

Table of Contents

CHAPTER 1. PROLOGUE

PART I. BACKDROP

- § 1:1 Enron demise, financial reporting fraud, capital market malaise—A new direction for securities regulation
- § 1:2 President Bush responds
- § 1:3 Chairman Harvey Pitt accepts the President's challenge
- § 1:4 SEC score card—Pitt reassures the President
- § 1:5 Prosecution of Arthur Andersen LLP for obstruction of justice
- § 1:6 WorldCom's startling financial confession
- § 1:7 SEC orders 947 larger companies to certify under oath accuracy and completeness of Exchange Act filings
- § 1:8 SEC's short-lived proposal to create a public accounting board

PART II. ADOPTION OF SARBANES-OXLEY

- § 1:9 The legislative road to Sarbanes-Oxley
- § 1:10 Overview of Sarbanes-Oxley

PART III. IMPACT OF SARBANES-OXLEY ACT

- § 1:11 Introduction
- § 1:12 Impact on accountants, auditors, and accounting principles
- § 1:13 Impact on reporting under the '34 Act
- § 1:14 Impact on CEOs and CFOs
- § 1:15 Impact on boards of directors and corporate governance
- § 1:16 Impact on the SEC
- § 1:17 Impact on attorneys
- § 1:18 Impact on investment banks, research, and securities analysts
- § 1:19 Impact on private securities litigation
- § 1:20 Worthy of note
- § 1:21 Sarbanes-Oxley core provisions and implementing Rules
- § 1:22 Sarbanes-Oxley under attack

PART IV. BACKGROUND TO THE JOBS ACT

- § 1:23 Introduction
- § 1:24 Legislative history: background
- § 1:25 Legislative history: Overview
- § 1:26 JOBS Act: The early returns

PART V. THE FAST ACT

- § 1:27 The FAST Act: Overview

PART VI. CONTEMPORARY TOPICS

- § 1:28 Public policy shift at the SEC
- § 1:29 Investor-driven initiatives

- § 1:30 *[Reserved]*
- § 1:31 The Regulatory Agenda: Regulatory Flexibility Act publications
- § 1:32 The SEC and the Unified Agenda
- § 1:33 Focus on costs of Sarbanes-Oxley
- § 1:34 Quarterly reporting, earnings releases and short-termism

PART VII. SMALLER REPORTING COMPANIES, THE 2018 AMENDMENTS AND THE SARBANES-OXLEY ACT

- § 1:35 Introduction to SRC status determinations
- § 1:36 Determinations and disclosure of status
- § 1:37 Anticipated economic effects
- § 1:38 Initial qualification thresholds: Qualification based upon public float
- § 1:39 Subsequent qualification thresholds: Public float
- § 1:40 Initial qualification thresholds: “Lower revenue” companies
- § 1:41 Subsequent qualification thresholds: Revenue
- § 1:42 Subsequent qualification thresholds: Summary
- § 1:43 Interplay with emerging growth company rules
- § 1:44 Scaled disclosure accommodations
- § 1:45 Conclusion

CHAPTER 2. ATTACK ON CONSTITUTIONALITY OF THE PCAOB

PART I. THE 2010 FREE ENTERPRISE CASE

- § 2:1 Introduction
- § 2:2 The plaintiffs
- § 2:3 Issues before the District Court for District of Columbia
- § 2:4 Decision of Judge Robertson granting PCAOB’s motion for summary judgment
- § 2:5 Introduction to the D.C. Circuit opinions
- § 2:6 The issues simplified
- § 2:7 The Appointment Clause
- § 2:8 Supreme Court considers constitutionality of PCAOB
- § 2:9 Broad authority of the board
- § 2:10 This case is different
- § 2:11 Recounting of precedent
- § 2:12 Two levels of good-cause removal
- § 2:13 Control of functions not a substitute for removal of a board member
- § 2:14 A functional approach
- § 2:15 Court saves PCAOB by making second level removable at will
- § 2:16 The troublesome Section 404

PART II. THE ATTACKS CONTINUE

- § 2:17 Current attacks against the Board in federal court
- § 2:18 PCAOB narrowly escapes destruction in the 2025 “Big Beautiful Bill”

CHAPTER 3. ENHANCING RELIABILITY AND QUALITY OF COMPANY FINANCIAL AND OTHER REPORTS

PART I. BACKGROUND

- § 3:1 Introduction

TABLE OF CONTENTS

§ 3:2 An overview of the Sections 302/404 regulatory scheme

PART II. SECTION 302 CERTIFICATION

- § 3:3 Sarbanes-Oxley Section 302 certification of periodic reports of public companies
- § 3:4 —Overview of the Commission’s task and approach
- § 3:5 —The certification form
- § 3:6 —Certification as to accuracy and completeness of periodic reports
- § 3:7 —Certification and process of disclosure controls and procedures
- § 3:8 —Certification of internal control over financial reporting
- § 3:9 —Certification of investment company reports
- § 3:10 —Foreign private issuers
- § 3:11 —SEC enforcement for certifications of false statements
- § 3:12 —Private civil liability and scienter
- § 3:13 —Private civil liability opinion statements

PART III. DISCLOSURE CONTROLS AND PROCEDURES

§ 3:14 Disclosure controls and procedures

PART IV. SECTION 906 CERTIFICATION AND CRIMINAL PENALTIES

- § 3:15 Introduction
- § 3:16 SEC and Department of Justice make-do approach

PART V. SECTION 404 ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

- § 3:17 Introduction
- § 3:18 Commission implements Section 404 and the assessment of internal control over financial reporting
- § 3:19 The COSO framework
- § 3:20 The auditor’s attestation of internal control over financial reporting assessment
- § 3:21 The quarterly evaluation of changes in internal control over financial reporting
- § 3:22 Other Section 404 related matters
- § 3:23 Will the Section 404 assessment of internal control over financial reporting make a difference?
- § 3:24 AS 2805 and management’s representation letter to the auditors

PART VI. SECTION 404 IN OPERATION

- § 3:25 Background: Initial compliance dates
- § 3:26 Early returns and consequences
- § 3:27 SEC and PCAOB respond with guidance
- § 3:28 SEC guidance
- § 3:29 Distinguishing pervasive from less serious material weaknesses
- § 3:30 Integrating audit of financial statements and audit of company’s internal control over financial reporting
- § 3:31 Drawing some fine lines—Communications of auditor with audit clients
- § 3:32 —Risk based approach and company level controls

- § 3:33 SEC staff suggested format for reporting material weaknesses
- § 3:34 Acquisitions and internal control over financial reporting
- § 3:35 Sample staff comments on ICFR

PART VII. THE ROAD TO SECTION 404 REVISIONS

A. INTRODUCTION

- § 3:36 Pre-2020 definition of large accelerated, accelerated, and non-accelerated filers
- § 3:37 Additional and amended Section 404 compliance dates

B. SMALLER BUSINESS COMPANIES

- § 3:38 Formation and role of Advisory Committee on Smaller Business Companies
- § 3:39 Advisory Committee's recommendations on internal control over financial reporting

