FASB FINANCIAL ACCOUNTING STANDARDS BOARD

PUBLIC MARKETS ADVISORY COMMITTEE
801 Main Avenue, Norwalk CT
May 14, 2026

9:00–9:05 a.m.	**Introductions and Opening Remarks**
9:05–9:15 a.m.	**Topic 1: FASB Update** *Session Objective:* To provide PMAC members with an update on the FASB's projects and recent activities.
9:15–10:00 a.m.	**Topic 2: Indexation–Debt and Equity** *Session Objective:* To update and solicit feedback from PMAC members on the project.
10:00–10:45 a.m.	**Topic 3: Cash Equivalents—Disclosure Enhancement and Classification of Certain Digital Assets and Accounting for Transfers of Crypto Assets** *Session Objective:* To update and solicit feedback from PMAC members on these projects.
10:45–11:00 a.m.	*Break (15 minutes)*
11:00–11:30 a.m.	**Topic 4: Consolidation and the Definition of Common Control** *Session Objective:* To update and solicit feedback from PMAC members on these projects.
11:30 a.m.–12:00 p.m.	**Topic 5: Hedge Accounting** *Session Objective:* To update and solicit feedback from PMAC members on the project.
12:00–1:00 p.m.	**Lunch** *(1 hour)*
1:00–1:30 p.m.	**Topic 6: Equity Method of Accounting – Targeted Improvements** *Session Objective:* To update and solicit feedback from PMAC members on the project.
1:30–1:45 p.m.	**Topic 7: Effects of the Use of Technology on Standard Setting** *Session Objective:* To update and solicit feedback from PMAC members on the effects of the use of technology on standard setting.
1:45–2:00 p.m.	**Topic 8: Other Business** *Session Objective:* To solicit feedback from PMAC members.
2:00 p.m.	**Meeting Adjourned**

TOPIC 6

EQUITY METHOD OF ACCOUNTING: TARGETED IMPROVEMENTS
PUBLIC MARKETS ADVISORY COMMITTEE (PMAC)
MAY 14, 2026

Session Background and Objective

On the basis of stakeholder feedback, including feedback received from the 2025 Invitation to Comment, Agenda Consultation, the Board added a project to its technical agenda on November 12, 2025, to improve the operability of the accounting for equity method investments.

The scope of the project, which applies to all entities, is to:

(a) Address the accounting for a subset of equity method investments in partnerships and similar entities for which the investor is unable to significantly influence the operating and financial policies of the investee but is required to apply the equity method because of presumptive levels of influence (referred to as Issue A—Scope of Topic 323).
(b) Clarify how equity method investors in non-real-estate entities should determine equity in earnings for investees with complex allocation structures (referred to as Issue B—Complex Allocation Structures).

In this session, PMAC members will be asked to provide insight on the project scope and objective and recent Board activities on the project.

Structure of These Materials

These materials are organized as follows:

- Section 1: Overview of the Guidance in GAAP
- Section 2: Potential Paths Forward
- Section 3: Next Steps.

Discussion questions are included at the end.

Section 1: Overview of the Guidance in GAAP

This section includes a brief overview of current guidance that may be helpful in understanding the project scope that the Board decided to pursue.

Issue A—Scope of Topic 323

Investments held in stocks of entities other than consolidated subsidiaries are generally accounted for in accordance with Topic 321, Investments—Equity Securities, or Topic 323, Investments—Equity Method and Joint Ventures. The appropriate method of accounting depends on the degree to which the investor can influence the operating and

financial decisions of the investee. When an investor has the ability to exercise significant influence over the operating and financial policies of an investee, it is required to apply the equity method, which is often referred to as one-line consolidation. That characteristic is meant to differentiate investments that have a return that can be influenced by an investor from those investments that are more passive in nature. When an equity investment is not accounted for under the equity method of accounting, it is accounted for as an equity security under Topic 321.

Subtopic 323-10, Investments—Equity Method and Joint Ventures—Overall provides general guidance on the application of the equity method of accounting. Other Subtopics in Topic 323 largely leverage that guidance and provide incremental guidance for different types of investments. Included below are Subtopics in Topic 323 that are relevant to the discussion in this memo:

(a) Subtopic 323-10. This Subtopic applies to investments in common stock or in-substance common stock of corporations, corporate joint ventures, and limited liability companies that do not maintain specific ownership accounts for each investor (referred to as corporate-form entities).

(b) Subtopic 323-30, Investments—Equity Method and Joint Ventures—Partnerships, Joint Ventures, and Limited Liability Entities. This Subtopic applies to investments in partnerships, unincorporated joint ventures, and limited liability companies that maintain specific ownership accounts for each investor (referred to as partnership-form entities).

(c) Subtopic 970-323, Real Estate—General—Investments—Equity Method and Joint Ventures. This Subtopic provides accounting guidance on various forms of real estate ownership, including real property owned by undivided interests.

Paragraph 323-10-05-5 states that "the equity method tends to be most appropriate if an investment enables the investor to influence the operating or financial decisions of the investee." However, the degree of influence that must be present differs on the basis of whether the investment is in a corporate-form entity or a partnership-form entity.

Investments in a corporate-form entity are required to be accounted for under the equity method when the investor has *significant influence*. Subtopic 323-10 provides the following indicators of significant influence:

(a) Representation on the board of directors
(b) Participation in policy-making processes
(c) Material intra-entity transactions
(d) Interchange of managerial personnel
(e) Technological dependency
(f) Extent of ownership by an investor in relation to the concentration of other

shareholdings.

Additionally, Subtopic 323-10 states that significant influence is presumed to exist when an investor has a direct or indirect investment of 20 percent or more of the voting stock of the investee (paragraph 323-10-15-8).[1] Conversely, the investor is presumed not to have significant influence when its investment is less than 20 percent of the voting stock. These presumptions stand until overcome by "predominant evidence to the contrary," which requires an evaluation of all facts and circumstances relating to the investment.

Paragraph 323-10-15-10 provides the following indicators that an investor may be unable to exercise significant influence over the operating and financial policies of an investee:

(a) Opposition by the investee, such as litigation or complaints to governmental regulatory authorities, challenges the investor's ability to exercise significant influence.
(b) The investor and investee sign an agreement (such as a standstill agreement) under which the investor surrenders significant rights as a shareholder. (Under a standstill agreement, the investor usually agrees not to increase its current holdings. Those agreements are commonly used to compromise disputes if an investee is fighting against a takeover attempt or an increase in an investor's percentage ownership. Depending on their provisions, the agreements may modify an investor's rights or may increase certain rights and restrict others compared with the situation of an investor without such an agreement.)
(c) Majority ownership of the investee is concentrated among a small group of shareholders who operate the investee without regard to the views of the investor.
(d) The investor needs or wants more financial information to apply the equity method than is available to the investee's other shareholders (for example, the investor wants quarterly financial information from an investee that publicly reports only annually), tries to obtain that information, and fails.
(e) The investor tries and fails to obtain representation on the investee's board of directors.

