

PUBLICATIONS

SEC Charges Audit Partners with Misconduct

SRZ Private Funds Regulatory Update

June 2020

On May 18, 2020, the SEC settled charges^[1] against three partners of an international accounting firm for improperly sharing answers to questions contained in internal training examinations required by the accounting firm and for subsequent wrongdoing in the context of the firm's investigation into their actions (including deleting incriminating text messages following a document preservation notice and making misrepresentations to the investigators).

Even though none of these actions directly affected any public companies, the SEC found that the audit partners willfully violated PCAOB Rule 3500T, which requires accountants to comply with ethics standards and to maintain the integrity of the profession, which then constituted violations of Section 40(a)(2) of the Securities Exchange Act and Rule 102(e)(1)(ii) of the SEC's Rules of Practice.

This trio of actions should serve as a reminder for accounting and legal professionals that, in addition to being qualified under the rules of their respective professions, their ability to advise and act on matters that relate to the U.S. federal securities laws is also subject to the requirements on professional practice administered by the SEC, and that improper actions can be subject to SEC discipline even if there is no direct violation of a federal securities law.

This article appeared in the June 2020 edition of SRZ's Private Funds Regulatory Update. To read the full Update, [click here](#).

[1] See “SEC Charges Three Former KPMG Audit Partners for Exam Sharing Misconduct,” available [here](#).

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