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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of KPMG Samjong Accounting Corp.,

Respondent.

PCAOB Release No. 105-2022-042

December 22, 2022

By this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions (“Order”), the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is:

- (1) censuring KPMG Samjong Accounting Corp. (“KPMG Samjong” or “Respondent”);
- (2) imposing a \$30,000 civil money penalty on KPMG Samjong; and
- (3) requiring KPMG Samjong to undertake certain remedial measures, including measures to establish policies and procedures directed toward ensuring compliance with PCAOB reporting requirements.

The Board is imposing these sanctions on the basis of its findings that KPMG Samjong failed to disclose certain reportable events to the Board on PCAOB Form 3, *Special Report*, or to do so on a timely basis.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the “Act”), and PCAOB Rule 5200(a)(1) against Respondent.

II.

In anticipation of institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent has submitted an Offer of Settlement (“Offer”) that the Board has determined to

accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board's jurisdiction over Respondent and the subject matter of these proceedings, which is admitted, Respondent consents to entry of this Order as set forth below.¹

III.

On the basis of Respondent's Offer, the Board finds that:

A. Respondent

1. **KPMG Samjong** is a limited liability corporation organized under the laws of the Republic of Korea and headquartered in Seoul, Republic of Korea. The firm is licensed to practice public accounting by the Korean Financial Services Commission, and is a member of the KPMG International Limited network of firms. KPMG Samjong is, and at all relevant times was, registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

B. Summary

2. This matter concerns KPMG Samjong's failure to disclose to the Board on Form 3, or to do so on a timely basis, four reportable events concerning disciplinary proceedings brought against the firm and certain firm personnel by the Korean Securities and Futures Commission ("SFC") and the Korean Institute of Certified Public Accountants ("KICPA"). PCAOB rules require registered firms, including KPMG Samjong, to complete and file with the PCAOB a special report on Form 3 to report any event specified in that form within thirty days of the event's occurrence. Among the events that KPMG Samjong is required to report on Form 3 are its becoming aware that the firm and/or certain of its personnel have become respondents in certain disciplinary proceedings, and the conclusion of such proceedings.

3. On August 8, 2018, KPMG Samjong filed a Form 3 reporting the conclusion of an SFC proceeding ("2018 SFC Proceeding") and disclosing various sanctions imposed upon the firm. However, KPMG Samjong failed to timely report that the SFC also sanctioned an associated person of the firm whose involvement in the proceeding constituted a reportable event under Form 3 due to the nature and extent of his work for the firm.

¹ The findings herein are made pursuant to Respondent's Offer and are not binding on any other person or entity in this or any other proceeding.

4. In 2019, KPMG Samjong became a respondent in a disciplinary proceeding initiated by the KICPA (“KICPA Proceeding”). The KICPA Proceeding concluded in April 2020. The initiation and conclusion of the KICPA Proceeding were reportable events under Form 3, but KPMG Samjong failed to file Forms 3 reporting either event.

5. Additionally, in October 2021, KPMG Samjong received an Advance Notice from the Korean Financial Supervisory Service (“FSS”), which triggered the initiation of a disciplinary proceeding by the SFC (“2021 SFC Proceeding”). The initiation of the 2021 SFC Proceeding was a reportable event under Form 3, but KPMG Samjong failed to file a Form 3 reporting the initiation of that proceeding.

C. Respondent Failed to Disclose Certain Reportable Events to the Board, or to do so on a Timely Basis, in Violation of PCAOB Rules

6. PCAOB Rule 2203 provides that a registered public accounting firm must file a special report on Form 3 to report any event specified in that form within thirty days of the event’s occurrence.² One such specified event occurs when a firm “has become aware that, in a matter arising out of the Firm’s conduct in the course of providing professional services for a client, the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a Board disciplinary proceeding.”³ To constitute a reportable event, the proceeding in question only has to relate to professional services the firm provided for a client, and does not necessarily have to involve an audit of an issuer, broker, or dealer, as those terms are defined under PCAOB rules.

7. Registered firms must also report when they become aware that “in a matter arising out of his or her conduct in the course of providing professional services for a client, a partner, shareholder, principal, owner, member, or audit manager of the Firm who provided at least ten hours of audit services for any issuer, broker, or dealer during the Firm’s current fiscal year or its most recently completed fiscal year has become a defendant or respondent in a civil

² See PCAOB Rule 2203, *Special Reports*. As the Board noted when adopting its rules on special reporting, “reportable events will sometimes occur, and the public interest, as well as the ability to consider whether prompt action is warranted by the Board’s inspection staff or enforcement staff, will be served by contemporaneous reporting of the event.” PCAOB Rel. No. 2008-004, at 17 (June 10, 2008).