Investments in a partnership-form entity are accounted for under the equity method unless the investor's interest is "so minor [that it has] virtually no influence." The virtually no influence threshold was established by AICPA Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures* (later codified as Subtopic 970-323). Specifically, paragraph 8 of SOP 78-9 (later codified as paragraph 970-323-25-6) indicates that the equity method of accounting is generally appropriate for a limited partner's investment in a general partnership, unless the limited partner's interest is so minor that the limited partner has virtually no influence. This was based on the view that the appropriate method

[1] Assuming the investee does not have a controlling financial interest in the investee, which would require consolidation.

of accounting for entities that maintain specific ownership accounts for each investor is a method that allocates the investee's earnings to each owner's account.

Guidance from the U.S. Securities and Exchange Commission (SEC) provides requirements and notes that "the SEC staff understands practice generally has viewed investments of more than 3 to 5 percent to be more than minor." That guidance (later codified as paragraph 323-30-S99-1) originates from an SEC Staff Announcement made at the May 18–19, 1995, Emerging Issues Task Force (EITF) meeting for EITF Topic No. D-46, *Accounting for Limited Partnership Investments*. At that meeting, the EITF discussed a letter from the SEC Observer about the SEC staff's position that investments in all limited partnerships should be accounted for pursuant to paragraph 8 of SOP 78-9. Before that letter, the SEC staff had not objected to the 20 percent threshold for limited partnership investments, assuming the investor concluded that it did not have significant influence over the investee, as defined in APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*.

Although paragraphs 970-323-25-6 and 323-30-S99-1 specifically apply to real estate partnerships and SEC registrants, respectively, the guidance is generally applied in practice to all investments in a partnership-form entity, including investments made by private companies.

Issue B—Complex Allocation Structures

Under the equity method, an investor recognizes its share of the earnings or losses of an investee (referred to as equity in earnings) in reported income in the periods that those earnings and losses are reported by the investee.

In a simple allocation structure, an investor generally recognizes equity in earnings on the basis of the proportion of the investee's common stock that it owns. For example, an investor that owns 40 percent of the voting stock of an investee would generally recognize 40 percent of the investee's earnings as equity in earnings (provided that no other substantive profit-sharing arrangements apply).

In contrast, in a complex allocation structure, an investor's share of earnings may not be aligned with ownership percentages (for example, in an investee that distributes profits and losses or cash using a distribution waterfall). In these circumstances, determining the investor's equity in earnings requires careful consideration of the substance of the arrangement and investors often calculate their share of equity in earnings by using hypothetical liquidation at book value method (HLBV).[2] The name HLBV and the details of how to apply HLBV are not included in the Codification; however, paragraph 970-323-35-17 indicates that an investor in a complex allocation structure should not use specified

[2] The hypothetical liquidation at book value method (HLBV) was described in the proposed AICPA Statement of Position, *Accounting for Investors' Interests in Unconsolidated Real Estate Investments* (the proposed HLBV SOP). The proposed HLBV SOP was issued in November 2000, but ultimately not finalized.

profit and loss allocation ratios if the cash and liquidating distributions for the investee are determined on some other basis.[3] Although this guidance applies to investments in real estate ventures, investors broadly analogize to that guidance when accounting for equity method investments in complex allocation structures and use HLBV as a method for applying the guidance in paragraph 970-323-35-17. Under HLBV, the share of an investee's earnings or losses is calculated on the basis of a change in the investor's interest in the investee's net assets, assuming that the investee was to liquidate all assets at their GAAP amounts.

Section 2: Potential Paths Forward

On the basis of staff research, stakeholder outreach, and Board feedback the staff has identified the following potential paths forward:

(a) Issue A—Scope of Topic 323

(i) Explore whether the scope of Topic 323 should be changed to establish a single threshold (significant influence) for applying the equity method, regardless of the type of legal entity.

(ii) Explore whether the qualitative factors of significance influence in Subtopic 323-10 would be operational for investments in partnership-form entities.

(b) Issue B—Complex Allocation Structures

(i) Explore whether to move the guidance in paragraph 970-323-35-17 to Subtopic 323-10 and whether other paragraphs in Subtopic 970-323 should be moved to Subtopic 323-10 that more broadly relate to equity method investments in all types of industries (and therefore, should not be industry or transaction specific).

(ii) Explore targeted improvements to paragraph 970-323-35-17 on complex allocation structures to address key challenges in the accounting for those structures (for example, adding guidance for how an entity should consider liquidation provisions that apply only in remote circumstances when evaluating the substance of an arrangement).

(iii) Consider adding implementation guidance and illustrative examples on the

[3] Paragraph 970-323-35-17 states that "Such agreements may also provide for changes in the allocations at specified times or on the occurrence of specified events. Accounting by the investors for their equity in the venture's earnings under such agreements requires careful consideration of substance over form and consideration of underlying values as discussed in paragraph 970-323-35-10. To determine the investor's share of venture net income or loss, such agreements or arrangements shall be analyzed to determine how an increase or decrease in net assets of the venture (determined in conformity with GAAP) will affect cash payments to the investor over the life of the venture and on its liquidation. Specified profit and loss allocation ratios shall not be used to determine an investor's equity in venture earnings if the allocation of cash distributions and liquidating distributions are determined on some other basis. For example, if a venture agreement between two investors purports to allocate all depreciation expense to one investor and to allocate all other revenues and expenses equally, but further provides that irrespective of such allocations, distributions to the investors will be made simultaneously and divided equally between them, there is no substance to the purported allocation of depreciation expense."

allocation of equity in earnings in complex allocation structures.

Section 3: Next Steps

The Board plans to begin initial deliberations in May 2026 and discuss feedback received on the potential paths forward. In the May 14, 2026 PMAC meeting, the staff will provide PMAC members with a verbal summary of that discussion and any decisions reached by the Board.

Discussion Questions (All)

Question 1: Do you have any questions on the project scope and objective?

Question 2: Do you have any feedback on recent Board activities related to the project?

Public Markets Advisory Committee (PMAC)



PMAC Meeting Materials

Thursday, May 14, 2026

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Topic 1: FASB Update

9:05–9:15 a.m.

Nellie Debbeler Deputy Director, FASB Staff

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Board Decisions on Agenda Consultation Topics

- Through the end of April 2026, the following topics were added to the technical agenda, research agenda, or the Board requested further research:

- Accounting for Transfers of Crypto Assets
- Commodities
- Consolidation for Business Entities
- Definition of Cash Equivalents
- Definition of Common Control
- Definition of a Public Business Entity
- Distinguishing Liabilities from Equity
- Equity Method of Accounting
- Financial Key Performance Indicators
- Goodwill
- Intangibles
- Risk Management & Hedge Accounting

Board added to the technical agenda

On research agenda or Board requested further research

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Board Decisions on Agenda Consultation Topics

- The following topics were not added or were removed from the technical agenda:

- Alternative Funding Arrangements
- Asset Retirement Obligations
- Credit Losses on Receivables from Contracts with Customers
- Derecognition of Nonfinancial Assets
- Multi-Element Software Arrangements
- Partnership Accounting
- Payments Received from a Vendor in the Airline Industry
- Personal Financial Statements
- Renewable Energy Partnerships
- Sale and Leaseback Transactions*
- Statement of Cash Flows for Financial Institutions

Board decided not to add to technical agenda or research agenda

Board removed from technical agenda but requested further research as part of the existing broader research project

* Part of Interaction of Consolidation Guidance and Other Transactions topic in the ITC.

