

Insights from Accounting and Auditing Enforcement Releases for the Quarter Ended September 30, 2026



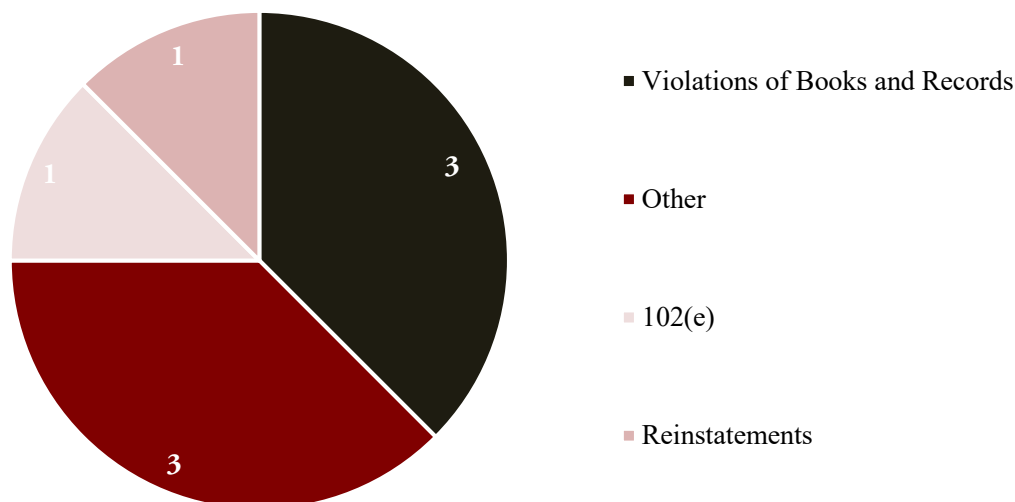
Introduction

We are pleased to present you with our summary of the U.S. Securities and Exchange Commission's ("SEC" or "Commission") Division of Enforcement's Accounting and Auditing Enforcement Releases ("AAERs") for the quarter ended September 30, 2026. The AAERs issued by the SEC are defined as financial reporting-related enforcement actions concerning civil lawsuits brought in a federal court and notices and orders concerning the institution and/or settlement of administrative proceedings.

Q3 2026 Overview

The SEC released eight AAERs during Q3 2026. As depicted in the graph below, the Violations of Books and Records and "Other" categories were tied for the most amount of related releases, with three each, followed by 102(e) Actions and Reinstatements, which had one release each.

Q3 2026 AAERs by Category



Highlights

- The SEC issued eight AAERs in Q3 2026, consistent with recent enforcement activity but well below historical levels.
- Monetary penalties totaled approximately \$1.5 million, substantially below long-term averages.
- Two Violations of Books and Records matters accounted for approximately 98% of all penalties assessed during the quarter. We summarize both matters further in our “Notable AAERs” section below.
- The Violations of Books and Records and "Other" categories dominated Q3 activity, together accounting for more than three-quarters of all releases.

Notable AAERs

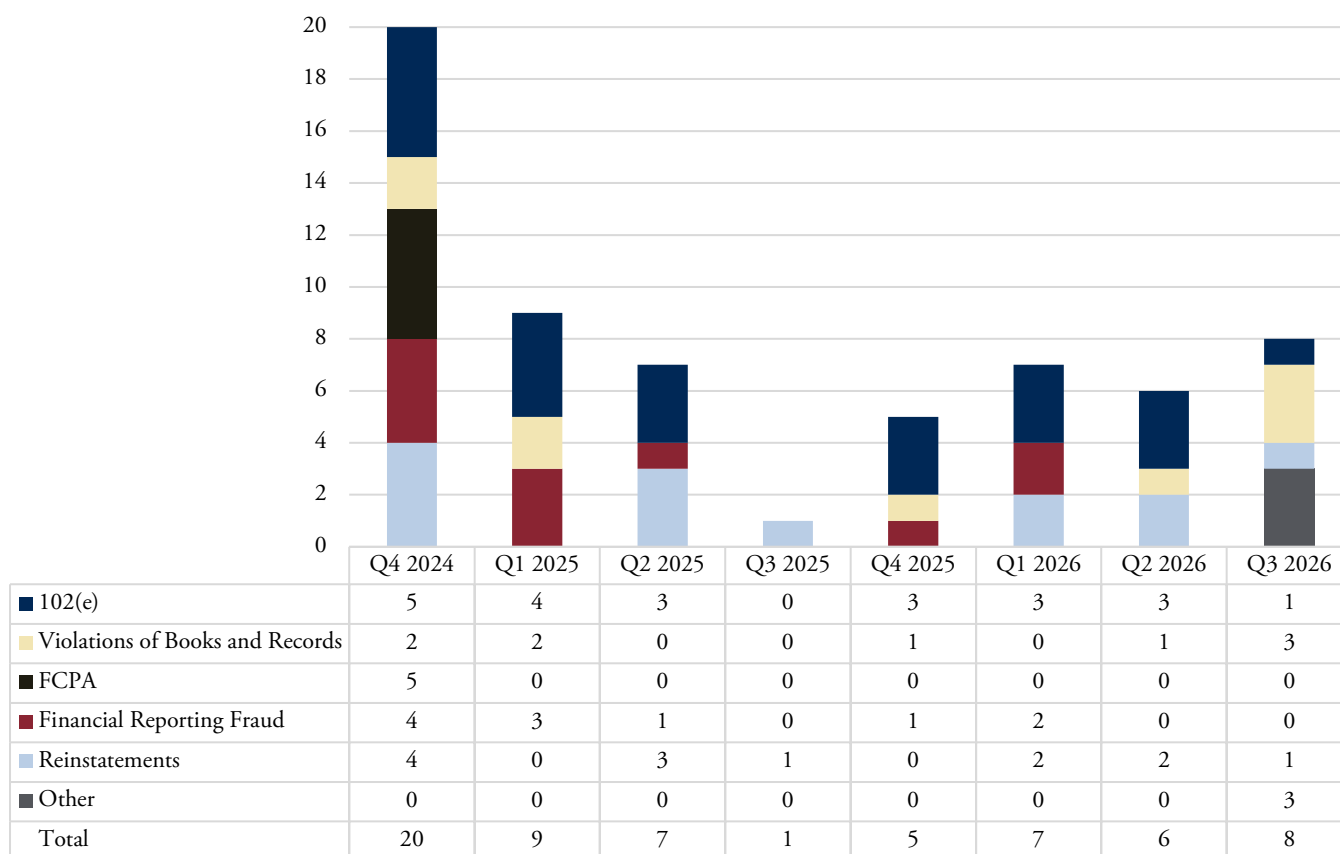
While understanding the categorical breakdown of the types of releases issued by the SEC each quarter can be insightful, we have summarized two releases below relating to Violations of Books and Records:

