

Accounting Firm Quarterly Update

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PCAOB Appoints New Board Members

On January 30, 2026, the SEC [announced](#) the appointment of a new PCAOB Chairman, Demetrios (Jim) Logothetis, and three new Board members, Mark Calabria, Kyle Hauptman, and Steven Laughton, who join existing member George Botic. Mr. Logothetis previously spent forty years with Ernst & Young, including in its assurance and advisory practices. Two of the new appointees, Mr. Calabria and Mr. Hauptman, join the PCAOB from the government, where Mr. Calabria has served as Associate Director and Chief Statistician with the Office of Management and Budget (OMB) and Senior Advisor to the Office of the Director of the Consumer Financial Protection Bureau, and Mr. Hauptman has served as Chairman of the National Credit Union Administration (NCUA). Mr. Laughton most recently served as Board Counsel to outgoing Board member Christina Ho.

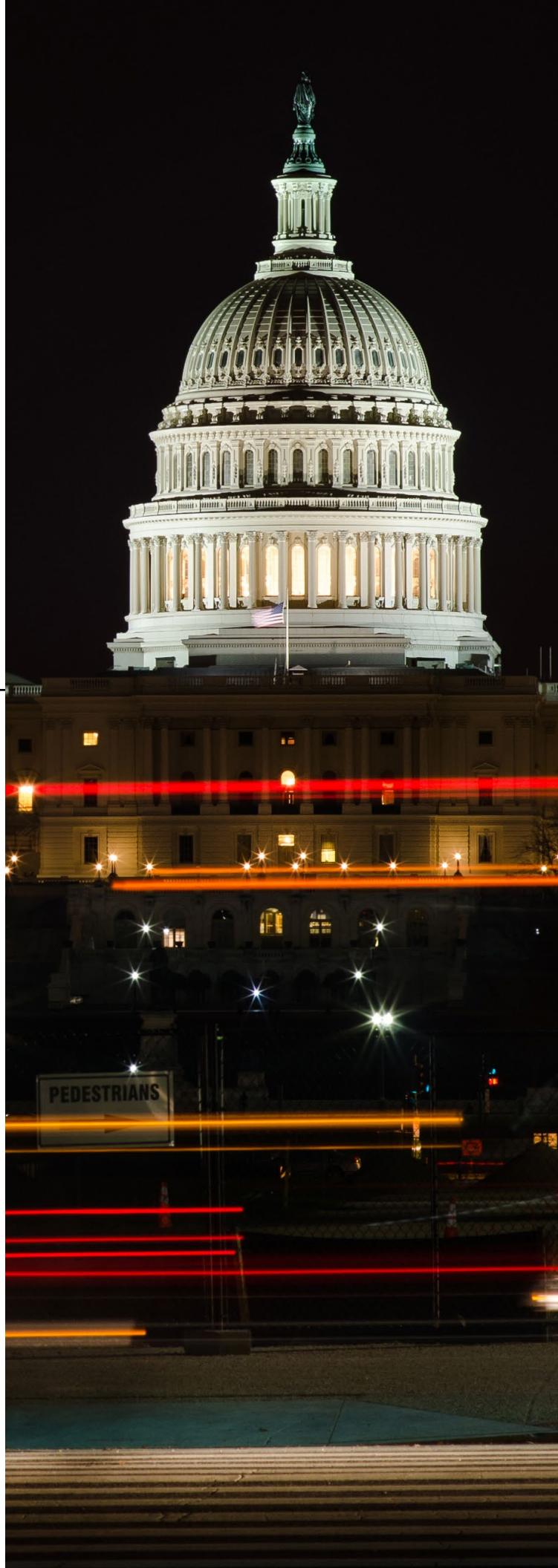
Chair Logothetis and Board Members Calabria and Laughton were sworn in on February 10, 2026.

White House Announces New Fraud Division

On January 8, 2026, the Trump Administration [announced](#) the creation of the Department of Justice Division for National Fraud Enforcement. The announcement states that this Division will “combat the rampant and pervasive problem of fraud in the United States” and address “fraud targeting Federal government programs, Federally funded benefits, businesses, nonprofits, and private citizens nationwide.”

According to the announcement, the Assistant Attorney General for this Division will oversee multi-district and multi-agency fraud investigations, advise and assist United States Attorney’s Offices on fraud-related issues, set national enforcement priorities, propose legislative and regulatory reforms, and work with federal agencies to “identify, disrupt, and dismantle organized and sophisticated fraud schemes across jurisdictions.” The White House subsequently nominated DOJ prosecutor Colin McDonald to head the Division.

