

# **Board of Governors of the Federal Reserve System**

## **Supplemental Instructions**

### **December 2025 FR Y-9C Materials**

One new topic, “Recently Issued Accounting Standards Updates,” has been added to the Supplemental Instructions for December 2025 to provide awareness on certain Accounting Standards Updates (ASU) that were recently issued by the Financial Accounting Standards Board (FASB) and allow for early adoption. The topic includes ASUs on “Accounting for Internal-Use Software,” “Accounting for Purchased Loans,” “Accounting for Hedging Activities,” and “Accounting for Government Grants.”

### **Recently Issued Accounting Standards Updates**

#### Accounting for Internal-Use Software

In September 2025, the FASB issued ASU 2025-06, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40),” which amended the guidance on accounting for internal-use software costs to align more closely with current software development methods. These amendments apply to all entities subject to guidance in Accounting Standards Codification (ASC) Subtopic 350-40, Intangibles—Goodwill and Other—Internal-Use Software. Under the new standard, entities will start capitalizing eligible costs when management has authorized and committed to funding the software project, and it is probable that the project will be completed and the software will be used to perform the function intended (referred to as the “probable-to-complete recognition threshold”). In evaluating this threshold, an entity is required to consider whether there is significant uncertainty associated with the development activities of the software.

The amendments in the ASU are effective for all entities for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. The new guidance can be applied on a prospective transition approach, modified transition approach, or retrospective transition approach. Early adoption of ASU 2025-06 is permitted as of the beginning of an annual reporting period.

#### Accounting for Purchased Loans

In November 2025, the FASB issued ASU 2025-08, “Financial Instruments—Credit Losses (Topic 326): Purchased Loans,” which amended the guidance on accounting for purchased loans. The amendments in the ASU are applicable to all holding companies subject to guidance in ASC Topic 326, Financial Instruments—Credit Losses.

The amendments in the ASU, once effective, expand the population of acquired financial assets subject to the gross-up approach in ASC Topic 326 to purchased seasoned loans (PSL). Loans (excluding credit cards) acquired without credit deterioration and deemed “seasoned” are

considered PSL and accounted for using the gross-up approach at acquisition. The gross-up approach requires recognition of an allowance for credit losses (ACL) for the estimate of credit losses at the acquisition date. The ACL is recorded with an offsetting gross-up adjustment to the purchase price of the acquired financial asset. This ASU does not amend the accounting for purchased credit deteriorated (PCD) financial assets. Specifically, after an institution determines that a loan is a non-PCD asset based on its assessment of credit deterioration experienced since origination, the holding company should apply the guidance described in the amendments to determine whether the loan is seasoned and, therefore, should be accounted for using the gross-up approach.

All non-PCD loans (excluding credit cards) that are acquired in a business combination are deemed seasoned. Other non-PCD loans (excluding credit cards) are deemed seasoned if they were purchased at least 90 days after origination and the acquirer was not involved in the origination of the loans. Purchased seasoned loans do not include credit cards, debt securities, and trade receivables arising from transactions accounted for under ASC Topic 606 on revenue from contracts with customers.

The amendments in the ASU are effective for all holding companies for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. The amendments in the ASU should be applied prospectively to loans acquired on or after the initial application date.

Early adoption is permitted in an interim or annual reporting period in which financial statements have not yet been issued or made available for issuance. If a holding company adopts the amendments in an interim reporting period, the holding company should apply the amendments as of the beginning of that interim reporting period or the beginning of the annual reporting period that includes that interim reporting period.

Holding companies that early adopt should report initial ACLs recognized upon acquisition of PSL on the Notes to the Income Statement-Other, item 2, consistent with the reporting of initial ACLs on PCD assets. Holding companies should ensure that amounts reported on Schedules HC-R, Part I and Part II, are appropriately reported in accordance with the Board's regulatory capital rules [12 CFR Part 217](#).

Until the amendments are effective, holding companies who do not early adopt should continue to refer to current U.S. GAAP and the FR Y-9C instructions, including the Glossary entries for "Allowances for Credit Losses," "Business Combinations," and "Purchased Credit-Deteriorated Assets."

#### Accounting for Hedging Activities

In November 2025, the FASB issued ASU 2025-09, "Derivatives and Hedging (Topic 815): Hedge Accounting Improvements." The ASU applies to all entities that elect to apply hedge accounting in accordance with ASC Topic 815. The ASU addresses five discrete issues and intends to better enable entities to achieve and maintain hedge accounting for highly effective economic hedges of

forecasted transactions. An entity may elect to adopt the ASU for hedging relationships that exist as of the date of adoption. Upon adoption of the ASU, entities are permitted to modify certain critical terms of certain existing hedging relationships without dedesignating the hedge.