- ***The Commission charged a timeshare company with making misleading disclosures concerning the impact that rescinded consumer loans had on reported loan portfolio performance metrics.*** According to the complaint, from 2019 through 2021 the company rescinded more than 2,900 delinquent or defaulted customer loans totaling approximately \$77 million, including roughly \$34 million of loans already in default. The company accounted for these rescissions as if the loans had never existed, by reversing previously recorded revenue, loan loss provisions, and defaulted amounts. The SEC alleges that these undisclosed practices materially improved key loan portfolio performance metrics, including measures used by investors to assess the quality and collectability of the company's timeshare loan receivables. Although the company publicly attributed these improvements to operational initiatives and underwriting practices, the SEC contended that it failed to disclose the significant impact of the rescission programs, resulting in materially misleading periodic filings and public statements. The company agreed to settle the matter, without admitting or denying the allegations, by consenting to injunctive relief and paying a civil penalty of \$975,000.
- ***The Commission charged an e-commerce and delivery platform with books-and-records and internal controls violations arising from sham advertising and marketing transactions recorded to meet revenue targets.*** According to the release, certain employees allegedly set up offsetting payments between customers and vendors that were affiliated with one another. These transactions lacked credible documentation or any apparent business substance. As a result, the company overstated net revenues by approximately RMB 568 million (approximately \$80 million) and operations and support costs by approximately RMB 576 million (approximately \$81 million) in unaudited financial results reported from the fourth quarter of 2022 through the third quarter of 2023. The company discovered the misconduct through an internal audit, conducted an independent investigation, and disclosed that the transactions had been undertaken primarily to meet revenue goals. The SEC found that the company failed to maintain adequate books, records, and internal accounting controls, but credited the company's cooperation and remediation efforts, including employee discipline, termination of contracts with involved counterparties, and enhancements to internal controls. The company agreed to pay a civil penalty of \$500,000.

Quarterly Trends

Comparisons of the number of AAERs between periods can be a useful gauge of the SEC's latest trends and activities. The following chart maps quarterly totals for each AAER category over the past eight quarters.

Quarterly AAER Comparison: Q4 2024 through Q3 2026



We have made the following observations based on the releases issued this quarter and in past quarters.

- Violations of Books and Records accounted for three releases during Q3 2026, the highest quarterly total since Q3 2024 and significantly above the eight-quarter average of approximately one release per quarter.
- Three "Other" releases related to procedural orders concerning an individual's effort to vacate a previously imposed officer-and-director bar, including requests for extensions of time by both the SEC and the individual.
- The number of 102(e) Actions declined in Q3 2026, with the SEC issuing one release compared to an average of approximately three per quarter over the preceding eight quarters.
- Q3 2026 marks the seventh consecutive quarter in which the SEC has not issued an FCPA-related release. Prior to the SEC's shift in enforcement focus, this category averaged two releases per quarter across 2023 and 2024.

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ABOUT FLOYD ADVISORY: Floyd Advisory is a consulting firm providing financial and accounting expertise in areas of SEC reporting, transaction advisory, investigations and compliance, valuation and strategy, data analytics, and litigation services.

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