The White House announcement tied the creation of the Division to the reported instances of fraud in healthcare, childcare, and related federal programs in Minnesota, which the Administration said it was continuing to investigate.



SEC Chair and Chief Accountant Articulate Views and Priorities

Recent statements by SEC Chairman Paul Atkins and Chief Accountant Kurt Hohl provided additional insights into their perspectives and priorities with respect to oversight of the securities industry.

First, on December 2, 2025, Chairman Atkins delivered a [speech](#) at the New York Stock Exchange framing the United States's upcoming 250th anniversary as an opportunity to "revitalize" U.S. capital markets by reforming securities regulation to provide "the minimum effective dose of regulation needed to elicit the information that is material to investors." Chairman Atkins argued that modern regulatory "creep" has made public ownership narrower and more costly, as evidenced by the significant decline in the number of companies listed on U.S. exchanges since the mid-1990s.

In the speech, Chairman Atkins laid out three pillars of a plan to encourage more IPOs and broaden access to public markets. The first two pillars were "de-politicizing" shareholder meetings by refocusing them on director elections and significant corporate matters and reforming the securities litigation landscape to deter frivolous lawsuits. The speech's central focus was the third pillar—a plan to reset the SEC's disclosure regime. The targets of the Chairman's criticism on this point included not just the volume of disclosures but specifically: (i) disclosures not strictly required by regulation and sometimes driven by social or political objectives outside the SEC's core mission; (ii) disclosure requirements not grounded in financial materiality; and (iii) disclosure requirements that are not scalable. Chairman Atkins used executive compensation disclosures as an example of an area in need of reform, and also offered other ideas including revisiting the thresholds that determine which issuers are subject to the full disclosure framework, which he noted have not been comprehensively updated since 2005, and expanding concepts similar to the JOBS Act "IPO on-ramp" to provide newly public companies greater certainty and flexibility in meeting disclosure obligations.

Next, on January 13, 2026, Chairman Atkins followed up

his December speech by issuing a [Statement on Reforming Regulation S-K](#), in which he announced that he had "instructed the Division of Corporation Finance to engage in a comprehensive review of Regulation S-K," including the executive compensation rules that were subject last year to public comment and a [roundtable](#) discussion.

Finally, in a December 2025 Wall Street Journal [interview](#) and in [public remarks](#) at the December 2025 AICPA Conference on Current SEC and PCAOB Developments, Chief Accountant Hohl articulated an investor-centric agenda that marries responsiveness to innovation with disciplined oversight of standard setting and audit quality. Hohl emphasized safeguarding market integrity while reducing unnecessary friction that could deter companies from entering U.S. public markets. He framed the Office of the Chief Accountant's role as ensuring financial reporting remains material, transparent, and aligned with the realities of today's business environment.

At the same time, Chief Accountant Hohl underscored that high compliance burdens should not impede access to capital formation, suggesting a balance between investor protection and market participation. The remarks and interview touched on topics from artificial intelligence to crypto assets, including a note that the auditor independence framework may need to evolve to address AI-enabled business relationships and technological entanglements. He added he is likewise monitoring private equity ownership and restructuring within audit firms—developments that he stated can bring capital and scale but raise concerns for audit quality, independence, and market choice. Hohl also expressed support for deeper collaboration between FASB and the IASB to minimize unnecessary differences between U.S. GAAP and IFRS. On the PCAOB, Hohl stated he is focused on sharpening both oversight and standard setting to reflect today's environment, including revisiting inspections to focus more on firms' systems of quality management. He stated that shifting accountability "upstream" to firm leadership better targets the drivers of audit quality.

Supreme Court to Rule on SEC Disgorgement Power

On January 9, 2026, the U.S. Supreme Court [granted certiorari](#) in the case of *Ongkaruck Sripath v. SEC*, No. 25-466. Both Sripath and the SEC requested that the Court take the case to resolve a circuit split over whether the SEC must prove pecuniary harm to investors as a prerequisite to disgorgement

relief. At the petition stage, the SEC and Solicitor General's office jointly [argued](#) that an award of disgorgement is a "profits-focused remedy" that prevents a wrongdoer from profiting from its own wrongful conduct and does not require any pecuniary harm.

District Court Holds SEC Can Still Bring In-House Injunctive Actions

On January 8, 2026, Judge Cooper of the United States District Court for the District of Columbia issued an opinion in *Szstrom v. SEC*, dismissing various constitutional and statutory challenges to the SEC's power to bring injunctive enforcement actions in its in-house administrative tribunal.