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Next Steps



The Board will continue to analyze ITC feedback and make changes to the technical and research agendas based on all feedback received and the Board's agenda criteria.



In 2026, the FASB staff will issue an agenda consultation report that summarizes the robust stakeholder feedback received and how that feedback has influenced the Board's research and technical agendas.

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Topic 2: Indexation – Debt and Equity

9:15–10:00 a.m.

Edward Garcia	Practice Fellow
Kitrina Pople	Practice Fellow
Aarika Friend	Assistant Director, FASB Staff

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Project Timeline



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Current Indexation Guidance in Subtopic 815-40

Step 1: Evaluate contingent exercise provisions, if any

- Precluded from being considered indexed to an entity's own stock if based on:
  - Observable market other than the market for the issuer's stock
  - Observable index other than by reference to issuer's own operations

Step 2: Evaluate settlement provisions

- Considered indexed to an entity's own shares if "fixed-for-fixed"
- In practice, provisions that adjust a settlement amount would not preclude the contract from being indexed to an entity's own shares if the variable is an **input to the fair value of a forward or option on equity shares**

Section 815-40-55 includes 20 distinct examples that entities leverage when determining whether a contract is indexed to an entity's own stock.

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Key Takeaways from Indexation Outreach

Current guidance and outcomes are often unintuitive

Improvements to Step 2 of the indexation guidance should be prioritized

Introducing probability may not reduce complexity

Distinguishing between acceptable and nonacceptable leverage factors is challenging

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Objective and Key Improvements

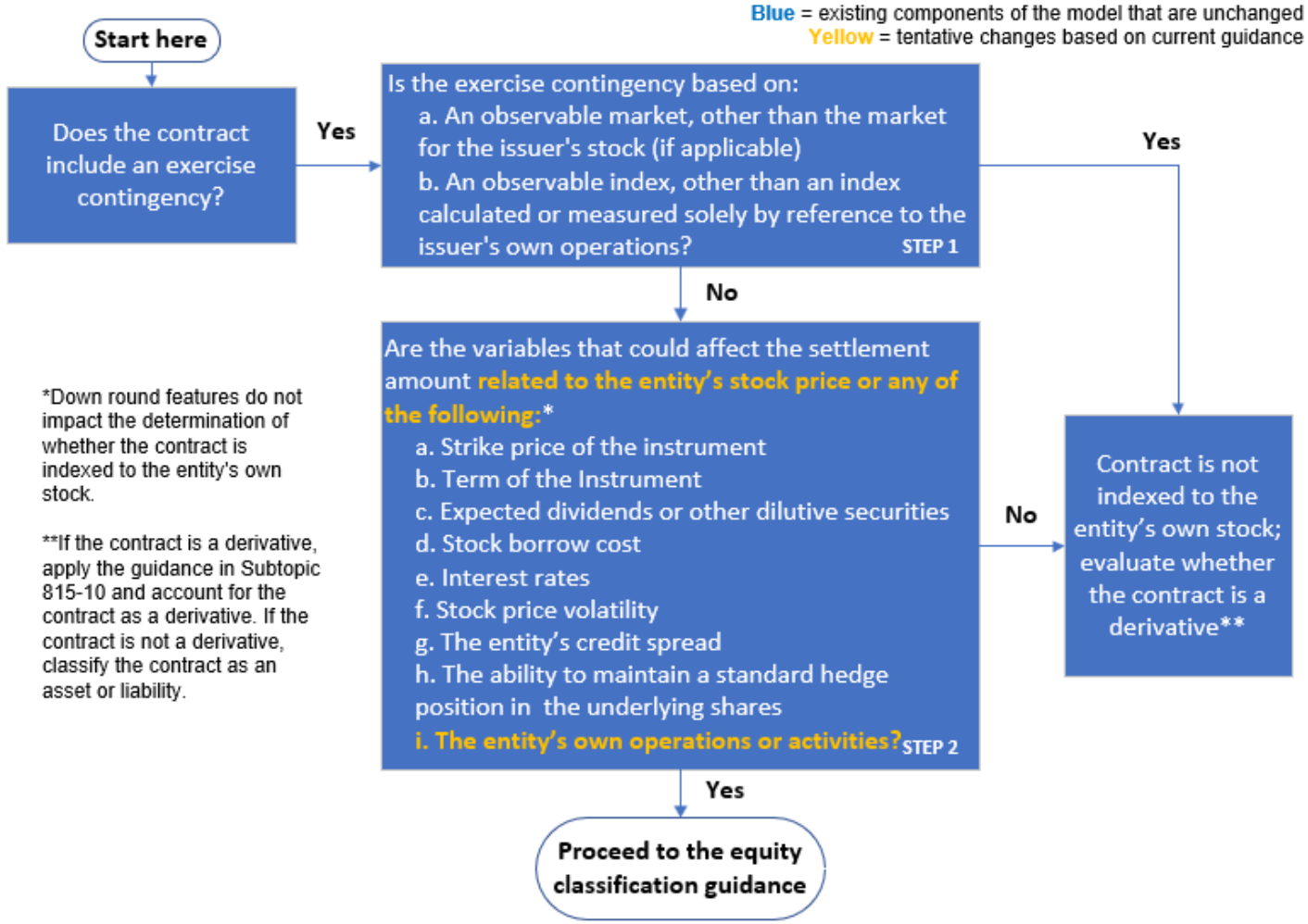
- **Project objective:**
  - Make the guidance less complex to apply and understand
  - Reduce inconsistent interpretation and application of the guidance

- **Key improvements of any approach:**
  - Eliminate the fixed-for-fixed assessment
  - Specify that settlement adjustments that are related to an **entity's own operations, activities, or stock price** do not preclude an instrument from being considered indexed
  - Address leverage factors

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Acceptable Variables Approach

- Targeted improvements to Step 2 of the indexation guidance to address current practice issues.
  - Would not change Step 1
- An instrument should be indexed unless it contains variables that are not related to the entity, the entity's own stock, or the pricing of an equity-linked instrument.
- Would simplify the analysis in Step 2 by:
  - Removing the fixed-for-fixed analysis, including the fixed for fixed forward or option pricing model analysis.
  - Expanding the population of instruments that meet indexation by clarifying that variables that affect the settlement amount related to the entity's own operations or activities are okay.
  - Allowing all leverage, as long as it relates to the acceptable variables.



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Example 1*: Variability Involving Revenue Target

Example	Step 1: Exercise Contingency	Step 2: Settlement Amount	Conclusion
Entity A issues warrants that permit the holder to buy 100 shares of its common stock for an initial price of $10 per share. The warrants have 10-year terms and are exercisable at any time. However, the terms of the warrants specify that the strike price is reduced by $0.50 after any year in which Entity A does not achieve revenues of at least $100 million.	The instrument does not contain an exercise contingency.	The only variables that can affect the settlement amount are related to the variables included in paragraph 815-40-15-7E (for example, the strike price and the entity's own operations or activities).	The instrument is considered indexed to the entity's own stock. The entity must evaluate the equity classification guidance to determine classification.