C. FOCUS ON RELIEF FOR NON-ACCELERATED FILERS

- § 3:40 Second roundtable and the Commission's response
- § 3:41 PCAOB response to the second roundtable
- § 3:42 Commission's concept release
- § 3:43 COSO's Guidance for Smaller Business Companies

D. CONGRESS EXEMPTS SMALLER ISSUERS FROM SECTION 404(B)

- § 3:44 Legislative exemption for non-accelerated filers

E. JOBS ACT EXEMPTION FROM SECTION 404(B)

- § 3:45 Section 404(b) exemption for emerging growth companies

F. PROPOSED LEGISLATION

- § 3:46 Financial CHOICE Act as passed by the House of Representatives
- § 3:47 Fostering Innovation Act of 2019

G. AMENDMENT TO ACCELERATED FILER DEFINITIONS AND CURTAILMENT OF AUDITOR ATTESTATIONS

- § 3:48 Accelerated filers, large accelerated filers, and Section 404(b): Background
- § 3:49 Amendments to accelerated filer and large accelerated filer definitions; public commentary on Section 404(b) of SOX in response to 2016 request
- § 3:50 Commission amends accelerated/large accelerated filer definitions and curtails auditor attestations

PART VIII. COMMISSION'S AUTHORITATIVE ICFR GUIDANCE

A. PRINCIPLES-BASED APPROACH

- § 3:51 Introduction
- § 3:52 The two broad principles
- § 3:53 SEC guidance in outline

B. FINANCIAL REPORTING RISKS

- § 3:54 Identifying financial reporting risks

TABLE OF CONTENTS

- § 3:55 Identifying controls that address financial reporting risks
- § 3:56 Entity-level controls and information technology general controls

C. EVALUATING DESIGN AND OPERATION OF CONTROLS

- § 3:57 ICFR design assessment
- § 3:58 Operating effectiveness of ICFR
- § 3:59 Testing and monitoring of controls

D. REPORTING CONSIDERATIONS

- § 3:60 Documenting the assessment
- § 3:61 Determining whether deficiencies are a significant deficiency or a material weakness

E. OTHER MATTERS

- § 3:62 Foreign private issuers
- § 3:63 Principles-based approach—Some comments

PART IX. ENFORCEMENT

- § 3:64 Internal control deficiencies and the role of outside auditors
- § 3:65 Controls over integrity of portfolio valuations
- § 3:66 Failure to remediate internal control violations versus failure to disclose
- § 3:67 Failure to include full set of potentially affected transactions or total activity when assessing internal control over financial reporting
- § 3:68 Revenue recognition
- § 3:69 Control environment related to end-of-quarter sales incentives
- § 3:70 Material weaknesses relating to controls over automated systems and financial close processes
- § 3:71 ICFR and target companies in acquisitions
- § 3:72 Failures relating to segregation of duties and monitoring of bank accounts

PART X. CIVIL LITIGATION AND ICFR

- § 3:73 Introduction
- § 3:74 *PetroChina*
- § 3:75 *Kandi* in state court
- § 3:76 *Kandi* in federal court
- § 3:77 *Atlas Financial*
- § 3:78 *Amtrust/New England Carpenters*: Management reports as statements of opinion
- § 3:79 *In re GOL Linhas*: Timing issues relating to disclosure of ineffective ICFR
- § 3:80 *Spirit Aerosystems*: Potential for private civil liability arising from ICFR disclosure and certifications; dismissal based upon failure adequately to plead scienter
- § 3:81 *In Re Paysign Inc. Securities Litigation*: material weaknesses relating to management's assessment of ICFR and IT controls; alleged disclosure of actual events as hypothetical or contingent
- § 3:82 *Farfetch Limited Securities Litigation*: in round 1, adequate disclosure of ineffective ICFR avoids fraud liability

PART XI. RELATED MATTERS

- § 3:83 Internal control provisions of the FCPA and modern era cyber fraud

- Appendix 3.1. Management’s Report on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports
- Appendix 3.2. Staff Statement on Management’s Report on Internal Control Over Financial Reporting
- Appendix 3.3. Management’s Assessment of Internal Control Over Financial Reporting—Effective Controls—Illustration
- Appendix 3.4. Management Assessment of Ineffective Internal Control Over Financial Reporting—Illustration
- Appendix 3.5. Management Assessment of Ineffective Internal Control Over Financial Reporting—Alternative Illustration
- Appendix 3.6. Auditors’ Report and Opinion Including Opinion on Internal Control Over Financial Reporting—ICFR Ineffective—Illustration

CHAPTER 4. INTERNAL CONTROL OVER FINANCIAL REPORTING

PART I. INTRODUCTION

A. OVERVIEW OF THE SARBANES-OXLEY ACT

- § 4:1 Introduction
- § 4:2 Overview of exemptions from the auditor attestation requirement

PART II. INTERNAL ACCOUNTING CONTROL REQUIREMENTS BEFORE ENACTMENT OF SARBANES-OXLEY

- § 4:3 “Internal accounting controls” required by the Foreign Corrupt Practices Act
- § 4:4 In 1979 and 1988 the SEC proposed rules that would have required management and auditors to assess an issuer’s internal accounting controls
- § 4:5 Federal Deposit Insurance Corporation Improvement Act of 1991 requiring banks to file a management report and an auditor attestation on their internal control structure and procedures for financial reporting

PART III. SARBANES-OXLEY REQUIREMENTS FOR INTERNAL CONTROL STRUCTURE AND PROCEDURES FOR FINANCIAL REPORTING

A. SECTION 404 OF SARBANES-OXLEY

- § 4:6 Introduction
- § 4:7 Section 404(a) requirement for an internal control report
- § 4:8 Section 404(b) requirement for an auditor attestation report
- § 4:9 The intent of Congress in enacting the auditor attestation requirement

PART IV. SEC IMPLEMENTATION OF SARBANES-OXLEY

A. SEC DEFINITION OF THE TERM “INTERNAL CONTROL OVER FINANCIAL REPORTING”

- § 4:10 Overview

B. SEC REQUIREMENTS FOR REGISTRANTS TO MAINTAIN INTERNAL CONTROL OVER FINANCIAL REPORTING

- § 4:11 Exchange Act Rule 13a-15(a)

PART V. ANNUAL EVALUATION OF AND REPORT ON THE EFFECTIVENESS OF ICFR

A. ANNUAL EVALUATION

- § 4:12 Introduction
- § 4:13 The nature of the evaluation
- § 4:14 The “Internal Control—Integrated Framework” of the Committee of Sponsoring Organizations of the Treadway Commission
- § 4:15 Commission guidance on management’s evaluation of its internal control over financial reporting

B. MANAGEMENT’S ANNUAL REPORT ON THE EFFECTIVENESS OF ITS INTERNAL CONTROL OVER FINANCIAL REPORTING

- § 4:16 Introduction
- § 4:17 The four components of management’s annual report on internal control over financial reporting
- § 4:18 Evidence supporting management’s assessment