In 2021, the SEC sued the Sztroms, father and son California-based investment advisers, for fraud in the Southern District of California. The next year, without admitting or denying the SEC's allegations, both defendants settled, and the court entered a final judgment enjoining them from future violations of securities laws and ordering each to pay a \$25,000 civil monetary penalty. Seven months later, the SEC initiated a follow-on administrative proceeding against the Sztroms, seeking to bar them from working in the securities industry. In response, the Sztroms filed a lawsuit in the District of Columbia challenging the follow-on proceeding and alleging that the SEC

was violating their constitutional and statutory rights, including under the Due Process Clause of the Fifth Amendment and the Seventh Amendment right to trial by jury.

After the SEC moved to dismiss for lack of subject matter jurisdiction and failure to state a claim, Judge Cooper dismissed the Sztroms' complaint in its entirety, on the grounds that (i) Congress had stripped district courts of jurisdiction to hear certain of the claims; (ii) recent Supreme Court holdings limiting agency powers had not, as the Sztroms argued, overturned the holding of *Blinder, Robinson & Co. v. SEC* that the Commission's procedures to approve and then hear a case did not violate due process; and (iii) the Sztroms' ability to work in the securities industry did not implicate a "private right" that would entitle the Sztroms to an Article III tribunal under *Jarskey v. SEC*. The decision may be appealed.

DOJ's Data Security Program Goes Into Effect

The final provisions of the Department of Justice's Data Security Program (DSP) came into effect on October 6, 2025. The DSP restricts or prohibits certain transactions that could involve access to bulk U.S. sensitive personal data or U.S. government data by covered persons and countries of concern (most notably, China), and imposes diligence, security, audit, and recordkeeping requirements.

With the final provisions now in effect, companies engaging in restricted transactions are expected to have fully implemented and operationalized DSP compliance programs that include annual certifications of written policies and risk-based

procedures to verify data flows and the identities of vendors. The DSP also requires annual independent audits of restricted transactions and recordkeeping of both transaction details and compliance measures for at least ten years. In addition, certain entities engaging in restricted cloud computing transactions must file annual reports with DOJ, and all U.S. persons must report to DOJ any prohibited transactions they reject that involve data brokerage within 14 days of rejection.

Violations of the DSP carry significant penalties, including civil fines and imprisonment. For more detailed information, please refer to Gibson Dunn's [client alert](#).

CPAB Appoints New Chief Executive Officer

On November 9, 2025, the Canadian Public Accountability Board (CPAB) [announced](#) that Sukhbir Singh (Sonny) Randhawa, CPA, CA, the current Executive Vice President, Regulatory Operations at the Ontario Securities Commission, will become CPAB's next Chief Executive Officer effective March 2, 2026. Randhawa will succeed Carol Paradine, who has served as CEO since 2018. The leadership transition comes as

CPAB implements a more transparent public reporting regime. Over the past two years, CPAB published several enforcement actions, and, beginning in 2026, CPAB will publish firm-specific inspection reports for the first time—shifting away from semiannual, aggregated reporting that historically did not identify firms by name.

Texas AG Identifies Certain DEI Initiatives as Potentially Illegal

On January 19, 2026, Texas Attorney General Ken Paxton issued [Opinion No. KP-0505](#), “Re: ‘Diversity, Equity, and Inclusion’ in Texas.” In the opinion, Paxton addressed the constitutionality of both public-sector and private-sector DEI programs in Texas. With respect to the latter, the opinion suggests that such actions as tying compensation to DEI-related metrics or

enforcing diversity programs at suppliers may violate Title VII, Section 1981, the Texas Commission on Human Rights Act, or other applicable laws.

Please see Gibson Dunn’s [client alert](#) for additional discussion.



Sixth Circuit Confirms Privilege Standard for Internal Investigations

On October 3, 2025, the U.S. Court of Appeals for the Sixth Circuit granted a petition for mandamus filed by FirstEnergy Corporation, which sought vacatur of a district court order requiring FirstEnergy to produce documents associated with two internal investigations conducted by outside counsel. The investigations arose from FirstEnergy’s potential connection to an alleged bribery scheme that resulted in the indictment of Ohio’s former House Speaker. FirstEnergy asserted privilege and work product protection over materials related to the investigations in ongoing securities litigation brought by FirstEnergy shareholders.

The district court ordered disclosure of the materials, reasoning that because legal advice regarding the investigations was also used by FirstEnergy for business purposes, attorney-client privilege did not apply. The Sixth Circuit disagreed, holding that the key question was whether FirstEnergy sought legal advice and finding that because it did, the privilege applied. The Court noted that in the context of high-stakes criminal and civil

allegations, it would be rare for a company not to also have a business purpose for seeking essential legal advice. The Sixth Circuit also determined that the investigations “gathered facts closely related to” the firms’ legal analyses and not just “sterile summaries” of the facts, meaning that privilege could attach to the materials. Regarding work product, the Sixth Circuit held that in light of a DOJ complaint regarding the alleged bribery scheme and the subsequent decline in FirstEnergy stock, FirstEnergy clearly anticipated that the company would face government investigations and civil litigation.