Under current guidance, indexation would be precluded because the entity's revenue (an adjustment to the strike price) is not an input into the fair value of a fixed for fixed option on equity shares.

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Example 2*: Variability Involving a Commodity Price

Example	Step 1: Exercise Contingency	Step 2: Settlement Amount	Conclusion
Entity A issues warrants that permit the holder to buy 100 shares of its common stock in exchange for one ounce of gold. The warrants have 10-year terms; however, they only become exercisable if Entity A completes an initial public offering.	The exercise contingency (that is, the initial public offering) is not an observable market or an observable index, so the evaluation of Step 1 does not preclude the warrants from being considered indexed to the entity's own stock.	The settlement amount is based on the price of one ounce of gold. The price of gold is not related to the variables listed in paragraph 815-40-15-7E.	The instrument is not considered indexed to the entity's own stock.

Under current guidance, indexation would be precluded because the price of gold is not an input to the fair value of a fixed-for-fixed option on equity shares.

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Discussion Questions: Overall

1. Does the Committee have any questions or feedback about:
   a. The decisions reached by the Board during its March 18, 2026 meeting, including the acceptable variables approach?
   b. Whether the acceptable variables are well understood in practice or should be further defined or described?
   c. Whether implementation guidance or illustrative examples would be needed to help clarify the amendments made under the Acceptable Variables Approach?

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Overview of Down Round Features

- Down round features reduce the strike price of an instrument if the issuer:
  - Sells shares of its stock for an amount less than the currently stated strike price of the issued financial instrument or
  - Issues an equity-linked financial instrument with a strike price below the currently stated strike price of the issued financial instrument.
- Under current GAAP, down round features are explicitly scoped out of the indexation guidance in Section 815-40-15
  - However, down round features must still be evaluated in the context of the classification guidance in Section 815-40-25.

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Discussion Questions: Down Rounds

2. Are you aware of any challenges in applying the current down round guidance?
3. How would you expect down round features to be evaluated under the Acceptable Variables Approach?
4. Should the Board consider modifying or removing the down round guidance?

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Transition

- In Accounting Standards Update No. 2020-06,* the Board provided entities with an option to apply the amendments under a **modified retrospective** approach or a **full retrospective** approach.

Modified Retrospective Approach

- Entities would apply the guidance to instruments outstanding as of the beginning of the fiscal year in which the amendments are adopted.

Full Retrospective Approach

- Entities would apply the guidance retrospectively to all instruments outstanding as of the beginning of the first comparative period.

With either approach, transactions that were settled (or expired) during prior reporting periods were unaffected.

* Update 2020-06—Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity

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Discussion Questions: Transition

5. Do you believe that similar transition guidance to that provided in Update 2020-06 would be appropriate and operable for this project?
6. Do you think another transition approach would be more appropriate or operable? If so, please describe and explain.
7. Are there any specific expedients that the Board should consider related to transition? For example, should transactions that were settled or expired during prior reporting periods not be affected by these potential amendments?

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Topic 3: Cash Equivalents—Disclosure Enhancement and Classification of Certain Digital Assets

10:00–10:45 a.m.

Tiffany Wyszkowski	FASB Staff
Jacob Rodman	Practice Fellow
Aarika Friend	Assistant Director, FASB Staff

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FASB 2025 Agenda Activities

- Received stakeholder feedback on challenges in applying current guidance to crypto asset transactions
  - 2025 Agenda Consultation responses
  - Agenda requests
  - Recent regulatory developments in the U.S.
- Requests to consider:
  - Asset classification of certain “stablecoins”
    - Added to the technical agenda - October 2025
  - Derecognition accounting for certain transfers of crypto assets and measurement of “wrapped tokens” and other crypto assets
    - Added to the technical agenda - November 2025
  - Other crypto-related issues (such as tokenized real-world assets)
    - To be discussed by the Board at a later date

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Cash Equivalents—Disclosure Enhancement and Classification of Certain Digital Assets

(formerly referred to as Classification of Certain Digital Assets as Cash Equivalents)

Stablecoin Overview

- The term “stablecoin” is not defined but is generally described in practice as an emerging digital asset class whose value is pegged to another reference asset.



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Project Background

- **Objective:** To clarify whether certain digital assets may be classified as cash equivalents and enhance disclosures of significant classes of cash equivalents.
- **Project Status:** The Board completed initial deliberations in April 2026.
- **Current Guidance:**
  - The Master Glossary defines cash equivalents as “short-term, highly liquid investments that have both of the following characteristics:
    - Readily convertible to known amounts of cash
    - So near their maturity that they present insignificant risk of changes in value because of changes in interest rates…”
  - Cash equivalents classification is elective and subject to policy disclosure.
- **Application in Practice:**
  - Some stakeholders have concluded that certain stablecoins qualify as:



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Tentative Board Decisions

Approach: Illustrative examples

The following concepts would be included in the examples:

- Interpretive explanations that link to the current cash equivalents definition
- The amount and composition of reserve assets
- The nature of qualifying on-demand contractual redemption rights directly with the issuer

New guidance would clarify that an entity should consider compliance with relevant laws and regulations when establishing a policy concerning which assets that satisfy the Master Glossary definition of the term *cash equivalents* are treated as cash equivalents.

All entities, regardless of whether they hold crypto assets, would be required to disclose the significant classes and related amounts of cash equivalents on an annual basis for each period that a statement of financial position is presented.

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Illustrative Disclosure Example*

"Cash equivalents (at December 31, 2026 and 2025, respectively) includes money market funds ($50 and not significant**), stablecoins ($25 and $20), and U.S. Treasury debt securities with original maturities of three months or less ($55 and $50)." (*in millions of USD*)

**** The format of this disclosure is not prescriptive. This example is included for discussion purposes only.***

*** The example illustrates a potential scenario where one of the significant classes of cash equivalents was not determined to be significant in the period.*

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Tentative Board Decisions: Transition and Early Adoption

Transition Method: Classification	Transition Method: Disclosure	Preferability Assessment	Transition Disclosures	Early Adoption
Required on a modified prospective basis as of the of the beginning of the annual reporting period in the year of adoption.	Required on a prospective basis as of the date of the most recent statement of financial position presented in the period of adoption.	An entity would be allowed to adopt the amendments to be illustrated in the examples related to the classification of certain digital assets as cash equivalents without the need to perform a preferability assessment.	An entity would be required to disclose the nature of and reason for the change in accounting principle.	Early adoption of the amendments would be permitted in both interim and annual reporting periods for which financial statements have not yet been issued (or made available for issuance).

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Next Steps



Proposed ASU planned to be issued in 3Q 2026



90-day comment period

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Discussion Questions: Cash Equivalents

1. What current or anticipated role (if any) do digital assets like stablecoins have for you or your clients?
2. Do Committee members have any questions or feedback about the Board's recent tentative decisions on the Cash Equivalents—Disclosure Enhancement and Classification of Certain Digital Assets project?
3. Do Committee members have feedback on the decision-usefulness or incremental costs of annually disclosing significant classes and related amounts of cash equivalents?

