model, not just the cost base:** Spans, layers, and shared-service designs are being redrawn—oftentimes with AI as a primary lever—so productivity gains hold beyond the program instead of eroding upon program completion.
- **Bridge the technology gap:** While technologies like AI and GenAI offer transformative opportunities, AI adoption and upskilling continues to be a primary focus in the near term, with an increasing focus on the true cost of AI.
- **Treat third parties as a portfolio:** Vendor, outsourcing, and real-estate footprints are being managed as an integrated cost portfolio, with concentration, resiliency, and unit economics reviewed alongside price.

By embracing this strategic approach, banks can build resilience and enhance agility. The journey requires a combination of technology adoption, transparent metrics, and strong leadership to turn high-potential areas like workforce optimization and third-party spend reduction into long-term value.

Opportunity

1

Build a **multiyear capital-and-cost plan that ties every savings initiative to a reinvestment thesis**, so transformation funds growth priorities.

2

Redesign the operating model around end-to-end client and product journeys, collapsing handoffs and duplicate controls to lift productivity while improving service quality and risk outcomes.

3

Accelerate the adoption of AI and GenAI, moving from exploration to implementation in high-impact areas like back-office operations, risk management, and customer service.

4

Industrialize a **cost-to-serve and cost-to-acquire view by client segment and product**, enabling leadership to reprice, exit, or reshape relationships that structurally dilute returns.

5

Reset third-party portfolio through strategic consolidation, renegotiation, and selective insourcing, converting fragmented spend into measurable margin while strengthening resiliency posture.

Resources

- Banking transformation: The new agenda

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Cyber

The banking and capital markets sector is navigating a period of profound cybersecurity transformation, fueled by aggressive technology adoption and a complex global threat environment. The stakes have never been higher, as operational resilience, client trust, and regulatory compliance are all directly impacted by an institution's security posture. Leaders must therefore pay strategic attention to the critical trends that are actively reshaping the industry's risk profile. This strategic shift is characterized by several key trends:

- **AI is now embedded in day-to-day security operations.** Leaders are setting guardrails so people stay in control, actions are auditable, and benefits (faster detection and response) are achieved without introducing new risk.
- **Dependence on cloud, SaaS, and market-critical vendors keeps rising.** Firms are shifting from questionnaires to live monitoring and rehearsed response, with attention to fourth-party exposure and concentration risk highlighted by recent vendor outages.
- **Divergent rules on data and incident disclosure are shaping how services are designed and reported.** Boards and regulators expect evidence of resilience, timely disclosures, and coordinated governance across business, risk and technology.
- **Deepfake-enabled fraud, identity, and application programming interface (API) abuse and ransomware with data theft continue.** Targets include payments, and wealth and trading operations thus reinforcing the need for prepared playbooks and business engagement.
- **As AI scales, firms are tightening model and data governance.** Model and data governance continues to prevent data leakage, protect client information, and meet emerging expectations for responsible use.

As agentic AI continues to evolve, frontier models such as Mythos pose incremental risks to cyber security. To effectively prepare for and mitigate the challenges associated with these models, financial institutions should prioritize the following:

- **Map True Exposure:** Shift from tracking generic vulnerability lists to building a real-time inventory of actual exploitable attack paths.
- **Automate Containment:** Pre-authorize and build automated playbooks (such as system isolation and token revocation).
- **Pilot an Agentic Securities Operations Center:** Establish a foundational AI-led Security Operations Center on a subset of critical assets.
- **Accelerate Key Patching:** Deploy emergency patches or compensating controls to highly exposed systems.
- **Simulate AI Attacks:** Run continuous, AI-driven adversarial simulations to measure and aggressively lower detection (MTTD) and response (MTTR) times.

Opportunity

1

Governing autonomous security: Define what can be automated, when human approval is required, and how actions are logged and reviewed.

2

Continuous supplier risk and response: Build a live view of critical third and fourth parties, standardize expectations in contracts, add real-time risk signals, and practice switchover and exit options.

3

Cross-border resilience and disclosure readiness: Map critical data and services to jurisdictions, harmonize incident classification and reporting across regimes, and expand scenario testing.