PART VI. QUARTERLY EVALUATION AND DISCLOSURE OF MATERIAL CHANGES IN THE ISSUER’S INTERNAL CONTROL OVER FINANCIAL REPORTING

A. OVERVIEW

- § 4:19 Introduction
- § 4:20 Quarterly evaluation of material changes in internal control over financial reporting

B. QUARTERLY DISCLOSURE OF MATERIAL CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

- § 4:21 Disclosure Requirements

PART VII. CEO AND CFO CERTIFICATION OF QUARTERLY AND ANNUAL REPORTS

A. OVERVIEW

- § 4:22 Introduction
- § 4:23 Representations regarding internal control over financial reporting
- § 4:24 Representation regarding material changes in internal control over financial reporting
- § 4:25 Representation regarding disclosure to the auditors and the audit committee
- § 4:26 Other representations

PART VIII. SEC AND PCAOB REQUIREMENTS FOR THE AUDITOR ATTESTATION REPORT

A. SEC REQUIREMENTS FOR THE AUDITOR ATTESTATION REPORT

- § 4:27 Overview of the SEC requirements

**B. PCAOB STANDARDS FOR AUDITS OF INTERNAL CONTROL
OVER FINANCIAL REPORTING**

§ 4:28 Overview of PCAOB standards

C. 2023 PCAOB UPDATE OF ATTESTATION STANDARDS

§ 4:29 Overview

**PART IX. EXEMPTIONS FROM SARBANES-OXLEY'S
REQUIREMENT FOR AUDITOR ATTESTATION
REPORTS**

**A. THE SEC DELAYED IMPLEMENTATION OF SECTION 404(B)
OF SARBANES-OXLEY FOR NON-ACCELERATED FILERS**

§ 4:30 Overview

**B. DODD-FRANK'S EXEMPTION FROM THE AUDITOR
ATTESTATION REQUIREMENT FOR NON-ACCELERATED
FILERS**

§ 4:31 Congress in 2010 provides an exemption in Dodd-Frank

**C. 2011 SEC STAFF STUDY ON THE BURDEN OF COMPLIANCE
WITH THE AUDITOR ATTESTATION REQUIREMENTS**

§ 4:32 Summary of the 2011 SEC Study

**D. 2013 GAO STUDY ON THE IMPACT OF DODD-FRANK
EXEMPTIONS FROM THE AUDITOR ATTESTATION
REQUIREMENTS**

§ 4:33 Overview of 2013 GAO Report

**E. IN 2012 CONGRESS CREATED A SECOND EXEMPTION FROM
THE AUDITOR ATTESTATION REPORT REQUIREMENT FOR
EMERGING GROWTH COMPANIES**

§ 4:34 Exemption in the JOBS Act for emerging growth companies

**F. 2018 SEC EXPANSION OF THE DEFINITION OF A "SMALLER
REPORTING COMPANY"**

§ 4:35 Overview of the amended definition of "smaller reporting company"

**G. 2020 SEC AMENDMENTS WIDENING THE DODD-FRANK
EXEMPTION FOR NON-ACCELERATED FILERS BY
NARROWING THE DEFINITIONS OF "ACCELERATED FILER"
AND "LARGE ACCELERATED FILER"**

§ 4:36 Introduction

§ 4:37 The New Definitions of "Accelerated Filers" and "Large Accelerated Filers"

§ 4:38 The Commission's reasons for narrowing the definitions

§ 4:39 The limited but lasting impact of the SEC's expansion of the Dodd-Frank exemption

TABLE OF CONTENTS

§ 4:40 Objections to the Commission's Expanded Exemption

**PART X. TRENDS IN MANAGEMENT AND AUDITOR
ATTESTATION REPORTS ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

§ 4:41 Introduction

§ 4:42 Auditor attestation and management reports on ICFR for 2021

§ 4:43 Trends in auditor attestation and management reports on ICFR for the
period from 2004 to 2021

§ 4:44 Conclusion

**PART XI. TRENDS IN THE QUALITY OF AUDITS OF INTERNAL
CONTROL OVER FINANCIAL REPORTING**

A. PCAOB INSPECTIONS OF AUDITS

§ 4:45 Introduction

§ 4:46 Basis for PCAOB finding of deficiencies in ICFR audits

§ 4:47 Areas of ICFR audit deficiencies

§ 4:48 Types of deficiencies in ICFR audits

PART XII. TRENDS IN FINANCIAL RESTATEMENTS

A. RECENT RESTATEMENTS

§ 4:49 Overview

PART XIII. SEC ENFORCEMENT OF ICFR REQUIREMENTS

A. OVERVIEW

§ 4:50 Introduction

**B. 2013 CASE AGAINST JPMORGAN CHASE BASED UPON
TRADING LOSSES INVOLVING THE LONDON WHALE**

§ 4:51 Introduction

§ 4:52 SEC action

§ 4:53 Sanctions

§ 4:54 Other sanctions

**C. 2018 REPORT OF INVESTIGATION ON INCLUDING CYBER
SECURITY IN DESIGNING INTERNAL CONTROL OVER
FINANCIAL REPORTING**

§ 4:55 Introduction

§ 4:56 Including cybersecurity in internal controls

D. 2019 GROUP OF CASES AGAINST FOUR ISSUERS

§ 4:57 Introduction

§ 4:58 Sarbanes-Oxley requires both disclosure and remediation

§ 4:59 Conclusion

E. 2019 CASE AGAINST METLIFE

§ 4:60 Introduction

- § 4:61 The violations
- § 4:62 The terms of the SEC settlement

PART XIV. CONCLUSION

A. OVERVIEW

- § 4:63 Perspective on Sarbanes-Oxley's requirements on internal control over financial reporting

CHAPTER 5. CORPORATE GOVERNANCE

PART I. OVERVIEW

A. BACKGROUND

- § 5:1 Overview
- § 5:2 Report of the blue ribbon panel

PART II. SARBANES-OXLEY SRO AUDIT COMMITTEE LISTING REQUIREMENTS

A. DIRECTIVE TO THE COMMISSION

- § 5:3 Sarbanes-Oxley SRO audit committee requirements

B. SEC ADOPTS RULE 10A-3

- § 5:4 Rule 10A-3—Composition and independence of audit committees of listed companies
- § 5:5 —The affiliate aspect of independence under Rule 10A-3
- § 5:6 —Commercial and family relationships
- § 5:7 —Foreign private issuers
- § 5:8 Are the Rule 10A-3 independence standards all encompassing?
- § 5:9 Delisting and the opportunity to cure defects
- § 5:10 General exemptions
- § 5:11 Audit committee report

C. SRO COMPLIANCE WITH RULE 10A-3

- § 5:12 Introduction
- § 5:13 NYSE definition of independent director
- § 5:14 Nasdaq definition of independent director
- § 5:15 Audit committee authority and responsibility
- § 5:16 Status of other SROs