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Accounting for Transfers of Crypto Assets

Subtopic 350-60: Recognition, Measurement and Derecognition

Initial Recognition & Initial Measurement

- Not addressed in Subtopic 350-60
- Rely on other areas of GAAP

Subsequent Measurement

- Measure at fair value
- Increases and decreases in net income

Derecognition

- Not addressed in Subtopic 350-60
- Rely on intangible asset guidance (Subtopic 350-10)

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Project Background

- **Objective:**
  - To address the accounting for crypto asset transfers, including expanding the scope of Subtopic 350-60 and clarifying the derecognition guidance for transfers of crypto assets.
- **Project Status:**
  - The Board began initial deliberations for expanding the scope of Subtopic 350-60 in April 2026.
  - The Board will discuss initial deliberations on providing derecognition guidance that would clarify the application of the guidance in Topic 606 to crypto assets at a future Board meeting.

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Current GAAP: Scope

- The Board issued crypto-specific guidance* (Subtopic 350-60) that requires certain crypto assets to be subsequently measured at fair value with changes in earnings.

Scope: Must meet all the following criteria

Meet the definition of intangible assets	Do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets	Are created or reside on a distributed ledger based on blockchain or similar technology
Are secured through cryptography	Are fungible	Are not created or issued by the reporting entity or its related parties

* Accounting Standards Update No. 2023-08, *Intangibles—Goodwill And Other—Crypto Assets (Subtopic 350-60): Accounting For And Disclosure Of Crypto Assets, December 2023.*

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Common Crypto Transfer Arrangements

- Below are examples of common crypto transfer arrangements, which may involve the transfer of crypto asset holdings (such as wrapped tokens and receipt tokens) that are outside the scope of Subtopic 350-60.

Crypto Lending	Crypto Staking	Crypto Wrapping

• Examples:
  • Direct Lending
  • DeFi lending platforms (such as liquidity pools)
  • Peer-to-peer lending
	• Examples:
	  • Solo staking
	  • Delegated staking (such as through staking pool)
	  • Liquid staking
		• Examples:
		  • Custodial Wrapping
		  • Noncustodial (decentralized) wrapping
		  • In-pool wrapping

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Stakeholder Feedback

- Many crypto transfer transactions involve assets that are not in the scope of Subtopic 350-60, such as wrapped tokens and receipt tokens.
- Entities apply a variety of guidance and nonauthoritative sources to account for crypto transfer transactions, such as the following:

Topic 606, Revenue from Contracts with Customers

Subtopic 610-20

Topic 860, Transfers and Servicing

AICPA Digital Assets Practice Aid

Consultations with subject matter experts, including auditors and regulators.

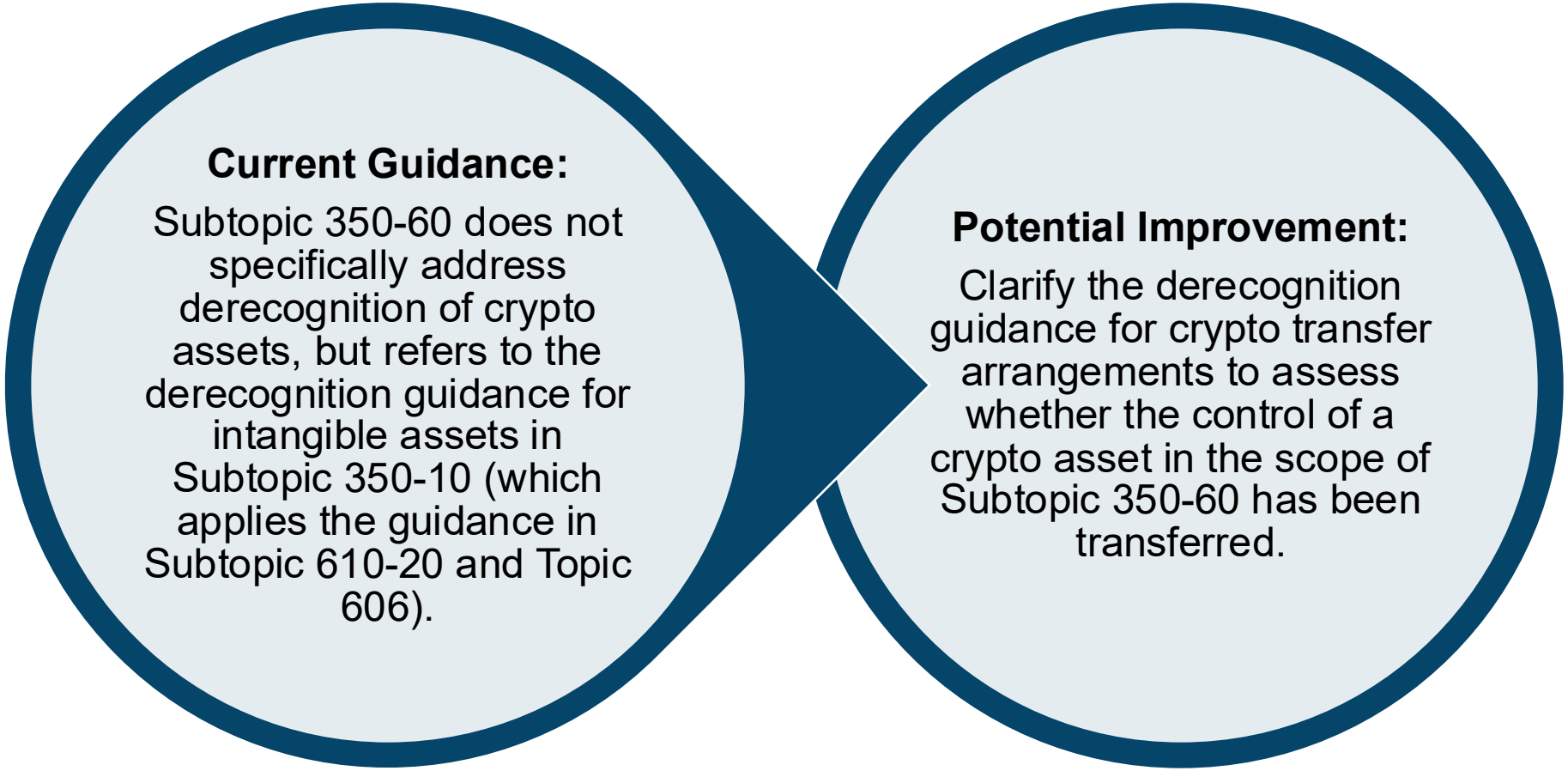
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Tentative Board Decisions: Scope and Related Disclosures

- Expand the scope by revising paragraph 350-60-15-1(b) to address crypto assets that provide the holder with a right to receive another crypto asset that would be within the scope of Subtopic 350-60.
  - The Board expects that wrapped tokens and some receipt tokens will be included in Subtopic 350-60 under this proposed approach, depending on the underlying assets and rights conveyed.
- Clarify existing disclosure guidance in Subtopic 350-60 by providing an example tabular disclosure illustrating that wrapped tokens, if significant, would be disclosed separately from other significant crypto asset holdings.

