

# SEC in Focus

Quarterly summary of current SEC activities

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## SEC staff discusses accounting and reporting reminders and the shifting regulatory landscape

The annual AICPA & CIMA Conference on Current SEC and PCAOB Developments in December 2024 in Washington, D.C. covered a broad range of emerging issues and financial reporting topics.

The speakers and panelists included representatives of the Securities and Exchange Commission (SEC or Commission), the Financial Accounting Standards Board (FASB), the Public Company Accounting Oversight Board (PCAOB) and the US Congress, who shared their views on various accounting, financial reporting, auditing and regulatory issues.

Highlights included:

*Change in the regulatory landscape* – SEC Commissioner Mark Uyeda and US Rep. French Hill (R-Ark.) spoke about anticipated changes in leadership, regulatory priorities and policies, which they said may be significant. (Rep. Hill is now the House Financial Services Chair.)

*Accounting, auditing and SEC reporting updates* – SEC Chief Accountant Paul Munter underscored the role of accountants in promoting the integrity of the capital markets and serving the public interest. He stressed that auditors should build and maintain trust and reiterated the importance of a strong tone at the top, with the foundation of trust lying within the auditor’s required independence.

The SEC staff discussed the FASB’s Accounting Standards Update on segment disclosures, including the scope of the auditor’s responsibility in auditing additional measures of segment profit or loss that are not calculated in accordance with US GAAP that are disclosed under the new guidance. The SEC staff also addressed the classification of financial instruments and cash flows and provided observations on registrants’ compliance with recently adopted SEC disclosure rules on cybersecurity, clawbacks and pay versus performance.

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*The importance of stakeholder engagement* – Regulators and standard setters emphasized the importance of seeking and receiving feedback in the rulemaking and standard-setting processes. They highlighted that thoughtful, actionable feedback, whether through comment letters or informal engagement, is essential to adopting high-quality rules and standards to faithfully represent the economics of transactions, drive consistency and comparability, and provide relevant and timely financial information to investors.

*Artificial intelligence* – Speakers addressed the opportunities and risks of using AI in the accounting profession and more broadly in financial reporting. The SEC staff also provided considerations for registrants as they prepare disclosures about how they use AI and how it could affect their results of operations and business.

## Other SEC matters

### EY resources

- ▶ [2024 AICPA & CIMA Conference on Current SEC and PCAOB Developments](#)

### Chair Gensler and Commissioner Lizárraga to resign from SEC

SEC Chair Gary Gensler **announced** his intention to step down from the Commission on 20 January 2025. Mr. Gensler has served in the role since April 2021. SEC Commissioner Jaime Lizárraga also **announced** his intention to step down from the Commission on 17 January 2025. Mr. Lizárraga has served on the Commission since July 2022. The departures will leave Commissioner Caroline Crenshaw as the sole Democrat on the Commission, serving alongside Republicans Hester Peirce and Mark Uyeda, until the vacancies are filled by the new administration.

### Other personnel changes

SEC Chief Accountant Paul Munter announced his plan to retire from federal service effective 24 January 2025. Mr. Munter joined the Commission in 2019 and was appointed Chief Accountant in January 2023 after serving in the role in an acting capacity since 2021.

Erik Gerding concluded his tenure with the SEC as Director of the Division of Corporation Finance (DCF) on 31 December 2024. Cicely LaMothe, Deputy Director of Disclosure Operations for the DCF, is serving as Acting Director of the DCF.

Sanjay Wadhwa, Deputy Director of the Division of Enforcement, is serving as Acting Director following the departure of Gurbir S. Grewal on 11 October 2024. Sam Waldon, the Division's Chief Counsel, is serving as Acting Deputy Director.

### SEC approves PCAOB budget and accounting support fees

The SEC approved the PCAOB's fiscal year 2025 budget of \$399.7 million, up 3.9% from 2024. It also approved annual accounting support fees of \$374.9 million, of which public company issuers will be assessed \$346.1 million and registered broker-dealers will be assessed \$28.8 million.

## Enforcement activities

### SEC brought 583 enforcement actions in 2024

The SEC **announced** its Division of Enforcement results for the fiscal year ended 30 September 2024. The report stated the division:

- ▶ Brought 583 enforcement actions, including 431 standalone actions, down 26% from the prior year's enforcement actions
- ▶ Obtained orders for \$8.2 billion in financial remedies, including \$6.1 billion in disgorgement and prejudgment interest, the highest amount on record, and \$2.1 billion of civil penalties, the second highest amount on record

Enforcement actions focused on violations enabled by technology, including AI, social media, cybersecurity and crypto. The division also took action related to material misstatements, deficient internal controls and gatekeeper failures. According to the SEC's summary, individual accountability remained central to the SEC's enforcement program.

In fiscal year 2024, the SEC received 45,130 tips, complaints and referrals, the most ever received in one year, including more than 24,000 whistleblower tips. The SEC issued \$255 million in whistleblower awards.

### SEC charges four companies with making materially misleading cybersecurity disclosures

The SEC charged four current and former public companies with making materially misleading disclosures regarding cybersecurity risks and intrusions related to an investigation involving companies potentially impacted by a multi-year cyberattack on a software company. One of the companies was also charged with disclosure controls and procedures violations.

For two of the companies, the SEC order alleged existing cybersecurity risk disclosures that were included in certain of the companies' annual reports filed with the Commission were materially misleading because the disclosures were not updated to reflect known cyber intrusions. That is, the disclosures indicated that such cyber incidents "may" occur. For the other two companies, the SEC order alleged the registrants disclosed the cybersecurity incidents but omitted material information that was needed to provide investors with a clear understanding of the incidents.

Each company agreed to a cease-and-desist order and to pay civil penalties ranging from \$990,000 to \$4 million without admitting or denying the SEC's findings.

In separate litigation against the software company, the US District Court for the Southern District of New York dismissed most but not all of the SEC's claims related to misleading or missing disclosure. In addition, the court determined that two isolated instances of failure were not sufficient to conclude that the company's disclosure controls and procedures were "ineffective."

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The varied enforcement actions recommended by the Division [...] demonstrate the Division keeping pace with emerging threats.

— Sanjay Wadhwa, Acting Director of the SEC's Division of Enforcement

### What's next at the SEC?

President-elect Donald Trump is expected to nominate former SEC Commissioner Paul Atkins to serve as SEC Chair. We may see the SEC focus more on capital formation, as it did under the last Republican administration. Commissioner Uyeda and US Rep. French Hill noted in their remarks at this year's AICPA & CIMA Conference on Current SEC and PCAOB Developments that the new leadership may make changes to the PCAOB and take a new approach to regulating cryptocurrency.

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