PART III. OTHER CORPORATE GOVERNANCE ISSUES

A. COMPENSATION COMMITTEES, ADVISORS AND DODD-FRANK

- § 5:17 Compensation committees: overview
- § 5:18 Effective and compliance dates
- § 5:19 Compensation, compensation committees, and independence
- § 5:20 Compensation advisers
- § 5:21 Background: Prior compensation committee and consultant disclosure

TABLE OF CONTENTS

§ 5:22 New disclosure rule concerning compensation consultants

B. NYSE OTHER CORPORATE GOVERNANCE INITIATIVES

§ 5:23 Introduction
§ 5:24 Majority of board to consist of independent directors
§ 5:25 Nominating/corporate governance and compensation committees
§ 5:26 Changes to NYSE's rules regarding compensation committees as a result of Dodd-Frank
§ 5:27 Executive sessions of non-management directors
§ 5:28 Required disclosures, CEO certification, and other matters
§ 5:29 Table comparing Rule 303A to previous corporate governance rules
§ 5:30 Discretionary voting
§ 5:31 ESG

C. NASDAQ CORPORATE GOVERNANCE INITIATIVES

§ 5:32 Introduction
§ 5:33 Majority of board to consist of independent directors
§ 5:34 Role of independent directors in nomination and compensation process
§ 5:35 Changes to Nasdaq compensation rules
§ 5:36 Executive sessions of independent directors and other initiatives
§ 5:37 Foreign issuers
§ 5:38 Golden leash disclosure
§ 5:39 The vacated Nasdaq Board Diversity Rule

PART IV. SHAREHOLDER APPROVAL OF EQUITY COMPENSATION PLANS

§ 5:40 NYSE and Nasdaq enlarge role of shareholders
§ 5:41 Nasdaq revised Rule 4350 and related interpretation—Shareholder approval of equity compensation plans
§ 5:42 NYSE Company Listing Manual Section 308A(8)—Shareholder approval of equity compensation plans
§ 5:43 NYSE restrictions on broker-dealers voting shares of beneficial owners

PART V. OTHER CORPORATE GOVERNANCE PROVISIONS

§ 5:44 Disclosing expertise (or lack thereof) of members of audit committee
§ 5:45 The audit committee report
§ 5:46 SEC concept release regarding possible enhanced audit committee disclosures
§ 5:47 Continuing emphasis on the role of the audit committee
§ 5:48 Disclosure of code of ethics or lack thereof
§ 5:49 Restricting loans to officers and directors
§ 5:50 Voting rights

PART VI. PROXY RULES AND CORPORATE DEMOCRACY

A. IMPROVING COMMUNICATIONS OF SHAREHOLDERS WITH THE BOARD

§ 5:51 Commission reviews proxy rules and corporate democracy
§ 5:52 Commission expands disclosure relating to the nominating process

§ 5:53 Shareholder communications to the board

B. SHAREHOLDER NOMINEE PROCESS

- § 5:54 Security holder nominee (proxy access) proposal
- § 5:55 Other triggering events—Proposed or considered
- § 5:56 Proxy access proposal
- § 5:57 SEC adopts proxy access; challenge in D.C. Circuit
- § 5:58 Proxy access and shareholder proposals
- § 5:59 *The Business Roundtable* decision
- § 5:60 Standard of review: Arbitrary and capricious
- § 5:61 Consideration of efficiency, competition and capital formation
- § 5:62 Prior case law
- § 5:63 Aftermath of *Business Roundtable*
- § 5:64 Critique

C. SHARHOLDER PROPOSALS, PROXY ACCESS AND CORPORATE GOVERNANCE

- § 5:65 Introduction
- § 5:66 Proxy access: recent letters
- § 5:67 Proxy access: further developments
- § 5:68 Other corporate governance proposals
- § 5:69 More stringent procedural requirements for shareholder proposals: here today, gone tomorrow?

D. OTHER

- § 5:70 Universal proxy

CHAPTER 6. PROFESSIONAL RESPONSIBILITY OF ATTORNEYS

PART I. OVERVIEW

- § 6:1 Introduction
- § 6:2 The well-kept secret—SEC ignored “improper professional conduct” of attorneys
- § 6:3 Professional responsibility of securities practitioners—Section 307 and the obligation to go-up-the-[corporate]-ladder

PART II. PART 205—RULES IMPLEMENTING SECTION 307

A. COMMISSION ADOPTS RULES IMPLEMENTING SECTION 307

- § 6:4 Proposal and response
- § 6:5 The daunting task

B. SOME IMPORTANT DEFINITIONS

- § 6:6 Definition of an issuer
- § 6:7 Appearing and practicing before the Commission
- § 6:8 Definition of attorney
- § 6:9 Representation of an issuer

TABLE OF CONTENTS

§ 6:10 Definition of evidence of a material violation

C. GOING UP-THE-LADDER

§ 6:11 From subordinate attorney to supervising attorney

§ 6:12 From supervising attorney to the Chief Legal Officer

§ 6:13 The slippery slope—Connecting the dots

D. ROLE AND OBLIGATION OF ATTORNEYS DIRECTED OR RETAINED TO INVESTIGATE/DEFEND

§ 6:14 Attorney investigating evidence of a material violation

§ 6:15 The attorney defending the issuer, or the issuer's officers, directors, employees or agent

E. APPROPRIATE RESPONSE

§ 6:16 Appropriate response to the reporting attorney absent pending investigation or proceeding

§ 6:17 Colorable defense as an appropriate response to the reporting attorney

F. RESPONSIBILITIES OF THE CHIEF LEGAL OFFICER

§ 6:18 In general

§ 6:19 When CLO retains or directs an attorney to investigate/defend

G. THE QUALIFIED LEGAL COMPLIANCE COMMITTEE ROUTE

§ 6:20 Structure of Legal Compliance Committee

§ 6:21 Involving the QLCC

§ 6:22 Authority and responsibility of the QLCC

H. VIOLATIONS OF PART 205

§ 6:23 Sanctions for violations of any provision of Part 205

§ 6:24 No private actions

I. NOISY WITHDRAWAL PROVISIONS AND OTHER MATTERS

§ 6:25 Remnants of noisy withdrawal

§ 6:26 The repropose noisy withdrawal provision

§ 6:27 Some other matters

§ 6:28 ABA task force on corporate responsibility

CHAPTER 7. REPORTING UNDER THE EXCHANGE ACT

PART I. INTRODUCTION

§ 7:1 From afterthought to central stage

§ 7:2 The Sarbanes-Oxley difference

PART II. ACCOUNTING DISCLOSURES**A. INTRODUCTION**

§ 7:3 Sarbanes-Oxley disclosure directives

B. NON-GAAP MEASURES

§ 7:4 Sarbanes-Oxley and pro-forma (non-GAAP) financial measures
 § 7:5 Regulation G and non-GAAP financial measures in public announcements
 § 7:6 Form 8-K Item 2.02 and earnings release including NGFM
 § 7:7 Non-GAAP financial measures in filed documents
 § 7:8 NGFM and foreign private issuers
 § 7:9 Initial staff guidance regarding use of NGFM
 § 7:10 SEC increases scrutiny of Regulation G compliance; issues C&DIs
 § 7:11 Enforcement actions involving non-GAAP measures
 § 7:12 Examples of compliance issues addressed by SEC comment letters