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Derecognition Considerations



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Next Steps



Discuss derecognition guidance and related disclosures

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Discussion Questions: Crypto Transfers

4. What current or anticipated role (if any) do crypto assets such as native crypto assets and wrapped or receipt tokens have for you or your clients?
5. Do Committee members have any questions or feedback about the Board's recent tentative decisions related to the scope of Subtopic 350-60 and related disclosures?
6. Do Committee members have any questions or feedback on the derecognition of crypto assets?

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Break

15 minutes

Topic 4: Consolidation and the Definition of Common Control

11:00–11:30 a.m.

Chris Bohdan	FASB Staff
Alex Casas	Assistant Director, FASB Staff
Jacob Rodman	Practice Fellow

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Consolidation

Research Project: Background and Objective

Background

- April 2022: A project on consolidation for business entities was added to the research agenda with the objective of exploring a single consolidation model for business entities.
- January 2026: The Board discussed feedback from the 2025 Invitation to Comment, *Agenda Consultation,* and asked for research on potential simplifications to the consolidation guidance, including the VIE model and disclosures.

Objective

- Explore potential improvements to the VIE guidance to reduce complexity.
- Explore improvements to the disclosure requirements for entities with interests in VIEs, addressing feedback that these disclosures should be eliminated, streamlined, or harmonized with the requirements for voting interest entities.

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Consolidation for Business Entities

- Consolidated financial statements present the results of operations and financial position of a parent and its subsidiaries **as if it were one single economic entity**. In consolidation:
  - Parent/Subsidiary assets, liabilities, revenues, expenses, gains, losses, and cash flows are **combined**
  - **Balances/transactions between those parties are eliminated** (e.g., purchases/sales between entities)
- There are two accounting consolidation "models," and consolidation is triggered when one party has **control** over another party (accountants refer to this as having a "**controlling financial interest**"):

	Voting Interest Entity (VOE) Model	Variable Interest Entity (VIE) Model
Controlling Financial Interest:	Having ownership of a **majority voting (equity) interest (>50%)**	Having a "variable interest" (e.g., debt investment, equity interest, contractual rights, etc.) in an entity that provides both: (a) **Power:** The power to direct activities that most significantly impact economic performance of that entity; **and** (b) **Benefits:** The right to receive benefits (or the obligation to absorb losses) that could be significant to the entity.

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Potential Areas for Improvement

(1)
Insufficient Equity Investment At-Risk

(2)
Related Parties

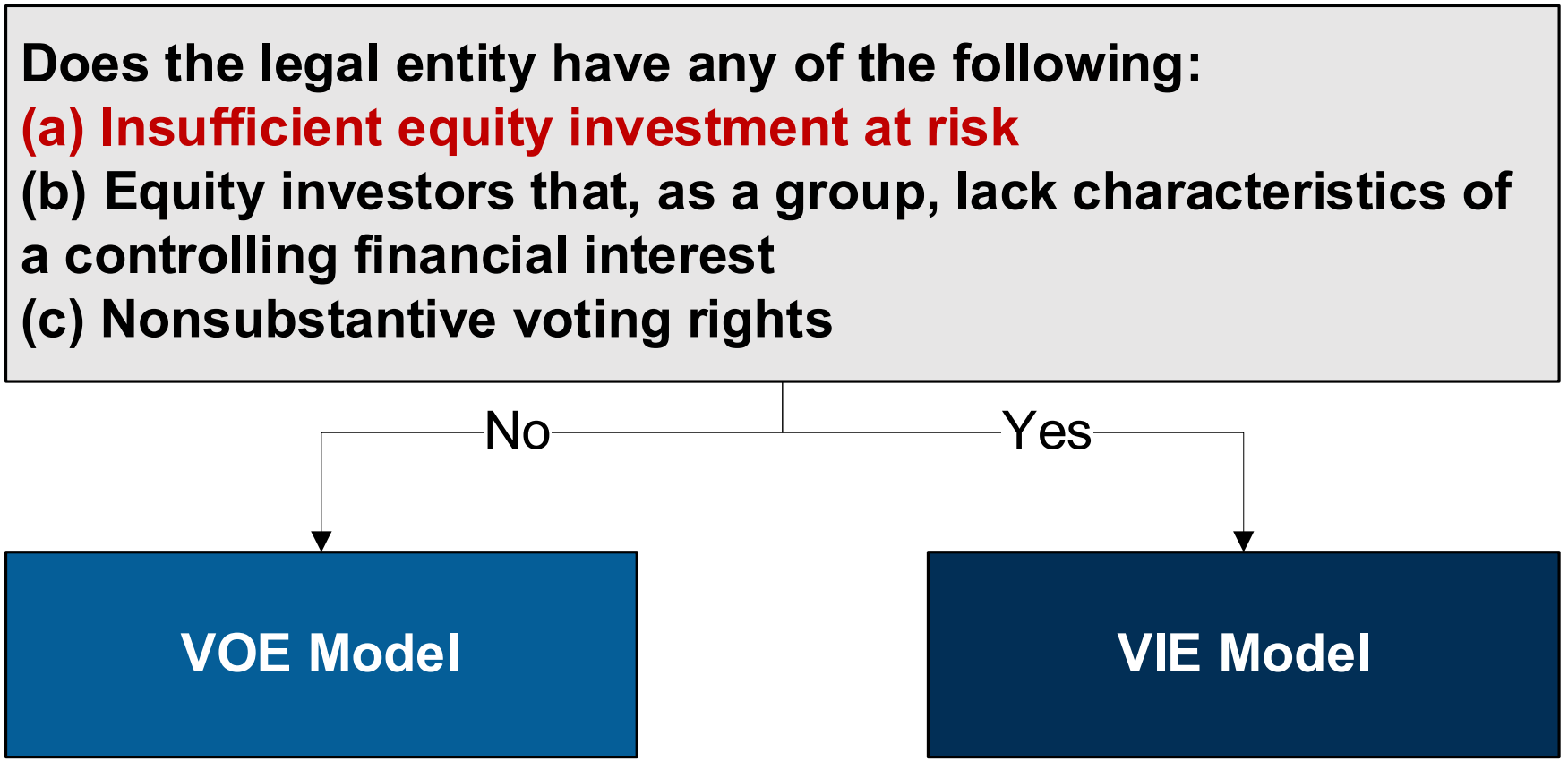
(3)
Transition

(4)
VIE Disclosures

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Determining Whether an Entity is a VIE

- A reporting entity considers the following guidance to determine whether the VIE or VOE model applies when it has a variable interest in a legal entity and no scope exceptions apply:



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(1) Insufficient Equity Investment At-Risk

VIE Determination	An entity is a VIE if the **total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support** provided by any parties, including equity holders. An entity can be a VIE solely because of this criterion.

How is this analyzed?