The Sixth Circuit also rejected plaintiffs’ arguments that FirstEnergy waived privilege by disclosing investigative materials to the government, in connection with a deferred prosecution agreement, as well as to its independent auditor, holding that the information disclosed to the government was generally non-privileged and that disclosures to the auditor do not waive work product protection.

California Will Not Enforce Climate Reporting Law Pending Appeal

On November 18, 2025, the U.S. Court of Appeals for the Ninth Circuit enjoined the enforcement of SB 261, California's climate-related risk reporting law, which would require U.S. companies (public and private), other than insurers, with more than \$500 million in annual revenue that do business in California to publish climate-related financial risk reports. The injunction will remain in place while the Ninth Circuit considers a challenge to the constitutionality of SB 261 brought by a coalition of leading business organizations ahead

of the January 1, 2026 reporting deadline. On December 1, 2025, the California Air Resources Board (CARB), the state agency responsible for enforcing SB 261, announced that it would not enforce the law's report-publishing requirements pending the appeal, though companies could still voluntarily report. Arguments on the merits of the appeal occurred on January 9, 2026.

For more information, please refer to Gibson Dunn's [client alert](#).

Other Recent SEC and PCAOB Developments

SEC

- Key personnel have recently departed from the SEC. On January 2, 2026, SEC Commissioner Caroline Crenshaw left the agency. Her departure leaves the SEC with only three commissioners, the Chairman and two Republican-appointed commissioners. On December 1 and 26, 2025, respectively, Antonia M. Apps and Nekia Hackworth Jones, Deputy Directors of the Division of Enforcement for the Northeast and Southeast regions, also left the SEC.
- Personnel have also recently been appointed to key positions at the SEC, including new Deputy Directors Paul Tzur and David Morrell and General Counsel J. Russell "Rusty" McGranahan.
- On January 16, 2026, the SEC instituted [settled enforcement](#) proceedings against the former CEO and CFO of a biopharmaceutical company for making optimistic statements regarding the clinical trials of a company product, while allegedly failing to disclose concerns that had been raised by the FDA review team.
- On January 14, 2026, the Commission [dismissed](#) an enforcement proceeding against a company for filing delinquencies between 2020 and 2022, finding that the company's subsequent efforts to get current on its filings made a revocation of its registration unwarranted. The company had argued that COVID and a migration to a new accounting system had caused the filing delays.

PCAOB

- On January 22, 2026, the SEC [approved](#) the PCAOB's 2026 budget of \$362.1 million, representing a 9.4% decrease from its \$399.7 million budget for 2025. Among the savings, the 2026 budget slashes Board member compensation, reducing the Chair's salary by 52% and other Board members' salaries by 42%. SEC Chair Paul Atkins stated, "fiscal discipline and regulatory effectiveness complement each other."
- On December 4, 2025, the PCAOB [announced](#) a settled disciplinary order against U.S.-based TPS Thayer LLC in connection with five audits of China-based public companies. According to the PCAOB, the firm failed to supervise an unregistered Chinese firm that played a substantial role in the audits, failed to properly disclose the unregistered firm's role both to the PCAOB (on Form AP) and to the public companies' audit committees, and failed to establish and implement related quality control policies and procedures.
- The PCAOB recently announced two key senior appointments. Matt Goldin was [appointed](#) as the PCAOB's Acting General Counsel effective January 3, 2026, succeeding Connor Raso in that role. William "Bill" Ryan was [named](#) Acting Director of the PCAOB's Division of Enforcement and Investigations, assuming that position upon the retirement of Enforcement Director Robert E. Rice on December 31, 2025.

- At the end of 2025, the PCAOB announced it had entered into Statements of Protocol with [Lithuania](#)'s Authority of Audit, Accounting, Property Valuation and Insolvency Management on November 19, 2025, and with [Cyprus](#)'s Public Audit Oversight Board on December 16, 2025. These agreements allow the PCAOB to perform inspections of registered firms in Lithuania and Cyprus. With these two agreements, the PCAOB has now entered into a total of 30 bilateral agreements with foreign audit oversight authorities.

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For further information about any of the topics discussed herein, please contact one of the Accounting Firm Advisory and Defense Practice Group Chairs or the Gibson Dunn attorney with whom you regularly work.