C. OTHER ACCOUNTING DISCLOSURES

§ 7:13 Introduction to SPEs and off-balance sheet transactions
 § 7:14 The Sarbanes-Oxley Act—Disclosure of off-balance sheet transactions
 § 7:15 Sarbanes-Oxley required study of special purpose entities
 § 7:16 Impact of the 2017 tax legislation on financial reporting and disclosure
 § 7:17 Form 10-Q
 § 7:18 Revenue recognition

PART III. ACCELERATED FILINGS AND ENHANCED REVIEW**A. SECTION 16(A) (FORMS 3, 4, AND 5) REPORTS**

§ 7:19 Accelerating disclosure of trading by insiders (Forms 3, 4, and 5)
 § 7:20 Section 16(a) reports and EDGAR
 § 7:21 Using the Forms 3, 4, and 5 OnlineForms Edgar Filing Web site
 § 7:22 Mandatory posting on company Web site
 § 7:23 Reduced content XML submissions
 § 7:24 Obtaining access codes

B. ACCELERATED FILING AND ENHANCED REVIEW OF PERIODIC REPORTS

§ 7:25 Accelerated Form 10-K and 10-Q reports for certain issuers
 § 7:26 Enhanced review of periodic reports

PART IV. REAL-TIME REPORTING AND THE MAKEOVER OF FORM 8-K**A. INTRODUCTION**

§ 7:27 Sarbanes-Oxley real-time disclosures
 § 7:28 An overview of the Form 8-K makeover

B. FORM 8-K—SECTION 1—REGISTRANT'S BUSINESS AND OPERATIONS

§ 7:29 Item 1.01. Entry into a material definitive agreement

TABLE OF CONTENTS

- § 7:30 Item 1.02. Termination of a material definitive agreement
- § 7:31 Item 1.03. Bankruptcy or receivership

C. FORM 8-K—SECTION 2—FINANCIAL INFORMATION

- § 7:32 Item 2.01. Completion of acquisition or disposition of assets
- § 7:33 Item 2.02. Results of Operations and Financial Condition
- § 7:34 Item 2.03. Creation of a direct financial obligation or an obligation under an off-balance sheet arrangement of a registrant
- § 7:35 Item 2.04. Triggering events that accelerate or increase a direct financial obligation or an obligation under an off-balance sheet arrangement
- § 7:36 Item 2.05. Costs associated with exit or disposal activities
- § 7:37 Item 2.06. Material impairments

D. FORM 8-K—SECTION 3—SECURITIES AND TRADING MARKETS

- § 7:38 Item 3.01. Notice of delisting or failure to satisfy a continued listing rule or standard; transfer of listing
- § 7:39 Item 3.02. Unregistered sales of equity securities
- § 7:40 Item 3.03. Material modification to rights of security holders

E. FORM 8-K—SECTION 4—MATTERS RELATED TO ACCOUNTANTS AND FINANCIAL STATEMENTS

- § 7:41 Item 4.01. Changes in registrants certifying accountant
- § 7:42 Item 4.02. Non-reliance on previously issued financial statements or a related audit report or a completed interim

F. FORM 8-K—SECTION 5—CORPORATE GOVERNANCE AND MANAGEMENT

- § 7:43 Item 5.01. Changes in control of registrant
- § 7:44 Item 5.02. Departure of directors or principal officers; election of directors; appointment of principal officers
- § 7:45 Item 5.03. Amendments to articles of incorporation or bylaws; change in fiscal year
- § 7:46 Item 5.04. Temporary suspension of trading under registrants employee benefit plans
- § 7:47 Item 5.05. Amendments to the Registrants Code of Ethics, or Waiver of a Provision of the Code of Ethics
- § 7:48 Item 5.06. Change in shell company status

G. SECTION 7—REGULATION FD; SECTION 8—OTHER EVENTS, AND SECTION 9—FINANCIAL STATEMENTS AND EXHIBITS

- § 7:49 Item 7.01. Regulation FD Disclosure
- § 7:50 Item 8.01. Other events
- § 7:51 Item 9.01. Financial statements and exhibits
- § 7:52 Financial statements of businesses acquired or to be acquired
- § 7:53 Hyperlinks
- § 7:54 Structured disclosure

PART V. EMERGING GROWTH COMPANIES

- § 7:55 Emerging growth companies

- § 7:56 Audit of internal control over financial reporting
- § 7:57 Auditing standards

CHAPTER 8. THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

PART I. STRUCTURE, RULES, AND FUNCTIONS

A. ORGANIZATION AND RULE-MAKING

- § 8:1 PCAOB—Selecting members of the board
- § 8:2 Status of the board
- § 8:3 PCAOB—Steps prerequisite to being organized and functional
- § 8:4 PCAOB—SEC declares PCAOB organized and functioning
- § 8:5 PCAOB by-laws and code of ethics
- § 8:6 Funding of PCAOB
- § 8:7 PCAOB establishes procedure for determining annual accounting support fee
- § 8:8 PCAOB rule-making authority and procedures

B. REGISTRATION OF PUBLIC ACCOUNTING FIRMS

- § 8:9 PCAOB—Which accounting firms have to register
- § 8:10 Broker-dealer auditors and voluntary registrants
- § 8:11 The registration process and ramifications
- § 8:12 PCAOB—Online registration
- § 8:13 Form 1 registration application
- § 8:14 PCAOB—Processing registration applications

PART II. AUDITING, ATTESTATION, QUALITY CONTROL, AND ETHICS STANDARDS

- § 8:15 Establishing auditing, attestation, quality control and ethics standards
- § 8:16 PCAOB—Adoption of interim professional standards
- § 8:17 PCAOB announces procedure for adopting professional standards
- § 8:18 Adoption of Auditing Standard No. 1
- § 8:19 Testing for auditing, attestation, quality control and ethics standards
- § 8:20 Developments in 2015-2016
- § 8:21 Reorganization of PCAOB auditing standards: Introduction
- § 8:22 —Reorganized standards
- § 8:23 —Changes to PCAOB standards and rules
- § 8:24 —Changes to PCAOB standards
- § 8:25 —Interim auditing standards
- § 8:26 —Interpretive publications
- § 8:27 —Other changes to PCAOB standards
- § 8:28 —Changes to PCAOB rules
- § 8:29 —Effective date

PART III. AS 2201—AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS

A. INTRODUCTION

- § 8:30 Superseded AS-2—Prelude to adoption of AS-5 (AS 2201)

TABLE OF CONTENTS

§ 8:31 Alignment of AS-5 with SEC guidance

B. OVERVIEW

- § 8:32 Introduction to AS 2201
- § 8:33 Integrating the audits of ICFR and financial statements
- § 8:34 Using a top-down approach
- § 8:35 Risk and fraud assessment
- § 8:36 Scaling the audit
- § 8:37 Materiality and some other planning aspects