- Equity investment at risk **less than 10%** of total assets is presumed to not be sufficient.
  - However, equity investment at risk **greater than 10% is not presumed to be sufficient**.
  - Therefore, **some believe the 10% presumption is not relevant to the analysis**
- Entity must demonstrate sufficiency of equity based on qualitative analysis or quantitative analysis (or combination of both).
  - **Qualitative approaches:** Entity **(a)** can finance activities without additional subordinated financial support or **(b)** has as much equity invested as others that hold only similar quality assets in similar amounts and operate with no additional subordinated financial support
  - **Quantitative approach:** Equity invested exceeds the estimate of expected losses (negative variability) based on reasonable quantitative evidence

Historical Context

- Established in FIN 46, when VIE model required quantitative-based risks and rewards calculation to determine primary beneficiary
- FAS 167 (2009) replaced FIN 46(R) with a model based on power and benefits

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Discussion Questions: Insufficient Equity

1. Have you (or your clients) experienced challenges determining whether equity investment at risk is sufficient? For example, do challenges relate to determining any of the following?
   a. Which instruments are classified as equity under GAAP
   b. Which instruments can be considered equity investment *at risk*
   c. Whether equity investment at risk is sufficient
2. Should the Board consider the following potential improvements to this guidance?
   a. Eliminate the sufficiency of equity investment at risk criterion
   b. Replace with a criterion based on benefits (aligned with how the primary beneficiary is determined)

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(2) Related Parties and Forced Consolidation

- Related parties affect consolidation analysis differently under VIE and VOE models
- VIE model can result in “forced consolidation”

	VOE	VIE
Shared Power	N/A	One of the related parties sharing power is required to consolidate the VIE by applying the related party tie-breaker (“most closely associated”) test in Topic 810 ***The related parties need not be under common control.***
Single Decision Maker	N/A	If single decision maker does not have power and benefits on its own, but its ***related party group under common control*** collectively does, one of those parties is required to consolidate by applying the by applying the related party tie-breaker (“most closely associated”) test in Topic 810
Single Decision Maker	N/A	If (a) single decision maker does not have power and benefits on its own, but its related party group collectively does and (b) substantially all of the VIE’s activities involve/are conducted on behalf of single variable interest holder that is a related party of the decision maker, the single variable interest holder (not the decision maker) is required to consolidate. ***The related parties need not be under common control.***

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Discussion Questions: Related Parties

3. Have you (or your clients) experienced challenges or reached counterintuitive outcomes when applying the related party guidance under the VIE model?

4. Should the Board consider the following potential improvements to this guidance?
   a. Only requiring related party tie-breaker when related parties are under common control
   b. Alignment of related party guidance across VIE and VOE models

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(3) Transition

Stakeholders have suggested **permitting prospective transition**

- This approach could permit application of revised guidance prospectively **to new arrangements** or **upon the occurrence of a *reconsideration event***
- Past changes to the VIE model have often required retrospective or modified retrospective transition (requiring reassessment of all existing legal entities upon adoption)

Reconsideration events (reassessment of whether an entity is a VIE) under current guidance*:

- Governing documents or contractual terms change, affecting nature/sufficiency of equity at risk
- Equity investment is returned to investors, exposing other interests to expected losses
- Entity undertakes new activities or acquires assets that increase expected losses
- Entity receives additional equity at risk or reduces activities, decreasing expected losses
- Equity holders, as a group, lose voting or similar rights to direct most significant activities

* Reconsideration events listed above are simplified for this slide (see Subtopic 810-10)

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Discussion Questions: Transition

5. Have you (or your clients) experienced challenges in the past applying amendments to the consolidation guidance under retrospective or modified retrospective transition approaches?

6. If changes are made to the consolidation guidance, would permitting application prospectively to new arrangements and upon reconsideration events ease implementation challenges?

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(4) Select VIE Presentation/Disclosure Requirements

Balance Sheet Presentation Requirements for Entity that Consolidates VIE:

- **Assets of a consolidated VIE** that can be used only to settle obligations of the consolidated VIE
- **Liabilities of a consolidated VIE** for which creditors/beneficial interest holders do not have recourse to the general credit of the reporting entity.

Disclosures applicable to all variable interest holders:

- **Methodology for determining whether entity has to consolidate VIE** (including significant judgments and assumptions)
- **Changes in facts and circumstances** that affect consolidation conclusion
- Whether reporting entity has **provided financial or other support** when not contractually required or whether the entity intends to provide support
- **Qualitative and quantitative information about reporting entity's involvement** with the VIE (nature, purpose, size, activities of the VIE, how the VIE is financed, etc.)
- **Note:** Disclosures about VIEs may be aggregated for similar entities if separate reporting does not provide more useful information to financial statement users (however, entities **must distinguish between VIEs that are and are not consolidated**)

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(4) Select VIE Disclosure Requirements

Disclosures applicable to entity that consolidates a VIE:

- The **carrying amounts and classification of VIE assets and liabilities** and information about relationship of those assets and liabilities (e.g., if VIE assets can only be used to settle VIE liabilities)
- **Lack of recourse** if creditors/beneficial interest holders of consolidated VIE have no recourse to reporting entity's general credit
- Terms of arrangements (implicit and explicit) that **could require reporting entity to provide financial support to the VIE** or expose reporting entity to loss

Disclosures applicable to other variable interest holders:

- The carrying amounts and classification of assets/liabilities related to entity's variable interest in a VIE
- **Maximum exposure to loss** (and a **tabular comparison with assets/liabilities**)
- Terms of arrangements (implicit and explicit) **that could require reporting entity to provide financial support to the VIE or expose it to loss**
- **Information about liquidity arrangements/guarantees/other commitments** that may affect the fair value of reporting entity's variable interest

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Discussion Question: Disclosures

7. **Investors:** Do you find the current VIE disclosures to be decision-useful? If so, which disclosures and do you think they should apply to all entities (as opposed to only VIEs)?

8. **Preparers and Practitioners:** Do you or your clients find the current VIE disclosures to be costly to prepare and/or audit? If so, which disclosures?

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Common Control

Project Background

Background

- In January 2025, the Invitation to Comment, *Agenda Consultation* (2025 ITC), was issued to solicit broad stakeholder feedback about the future standard-setting agenda of the FASB
- Thirty-two respondents provided feedback on the definition of common control, with some indicating that a project to define the term *common control* should be prioritized.
- In January 2026, the Board added a project to its technical agenda to clarify GAAP by providing a definition of the term *common control* based on existing practice for certain areas of the Codification.

Project Objective

- Clarify existing GAAP by providing a definition for the term *common control*.

Project Scope

- Provide a definition of the term *common control* based on existing practice for areas of the Codification that do not have a clear existing definition.

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Common Control in EITF Issue No. 02-5

EITF 02-5* highlighted past SEC staff comments that **common control exists between (or among) separate entities only in the following situations.**

Individual or entity holds **more than 50% of the voting ownership interest of each entity**.

Immediate family members hold more than 50% of the voting ownership interest of each entity (with no evidence that they will vote their shares other than in concert).

- Immediate family members include a married couple and their children, but not the married couple's grandchildren.
- Entities might be owned in varying combinations among living siblings and their children. Those situations would require careful consideration regarding the substance of the ownership and voting relationships.

Shareholder group holds more than 50% voting ownership interest of each entity, and **contemporaneous written evidence of agreement** to vote majority of the entities' shares in concert exists.

