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2025 DEVELOPMENTS FOR AUDITOR REGULATIONS UNDER THE U.S. SECURITIES LAWS

In this article, the authors discuss new developments in regulatory enforcement and litigation around auditing firms, the “gatekeepers” of the U.S. financial markets. The authors begin by reviewing regulatory enforcement activity and public comments in 2025 by the SEC and Public Company Accounting Oversight Board (“PCAOB”), including in contrast to the prior years and administration. Then, the authors analyze the highly unusual issuance of a lengthy report by members of the U.S. Senate that specifically calls out high-profile failures by a major auditing firm with respect to its audits of several major banks that collapsed in 2023. Finally, the authors discuss private enforcement actions against auditors in 2025.

By Julia Applefeld and Jesse L. Jensen *

United States law has long enshrined the critical role of independent public auditors as gatekeepers for U.S. capital markets, requiring publicly registered companies that raise capital through access to the public markets and list their securities on a national exchange to have the accuracy of their financial statements and sufficiency of their internal controls over financial reporting certified by independent accountants. As such, the United States securities regime effectively appoints the independent auditor as watchdog for the public investor, and — as the Supreme Court recognized nearly four decades ago — relies upon the audit report to “obviate the fear of loss from reliance on inaccurate information, thereby encouraging public investment in the Nation’s industries.”¹

In the past few years, the regulatory agencies charged with overseeing capital markets and auditors’ involvement — the SEC and Public Company

Accounting Oversight Board (“PCAOB”) — have increasingly heightened public rhetoric around the important role played by auditors and concerns around the perceived shortcomings in audit quality. What’s more, enforcement activity by these regulators increasingly suggested that they were following through on their tough talk, including by issuing orders that revealed shocking ethical violations and imposed record-breaking fines on numerous auditors and audit firms, including the so-called “Big Four” audit firms — Ernst & Young (“E&Y”), Deloitte & Touche (“Deloitte”), PricewaterhouseCoopers (“PwC”), and KPMG.

However, the change in administration during 2025 made unclear to what extent these priorities would continue. Ultimately, the year gave rise to mixed messaging, as the SEC brought *no* enforcement actions against auditing firms during 2025, possibly consistent with an overall drastic decline in SEC enforcement

¹ *United States v. Arthur Young & Co.*, 465 U.S. 805, 819 n.15 (1984).

* JULIA APPLEFELD is a law clerk and JESSE L. JENSEN is a partner at Labaton Keller Sucharow LLP’s New York City office. Their e-mail addresses are jjensen@labaton.com and japplefeld@labaton.com.