C. USING WORK OF OTHERS

- § 8:38 Introduction
- § 8:39 Identifying significant accounts and disclosures, and understanding likely sources of misstatement
- § 8:40 The ubiquitous walkthroughs
- § 8:41 Testing design and effectiveness of controls

D. MATERIAL WEAKNESS

- § 8:42 Definition of material weakness, deficiency, and significant deficiency
- § 8:43 Evaluating deficiencies and indicators of a material weakness

E. THE OPINION PROCESS AND THE OPINION LETTER

- § 8:44 Management's representation letter and communications by auditor to management
- § 8:45 The auditor's opinion
- § 8:46 Subsequent developments

F. FURTHER PCAOB DEVELOPMENTS CONCERNING THE AUDIT OF ICFR

- § 8:47 Staff Guidance for Auditors of Smaller Public Companies
- § 8:48 Staff Audit Practice Alert No. 11
- § 8:49 AS 2201 and the audit committee
- § 8:50 Auditor's report when management's report on ICFR is not audited and not required to be audited

PART IV. THE AUDITOR'S REPORT

- § 8:51 Introduction to the new auditor reporting standard
- § 8:52 Rulemaking history
- § 8:53 Critical audit matters
- § 8:54 Applicability of critical audit matter requirements
- § 8:55 Additional changes to the auditor's report
- § 8:56 Explanatory language required by other PCAOB standards
- § 8:57 Emphasis of a matter
- § 8:58 Amendments to other PCAOB standards
- § 8:59 Effective date
- § 8:60 The Effect of the Auditor Report Standards on Audit Committees
- § 8:61 PCAOB guidance on critical audit matters
- § 8:62 The audit report and private civil litigation

PART V. PCAOB INSPECTIONS, INVESTIGATIONS, AND DISCIPLINARY PROCEEDINGS

A. INSPECTIONS OF REGISTERED PUBLIC ACCOUNTING FIRMS

- § 8:63 Scope of the inspection
- § 8:64 Report of the inspection
- § 8:65 Inspections relating to audits of broker-dealers

B. PCAOB INVESTIGATIONS, DISCIPLINARY PROCEEDINGS, AND SANCTIONS

- § 8:66 Investigations
- § 8:67 PCAOB disciplinary proceedings
- § 8:68 Disciplinary sanctions
- § 8:69 Inspection of, investigations of, and imposing disciplinary sanctions on foreign accounting firms
- § 8:70 The Holding Foreign Companies Accountable Act and regulatory follow-up
- § 8:71 PCAOB and China reach agreement on audit inspections and investigations: problem solved?
- § 8:72 SEC review of disciplinary sanctions
- § 8:73 The stealth board

Appendix 8.1. Illustrative Reports—Auditor’s Opinion on Financial Statements

Appendix 8.2. Report of Independent Registered Public Accounting Firm

CHAPTER 9. SEC AND PUBLIC ACCOUNTANTS

PART I. SEC’S OVERSIGHT ROLE

A. REGULATION OF ACCOUNTANTS

- § 9:1 Oversight of and overlap with the PCAOB
- § 9:2 Disqualification of accountants for improper professional conduct
- § 9:3 The *Checkosky* saga
- § 9:4 The improper professional conduct standard for accountants
- § 9:5 *Checkosky* revisited
- § 9:6 Focus on miscreant accountants
- § 9:7 Section 10A of the Exchange Act and duty of the auditor to detect fraud
- § 9:8 Case study
- § 9:9 Borgers and BF Borgers barred from practice before the Commission for alleged pattern of audit failures
- § 9:10 Dealing with preservation of audit workpapers, shredding documents, and obstruction of justice

B. AUDITOR INDEPENDENCE, NON-AUDIT SERVICES; LIMITING AUDITOR CONFLICTS

- § 9:11 The SEC-Levitt reforms
- § 9:12 SOA proscription of non-audit services
- § 9:13 Commission defines proscribed non-audit services
- § 9:14 Wavering on tax services
- § 9:15 Administration of the engagement
- § 9:16 Auditors’ report to the audit committee

TABLE OF CONTENTS

- § 9:17 Disclosure of fees
- § 9:18 Rotation of partners on the audit engagement
- § 9:19 Ex-auditors as financial employees
- § 9:20 Rule 13b2-2(b)—Improper influence on conduct of audits
- § 9:21 PCAOB Concept Release on Audit Firm Rotation and Auditor Independence
- § 9:22 Auditor rotation: shareholder proposals
- § 9:23 S. 1526—Auditor requirements and rotation: legislation
- § 9:24 2020 amendments to auditor independence requirements
- § 9:25 SEC rules on auditor independence: FAQs

PART II. SETTING ACCOUNTING STANDARDS

- § 9:26 Accounting standards and financial engineering
- § 9:27 Reincarnating the financial accounting standards board
- § 9:28 Commission designates FSAB as the Sarbanes-Oxley standard setting board
- § 9:29 Will principles-based accounting standards reduce financial fraud?

CHAPTER 10. AUDITOR INDEPENDENCE: STATUTORY, REGULATORY AND BUSINESS TRENDS

I. INTRODUCTION

- § 10:1 Overview

II. BACKGROUND

- § 10:2 History of auditor independence

III. 2000 AMENDMENTS TO THE SEC'S AUDITOR INDEPENDENCE RULES

- § 10:3 Introduction
- § 10:4 The SEC's general standard of auditor independence
- § 10:5 Specific circumstances under which the SEC will not consider an accountant to be independent

IV. SARBANES-OXLEY AUDITOR INDEPENDENCE PROVISIONS

- § 10:6 Introduction
- § 10:7 Prohibited non-audit services
- § 10:8 Requirements for other non-audit services
- § 10:9 Audit committee responsibility
- § 10:10 Auditor's obligation to report information to the audit committee
- § 10:11 Rotation of audit partners
- § 10:12 Prohibition on auditing a company whose management includes a former employee of an audit firm
- § 10:13 2003 SEC rule amendments pursuant to Sarbanes-Oxley

V. SEPARATING AUDITING FROM NON-AUDITING BUSINESSES

- § 10:14 Introduction
- § 10:15 Recent growth of non-audit business
- § 10:16 Ernst & Young announces plans to split into two firms

- § 10:17 Will other firms follow?
- § 10:18 SEC staff views on the independence implications of divestiture of a portion of an accounting firm's business
- § 10:19 Private equity firms invest in accounting firms
- § 10:20 SEC staff views on independence implications of private equity's investments in accounting firms

VI. 2019 AMENDMENTS TO THE SEC'S AUDITOR INDEPENDENCE RULES REPEALING PROHIBITIONS ON CERTAIN LOANS BETWEEN AUDITORS AND AUDIT CLIENTS

- § 10:21 Introduction
- § 10:22 The loan provision of the auditor independence rules
- § 10:23 The Commission's reasons for repealing prohibitions on certain loans
- § 10:24 2019 amendments
- § 10:25 Limiting the prohibition on loans between auditors and beneficial owners
- § 10:26 Limiting the prohibition to loans between auditors and beneficial owners who have significant influence
- § 10:27 Repealing the prohibition on loans between auditors and sister funds of investment companies