*EITF Issue No. 02-5, Definition of "Common Control" in Relation to FASB Statement No. 141

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Next Steps

- Research (including outreach with stakeholders) on a definition of *common control* based on existing practice for areas of the Codification that do not have a clear existing definition
- Decisions in the project to be made a future Board meeting

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Discussion Questions: Common Control

1. Do you have any questions or comments on the Definition of Common Control project, including next steps?

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Topic 5: Hedge Accounting

11:30 a.m. – 12:00 p.m.

Erin Cahill	FASB Senior Staff
Michael DiMarco	Practice Fellow
Alex Casas	Assistant Director, FASB Staff

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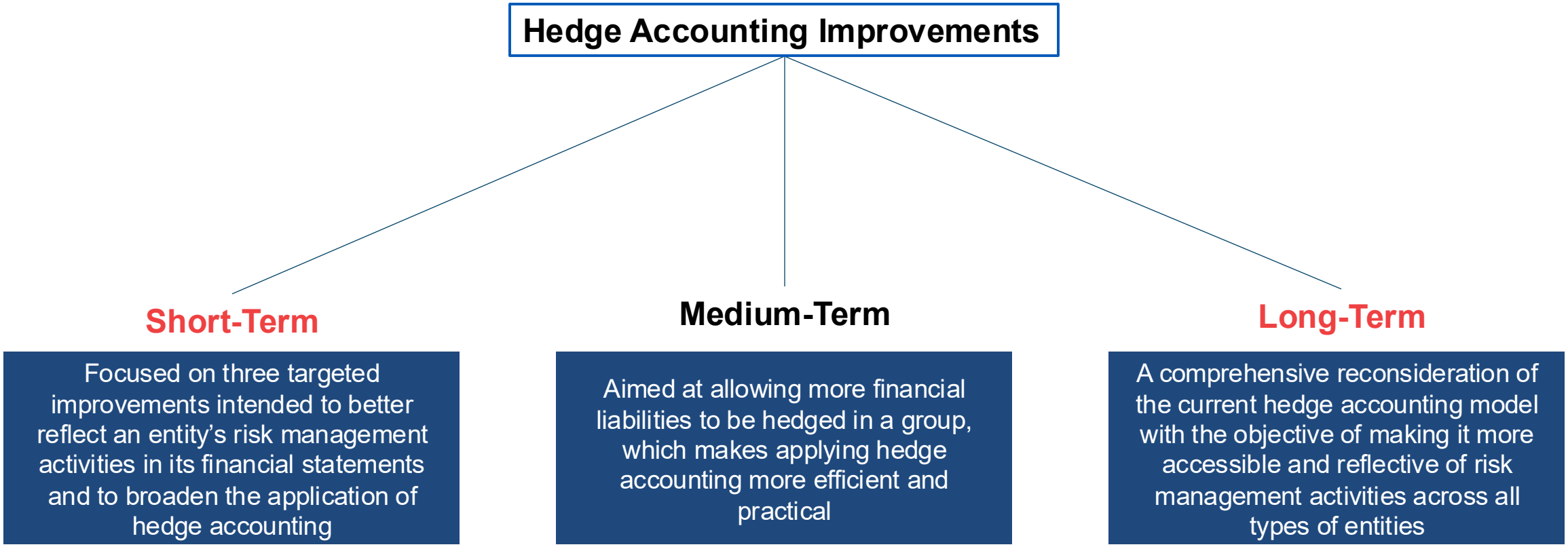
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Feedback on Hedge Accounting

- Complex
- Entity-wide strategies cannot be reflected
- Net position hedging is prohibited
- Eligible hedged risks are limited
- Eligible hedged items and hedging instruments are limited
- Effectiveness thresholds do not align with management's objectives
- Disclosures are voluminous but lack decision useful information

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Overarching Project Plan



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Short-Term: Targeted Improvements to Hedge Accounting

Project Objective: To address three issues identified from the January 2025 Invitation to Comment, *Agenda Consultation*.

- Each issue relates to exceptions or limitations to the general hedge accounting model.
- Project aim to remove those exceptions or limitations, thereby permitting entities to broaden their use of hedge accounting.

Issue 1	Issue 2	Issue 3
Hedging of Interest Rate Risk for HTM Debt Securities	Removing the "OIS" Parameter from the Existing SOFR Benchmark Rate	Permitting Float-to-Float Cross-Currency Swaps with Different Reset Dates to Be Hedging Instruments in Net Investment Hedges

Transition & Early Adoption	**Prospective transition** with **early adoption permitted.**
Next Steps	Exposure Draft expected to be issued in **Q3 2026** with a **60-day comment period**.

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Long-Term Project: Research on a New Model

Based on Risk Management	• Could accommodate entity-wide and net position hedging strategies • Objective would be to make accounting easier for all entities, including those with simple risk management strategies
Scope	• Primarily focused on the accounting for risk management derivatives
Recognition & Measurement	• Could create a single model (based on either today's cash flow or fair value model)
Disclosures	• Reflective of risk management activities • Could include information about current open exposures and derivative positions

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Discussion Questions: Hedging

Short-Term Project

1. **All:** Do you have feedback on any issues included in the targeted improvements project?

Long-Term Project

2. **Investors:** What information would be most decision-useful in disclosures about derivatives used in risk management activities?

3. **Investors:** Should the effect of risk management derivatives be reflected in the income statement on as a separate line item or netted against the risk that the entity is managing?

4. **Preparers/Practitioners:** Are there any particular risk management strategies that you would like to qualify for hedge accounting that do not today?

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Lunch

1 hour

Topic 6: Equity Method of Accounting – Targeted Improvements

1:00–1:30 p.m.

Ashley Tisckos	FASB Staff
Edward Garcia	Practice Fellow
Jill Switter	Assistant Director, FASB Staff

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Topic 7: Effects of the Use of Technology on Standard Setting

1:30–1:45 p.m.

Alicia Manders Assistant Director, FASB Staff

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Objective & Discussion Questions

- **Session Objective:**
  - The objective of this ongoing discussion is to continue to seek Committee members' observations about how technology should be considered by the FASB, including how technology could affect future standard setting and the Board's analysis of the expected costs and expected benefits.

- **Discussion Questions:**
  1. **Investors**: How are technological advancements (such as the use of various types of artificial intelligence tools) accelerating or transforming investor's ability to digest—extract, process, and analyze—financial information? Given the various sources of information, how do investors manage different levels of verifiability, reliability, or fabrication and the effect on financial performance, reporting measures, or markets?

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Discussion Questions

- **Discussion Questions:**
  1. **Preparers/Practitioners/Others:** What observations do you have about the controls, accuracy, and anticipated costs and benefits of using various types of artificial intelligence tools in the production of financial statements? How are companies (with varying data sources and quality) planning for or governing their implementation of various tools?
  2. **All:** How should the FASB consider technological advancements when evaluating the expected benefits and expected costs of potential future changes in standard setting (including recognition, measurement, disclosure, presentation, and transition)?What should the FASB be aware of or continue to monitor in considering current and future accounting and disclosure requirements?

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Topic 8: Other Business

1:45–2:00 p.m.

Nellie Debbeler Deputy Technical Director

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Future PMAC Meetings

- 2026 Meeting Date:
  - November 5, 2026

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Meeting Adjourned

Thank you!