The amendments in this ASU are effective for public business entities in annual reporting periods beginning after December 15, 2026 (including interim periods within) and one year later for all other entities (including interim periods within). Early adoption is permitted, and entities should apply the ASU on a prospective basis for all hedging relationships.

#### Accounting for Government Grants

In December 2025, the FASB issued ASU 2025-10, “Accounting for Government Grants Received by Business Entities,” which amended ASC Topic 832, “Government Grants” to establish guidance on the recognition, measurement, and presentation of government grants received by business entities.

The amendments in the ASU are effective for public business entities in annual reporting periods beginning after December 15, 2028 (including interim periods within) and one year later for all other entities, with early adoption permitted in any period for which financial statements have not yet been issued. The guidance can be applied on a modified prospective basis, a modified retrospective basis, or a full retrospective basis. Early adopters should report government grants related to income in Schedule HI, item 5.1, “Other noninterest income” or item 7.d, “Other noninterest expense”, consistent with the gross or net alternatives in ASC Topic 832.

#### Other Information

The FR Y-9C instructions will be revised to conform to these ASUs at a future date, as appropriate.

For additional information, holding companies should refer to the FASB’s website at <https://www.fasb.org/standards/accounting-standard-updates> which includes a link to the accounting standard updates.

#### **U.S. Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 122 (SAB 122)**

On January 23, 2025, the SEC issued SAB 122, effective as of January 30, 2025<sup>1</sup>, which rescinds the interpretive guidance included in SAB 121 on accounting for obligations to safeguard crypto assets.

Upon application of SAB 122, an institution that has an obligation to safeguard crypto-assets for others should determine whether to recognize a liability related to the risk of loss under such an obligation, and if so, the measurement of such a liability, by applying the recognition and measurement requirements for liabilities arising from contingencies in FASB ASC Subtopic 450-20, “Contingencies – Loss Contingencies,” under U.S. GAAP.

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<sup>1</sup>90 FR 8492 (January 30, 2025).

Institutions should apply SAB 122 on a fully retrospective basis in annual periods beginning after December 15, 2024. For further guidance, institutions may refer to [SAB 122](#).

### **Non-Recurring Expenses**

In the FR Y-9C, non-recurring expenses associated with the impairment of other intangible assets are reported in the same line item, Schedule HI, Line Item 7(c)(2), “Amortization expense and impairment losses for other intangible assets,” as amortization expenses for such assets, which are recurring. The FR Y-9C contains a section titled “Notes to Income Statement (Other),” which allows holding companies to explain the content of specific items in the income statement. In this section, a holding company may identify the amount of the expenses reported in Schedule HI, Line Item 7(c)(2) that are related to non-recurring expenses associated with the impairment of other intangible assets.

In the FR Y-9C, certain non-recurring expenses are reported in Schedule HI, Line Item 7(d), “Other noninterest expense.” In Schedule HI, Memoranda Items M7(a) through 7(p), holding companies must disclose each component of Schedule HI, item 7(d), and the dollar amount of such component, that is greater than \$100,000 and exceeds 7 percent of the “Other noninterest expense.” Particular components that meet these criteria, are non-recurring, and are not reported in memoranda items 7(a) through 7(m), may be identified as a component of Other noninterest expense and briefly described in memoranda items 7(n), 7(o), or 7(p). The text description for such an entry may note that such expenses are non-recurring.

### **Debt Securities Transferred from Available-for-Sale to Held-to-Maturity**

ASC Topic 320, “Investments—Debt Securities,” provides relevant guidance on accounting for debt securities. In accordance with ASC Topic 320, holding companies should categorize an investment in a debt security at acquisition as trading, available-for-sale (AFS), or held-to-maturity (HTM) and retain proper documentation as to its classification. At each reporting date, the appropriateness of a holding company’s classification of the investments in debt securities shall be reassessed.<sup>2</sup> In general, the reassessment of the classification of debt securities should align with the quarterly FR Y-9C dates.

In accordance with ASC Topic 320, any transfers of debt securities between categories are reported on the date of transfer at fair value. As with the initial classification of debt securities, any transfers of debt securities between categories should be well documented. A holding company’s financial records shall be maintained in such a manner as to ensure that the FR Y-9C is prepared in accordance with U.S. GAAP and FR Y-9C instructions and reflect a fair presentation of the holding company’s financial condition and results of operations. Amending a previously submitted FR-Y9C to retroactively report a debt security in another category when such transfer was not documented with evidence supporting the actual date of transfer is inappropriate. Holding companies are responsible for ensuring that FR Y-9C are accurate when

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<sup>2</sup> ASC paragraph 320-10-35-5

initially filed for a quarterly reporting period.

For additional information, refer to ASC Topic 320, and the FR Y-9C General Instructions and Glossary entries for “Allowance for Credit Losses” and “Securities Activities.”