VII. 2020 AMENDMENTS TO THE SEC'S AUDITOR INDEPENDENCE RULES TO REPEAL PROHIBITIONS ON CERTAIN RELATIONSHIPS BETWEEN AN AUDITOR AND ITS AUDIT CLIENT

- § 10:28 Introduction
- § 10:29 The Commission's reasons for repealing prohibitions on certain relationships
- § 10:30 Repealing prohibitions on relationships between auditors and affiliates of an audit client
- § 10:31 Repealing prohibitions on certain relationships between an auditor and an affiliate of the audit client under common control
- § 10:32 Repealing prohibitions on certain relationships between an auditor and an affiliate of the audit client in the "investment company complex"
- § 10:33 Repealing prohibitions on certain business relationships between auditors and stockholders, officers and directors of audit clients
- § 10:34 Reducing the period during which auditor independence is required before an audit client undertakes an IPO
- § 10:35 Repealing prohibitions on certain loans between an auditor and its audit client
- § 10:36 Inadvertent violations of the independence rule resulting from mergers and acquisitions
- § 10:37 Two SEC Commissioners disapprove of the 2020 amendments
- § 10:38 Former Chairman Levitt calls for the SEC to rescind the 2020 amendments

VIII. THE PCAOB ADOPTS AMENDMENTS TO ITS INDEPENDENCE STANDARDS AND RULES CONSISTENT WITH THE SEC AMENDMENTS

- § 10:39 Overview

IX. THE PCAOB IS REVISING ITS AUDITOR INDEPENDENCE STANDARDS AND RULES

- § 10:40 Adoption of interim standards in 2003
- § 10:41 PCAOB revisions to its independence standards

X. 2022 THE PCAOB AND THE SEC VOICE CONCERNS ON AUDITOR INDEPENDENCE

- § 10:42 Overview

XI. TRENDS IN AUDITOR INDEPENDENCE

- § 10:43 Introduction
- § 10:44 Types of independence violations
- § 10:45 PCAOB “good practices” for auditors relating to independence

XII. CONCLUSION

- § 10:46 Conclusion

CHAPTER 11. REGULATION OF ANALYSTS’ CONFLICTS OF INTEREST

PART I. FOCUS ON CONFLICTED ANALYSTS

- § 11:1 Conflicted analysts and research departments
- § 11:2 Conflicted analysts and the SEC bully pulpit

PART II. SARBANES-OXLEY ADDS SECTION 15D TO EXCHANGE ACT

A. INTRODUCTION

- § 11:3 Sarbanes-Oxley directive to the SEC
- § 11:4 SEC adopts Regulation AC
- § 11:5 NYSE and NASD road to Sarbanes-Oxley
- § 11:6 NYSE Rule 472 and Incorporated NYSE Rule 472 post-Sarbanes-Oxley

B. SEPARATING RESEARCH FROM INVESTMENT BANKING: LEGACY RULES

- § 11:7 Protecting the purity of the research product
- § 11:8 Restrictions on using analysts to obtain investment banking business
- § 11:9 Insulating research analysts’ compensation from investment banking
- § 11:10 Quiet periods; termination of coverage

C. DISCLOSURE/SUNSHINE APPROACH: LEGACY RULES

- § 11:11 Ratings and price targets
- § 11:12 Disclosure
- § 11:13 Other matters
- § 11:14 Trading ahead of research

D. REVISED FINRA EQUITY AND DEBT RESEARCH RULES

- § 11:15 FINRA equity and debt research rules

PART III. THE JOBS ACT

- § 11:16 Research reports and IPOs
- § 11:17 Research reports and Section 5
- § 11:18 Research reports and FINRA quiet periods
- § 11:19 Analyst conflicts of interest
- § 11:20 Other current rules governing analysts

PART IV. REGULATION BY LITIGATION

- § 11:21 The global settlement; 2010 revisions
- § 11:22 Regulatory aspects of the global settlement
- § 11:23 Third-party research
- § 11:24 Penalties, disgorgement, and other costs to settling firms
- § 11:25 Private actions in the aftermath of the global settlement
- § 11:26 Research reports of analysts and the fraud-on-the-market doctrine
- § 11:27 Termination of the global settlement

CHAPTER 12. AUGMENTING ENFORCEMENT OF THE SECURITIES LAWS**PART I. MAKING THE TIME FIT THE CRIME****A. A PLETHORA OF CRIMINAL PENALTIES**

- § 12:1 Introduction
- § 12:2 —Stiffer penalties for securities fraud and related crimes
- § 12:3 The corporate fraud task force
- § 12:4 Supreme Court construes Section 802: *Yates*
- § 12:5 Corruptly impeding an official proceeding: SOX § 1102
- § 12:6 Legislative history of § 1512(c)(2)
- § 12:7 D.C. Circuit applies SOX to January 6th defendants and the Supreme Court grants certiorari: *Fischer*
- § 12:8 Indictment of former President for alleged violation of SOX § 1102
- § 12:9 Supreme Court limits § 1102 to impairing documents or objects used in an official proceeding, opting for narrow reading of the statute

B. CRIME AND PUNISHMENT

- § 12:10 Statutory penalties and sensitizing the Sentencing Commission to securities fraud
- § 12:11 Sentencing guidelines after Sarbanes-Oxley
- § 12:12 Sentencing guidelines and the Supreme Court—*Booker / Fanfan* change the landscape
- § 12:13 Determination of the amount of loss
- § 12:14 Sentencing guidelines for corporate defendants

PART II. THE COMMISSION'S ENFORCEMENT ARSENAL**A. BACKGROUND**

- § 12:15 Civil and administrative weapons
- § 12:16 Disgorgement of executive equity-related compensation

B. SARBANES-OXLEY PROVISIONS

- § 12:17 Enriching funds available for distribution to investors

TABLE OF CONTENTS

- § 12:18 Officer and director bars
- § 12:19 Temporary freeze authority prior to filing an action

C. RELATED PROVISIONS

- § 12:20 Booster shot funding for the SEC
- § 12:21 Expanding the range of unlawful securities-related conduct
- § 12:22 Penny stock offering bar

D. RENEWED FOCUS ON FINANCIAL FRAUD

- § 12:23 The White Commission's renewed focus on financial fraud
- § 12:24 Financial reporting and internal controls: *St. Joe Company*
- § 12:25 Financial reporting and internal controls: Hector Absi (Marrone Bio)
- § 12:26 Internal control reporting deficiencies: *MusclePharm*

PART III. OTHER ENFORCEMENT ISSUES

- § 12:27 Study of enforcement actions
- § 12:28 Study of disgorgement and civil penalties in SEC enforcement actions

CHAPTER 13. RECOVERY OF EXECUTIVE COMPENSATION, PRIVATE ACTIONS AFTER SARBANES-OXLEY AND RELATED MATTERS

PART I. DIRECT AND INDIRECT IMPACT

A. DOES SARBANES-OXLEY PROVIDE "MORE OPPORTUNITIES"?

- § 13:1 Indirect impact on private actions
- § 13:2 Extending the period of limitations
- § 13:3 *Exxon Mobil*—Third circuit and the statute of limitations after Sarbanes-Oxley
- § 13:4 Unlawful insider trading during pension plan blackout periods

B. SECTION 304 REIMBURSEMENT

- § 13:5 Who can bring an action under Section 304?
- § 13:6 Recovery outside of Section 304
- § 13:7 What are the elements of a Section 304 action?
- § 13:8 Some other issues
- § 13:9 Who is entitled disgorged funds?