Resources

- Cyber Security Services
- Cybersecurity Considerations 2025: Financial services sector
- Securing AI: Six steps to enable trusted innovation

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CIO's agenda

Banking and capital markets CIOs in 2026 are navigating a shift from transformation at scale to value realization at speed. The focus has moved from broad digital and cloud adoption to targeted modernization, production-grade AI, and measurable business outcomes. Key focus areas for bank CIOs include:

1. **AI at scale:** Transition GenAI from pilots to enterprise-wide deployment embedded in core business workflows with strong governance and measurable ROI.
2. **Core and platform modernization:** Shift to targeted, modular modernization of high-value domains using API-led and event-driven architectures.
3. **Data foundation and governance:** Build unified, governed data platforms that enable AI, ensure regulatory compliance, and improve data quality and accessibility.
4. **Cybersecurity and operational resilience:** Evolve to resilience-by-design with Zero Trust, third-party risk controls, and cyber-recovery capabilities.
5. **Cost optimization and productivity:** Drive sustained cost reduction and productivity gains through automation, GenAI, and application/platform rationalization.
6. **Digital customer experience and personalization:** Deliver real-time, AI-driven, omnichannel experiences that improve engagement while reducing cost-to-serve.

Through these strategic adjustments, firms are working to shift to a value realization model that enables secure targeted innovation and measurable business outcomes.

Opportunity

1

Value-led core modernization: Modernize high-impact domains (e.g., payments, lending, servicing) tied to clear revenue uplift, speed-to-market, or cost reduction, rather than large-scale replacements.

2

Enterprise AI platform (trusted and governed): Build a centralized AI and data platform with (1) reusable models and API, (2) strong governance and auditability, and (3) cross-domain scalability (risk, fraud, operations, sales).

3

AI-driven productivity transformation: Drive sustained efficiency through developer copilots, test automation, code migration tools, intelligent workflow orchestration, and reduction in manual operations across middle/back office.

4

Resilient-by-design architecture: Embed resilience into platforms via (1) Zero Trust security models, (2) segmented architectures and failover capabilities, and (3) cyber-recovery and business continuity integration.

5

Data commercialization and monetization: Leverage governed data for (1) advanced analytics and pricing optimization, (2) risk intelligence and fraud prevention, and (3) new revenue streams via data sharing and ecosystem integration.

Resources

- Intelligent banking: A blueprint for AI-driven transformation
- Global Tech Report 2026 – Financial Services
- Partnering for payment modernization

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Tax

As last year's legislative changes continue to reshape the tax landscape, banking and capital markets institutions face mounting complexity across federal enforcement, state conformity, and tax-exempt structures, and with that complexity comes meaningful opportunity. Key matters to consider include::

- **Congressional and IRS outlook:**
  - Congressional tax legislation remains stalled, with major activity likely deferred to the “lame duck” session after the November 2026 midterm elections. Key deadlines include September 30, 2025 (FY25 end), December 2025 (Congressional term end), and September 30, 2026 (FY26 end).
  - The Internal Revenue Service (IRS) faces significant operational strain and budget cuts. Staffing shortages in Large Business & International, Appeals, and Criminal Investigation divisions are causing refund delays and heightened scrutiny of filings.

Economic substance:

- In *Liberty Global Inc. v. United States*, No. 23-1410 (April 21, 2026), the Tenth Circuit upheld the IRS’s application of the economic substance doctrine to disallow deductions from transactions that were deemed to lack economic substance, despite technically complying with tax rules.
- The IRS continues to scrutinize both the business purpose and economic effect of transactions, signaling heightened enforcement risk. Taxpayers should ensure comprehensive documentation and rigorous planning to substantiate the economic substance of material transactions.

Tax-exempt structures:

- There is renewed interest in municipal subsidiary structures and operational controls as organizations look to optimize cash management and manage the impacts of interest disallowance.
- Current discussions include the tax implications and application of compliance standards for qualified agricultural real-estate loans.

State complexities from OB3:

- States are adopting the tax provisions of OB3 at different times and in varying ways, including picking and choosing the federal changes they will follow. This leads to ongoing uncertainty and complexity in state tax compliance across jurisdictions.
- Consequently, traditional state tax calculation methods may no longer be reliable; advanced modeling and proactive monitoring are essential to accurately forecast tax impacts.

Institutions that move proactively to assess these developments will be well-positioned to manage risk and act on the opportunities these changes present.

Opportunity

1

Evaluate state conformity to OB3 and determine the resulting state tax filing positions, compliance requirements, and cash tax impacts.

2

Conduct a health check and review of your structure and operational controls for tax-exempt portfolios and interest expense disallowance calculations to ensure compliance and optimize outcomes.

Resources

- Who Won Gold with the Latest CAMT Guidance from Treasury?
- Tenth Circuit: Taxpayer’s refund claim denied under economic substance doctrine
- OB3 Banking Insights: New Proposed Regulations for Trump Accounts (podcast)
- Unlocking Synergy Between Tax and Legal in B&CM (podcast)
- Managing Business Traveler Compliance (podcast)

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