C. RECOVERY OF EXECUTIVE COMPENSATION UNDER DODD-FRANK

- § 13:10 Recovery of executive compensation under Dodd-Frank: Introduction
- § 13:11 Overview of Rule 10D-1
- § 13:12 The recovery policy
- § 13:13 Applicable time period
- § 13:14 Amount recoverable
- § 13:15 Issuer obligation to recover
- § 13:16 Inclusions and exclusions
- § 13:17 Compensation subject to recovery

- § 13:18 Disclosure
- § 13:19 Clawback/recovery analyses: illustrative disclosure
- § 13:20 Foreign private issuers
- § 13:21 Exhibits
- § 13:22 Transition issues
- § 13:23 NYSE listing rule on erroneously awarded compensation
- § 13:24 Nasdaq listing rule on erroneously awarded compensation
- § 13:25 Proxy advisory firms' positions on clawback policies

D. SOME OTHER RELEVANT PROVISIONS

- § 13:26 Bankruptcy no refuge for debts arising from securities violations
- § 13:27 Supreme Court considers SOX statute of limitations
- § 13:28 *Omnicare*: Knowledge of falsity
- § 13:29 Audit reports as statements of opinion: *Puda*
- § 13:30 State law “stay or pay” provisions

PART II. WILL ENRON/WORLDCOM MAKE A DIFFERENCE?

- § 13:31 Some empirical measures
- § 13:32 Surveying the landscape
- § 13:33 Judge Harmon takes charge of Enron private litigation
- § 13:34 Disclosure counsel as a primary violator
- § 13:35 Pattern of fraud as basis for inference of scienter and participants in scheme
- § 13:36 Investment banks as part of the scheme to defraud
- § 13:37 Investment banks—Fifth Circuit reversal of class certification
- § 13:38 The difficult task for the *Enron* plaintiffs
- § 13:39 Section 404 reports—Grist for the securities fraud class action mill
- § 13:40 Pleading securities fraud based on Section 404 reports
- § 13:41 Sarbanes-Oxley mandated study of aiders and abettors

CHAPTER 14. WHISTLEBLOWERS

PART I. SARBANES-OXLEY ACT WHISTLEBLOWER PROVISIONS

- § 14:1 Protecting employees who blow the whistle
- § 14:2 Protecting employees reporting securities fraud—Department of Labor regulations
- § 14:3 The district court alternative to an OSHA proceeding under SOX
- § 14:4 Unenforceability of pre-dispute arbitration agreements; issue preclusion
- § 14:5 A CFO fails to make his case under the SOX retaliation provisions
- § 14:6 *Allen* and the need for a reasonable belief as to scienter under SOX
- § 14:7 Do violations of SEC rules require belief as to fraud?
- § 14:8 Employees of a subsidiary of a reporting company under Section 806 of SOX
- § 14:9 Protected activities under SOX § 806
- § 14:10 *Lawson v. FMR* in the First Circuit: Who is entitled to anti-retaliation protection under § 806?
- § 14:11 Whistleblower protection under SOX extends to employees of private contractors and subcontractors serving public companies: *Lawson v. FMR* in the Supreme Court
- § 14:12 Courts construe SOX whistleblower provisions—Including the burden-shifting framework and the question of retaliatory intent

TABLE OF CONTENTS

§ 14:13 Extraterritorial application of the SOX anti-retaliation provision

PART II. DODD-FRANK ACT WHISTLEBLOWER PROVISIONS

§ 14:14 Whistleblower protection under Dodd-Frank

§ 14:15 Encouraging whistleblowers by cash bonuses: the Dodd-Frank bounty program

§ 14:16 SEC final rules on Dodd-Frank whistleblower protection

§ 14:17 Dodd-Frank whistleblower provisions—Impact on companies—Internal compliance

§ 14:18 Limits on which employees can collect under the Dodd-Frank whistleblower provisions

§ 14:19 Courts construe Dodd-Frank whistleblower provisions

§ 14:20 To whom must the employee report wrongdoing to receive protection under Dodd-Frank: herein of *Digital Realty*

§ 14:21 2020 rule amendments—Whistleblower status and notice requirements

§ 14:22 —Anti-retaliation

§ 14:23 —Expanded application of “judicial or administrative action”

§ 14:24 2020 and 2022 rule amendments—Related actions

§ 14:25 2020 rule amendments—Criteria for determining amount of award

§ 14:26 Use of dollar amount of award in determining amount of award; 2022 amendments

§ 14:27 2020 rule amendments—Unreasonable reporting delays

§ 14:28 —Materials that may form the basis of the SEC’s award determination

§ 14:29 —Summary disposition procedures

§ 14:30 —Independent analysis

§ 14:31 Impeding communications with the staff concerning possible securities law violations

APPENDICES

APPENDIX A. Sarbanes-Oxley Act of 2002

APPENDIX B. Sarbanes-Oxley Act as Amended

APPENDIX C. Holding Foreign Companies Accountable Act

APPENDIX D. Concept Release Concerning Management’s Reports on Internal Control Over Financial Reporting

APPENDIX E. Excerpts From Dodd-Frank Wall Street Reform and Consumer Protection Act

APPENDIX F. Excerpts from the Jumpstart Our Business Startups Act, P.L. No. 112-106 (April 5, 2012)

APPENDIX G. Letter from SEC Office of Investor Advocate re Section 404(b)

APPENDIX H. Excerpts from GAO, “Internal Controls: SEC Should Consider Requiring Companies to Disclose Whether They Obtained an Auditor Attestation” (July 2013)

APPENDIX I. OSHA Final Rules (2015)—Procedures for the Handling of Retaliation Complaints Under Section 806 of the Sarbanes-Oxley Act of 2002, As Amended

APPENDIX J. DOJ Whistleblower Program

APPENDIX K. *[Reserved]*

APPENDIX L. Gensler Speech on Sarbanes-Oxley

- APPENDIX M. Speech on Audit Transparency in China and Hong Kong
- APPENDIX N. DOJ Pilot Program on Compensation and Clawbacks
- APPENDIX O. The Lott Amendment
- APPENDIX P. SEC News Release Regarding Impeding Whistleblower Communications
- APPENDIX Q. SEC Amicus Brief on Audit Function, Opinions and Certifications (Excerpts)

Table of Laws and Rules

Table of Cases