³ PCAOB Form 3, at Item 2.7 (italics in the original removed).

or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a Board disciplinary proceeding.”⁴

8. Another reportable event occurs when a firm has become aware that a reportable proceeding (*i.e.*, a reportable event under Items 2.4 – 2.9 of Form 3) has been concluded as to the firm or certain of its associated persons.⁵

9. The 2018 SFC Proceeding concluded on July 25, 2018, with the SFC imposing sanctions on KPMG Samjong and an associated person of the firm. KPMG Samjong filed a Form 3 on August 8, 2018, reporting the conclusion of the proceeding with respect to the firm and listing the sanctions imposed upon it. However, KPMG Samjong failed to report in that Form 3 the conclusion of the 2018 SFC Proceeding with respect to the associated person, who had performed at least ten hours of audit service for an issuer, broker, or dealer during the firm’s current or most recently completed fiscal years. On August 5, 2022, after it had received notice of possible Form 3 filing deficiencies from the Division of Enforcement and Investigations, KPMG Samjong filed an amended Form 3 belatedly reporting the conclusion of the 2018 SFC Proceeding with respect to the individual. By failing to report that information on a timely basis, KPMG Samjong violated PCAOB Rule 2203.

10. In 2019, KPMG Samjong became aware that it had become a respondent in the KICPA Proceeding. The KICPA Proceeding concluded in April 2020. In violation of PCAOB Rule 2203, KPMG Samjong failed to file a Form 3 with the Board reporting either the initiation or conclusion of the KICPA Proceeding.

11. Additionally, the 2021 SFC Proceeding was initiated when the FSS sent KPMG Samjong an Advance Notice in October 2021. The 2021 SFC Proceeding concerned professional services KPMG Samjong provided for a firm client and resulted in sanctions being issued against KPMG Samjong. The initiation of the 2021 SFC Proceeding constituted a reportable event under Form 3, but KPMG Samjong failed to file a Form 3 reporting it to the Board in violation of PCAOB Rule 2203.⁶

12. KPMG Samjong’s internal compliance and reporting systems failed to identify as reportable events: (i) the initiation and conclusion of the KICPA Proceeding; (ii) the conclusion of the 2018 SFC Proceeding with respect to the individual respondent; and (iii) the initiation of

⁴ *Id.*, at Item 2.8 (italics in the original removed).

⁵ *Id.*, at Item 2.10.

⁶ KPMG Samjong timely reported the conclusion of the 2021 SFC Proceeding in a Form 3 filed with the Board on April 15, 2022.

the 2021 SFC Proceeding. As a result, KPMG Samjong inappropriately failed to notify the PCAOB of the initiation and conclusion of relevant disciplinary proceedings, or to do so on a timely basis.

IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondent's Offer. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), KPMG Samjong is hereby censured.
- B. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$30,000 is imposed upon KPMG Samjong.
 1. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act.
 2. KPMG Samjong shall pay this civil money penalty within ten days of the issuance of this Order by (1) wire transfer in accordance with instructions furnished by Board staff; or (2) United States Postal Service money order, bank money order, certified check, or bank cashier's check (a) made payable to the Public Company Accounting Oversight Board, (b) delivered to the Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (c) submitted under a cover letter, which identifies the firm as a respondent in these proceedings, sets forth the title and PCAOB release number of these proceedings, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K. Street, N.W., Washington D.C. 20006.
 3. Respondent shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source including, but not limited to, any current or former affiliated firm or professional(s) or any

payment made pursuant to any insurance policy, with regard to any amounts that Respondent shall pay pursuant to this Order.

4. Respondent understands that failure to pay the civil money penalty described above may result in summary suspension of Respondent's registration, pursuant to PCAOB Rule 5304(a), following written notice to Respondent at the address on file with the PCAOB at the time of the issuance of this Order.
- C. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), KPMG Samjong is required:
1. within 90 days from the date of this Order, to establish policies and procedures, or revise and/or supplement existing policies and procedures, for the purpose of providing KPMG Samjong with reasonable assurance of compliance with PCAOB reporting requirements, including policies and procedures providing reasonable assurance that reportable events are identified by KPMG Samjong personnel who participate in KPMG Samjong's PCAOB reporting process and that those events are reported on the applicable PCAOB form in a timely and complete manner;
 2. within 90 days from the date of this Order, to establish policies to ensure training concerning PCAOB reporting requirements, at least annually, of any KPMG Samjong personnel who participate in KPMG Samjong's PCAOB reporting process;
 3. within 90 days from the date of this Order, to assign the role of compliance with PCAOB reporting matters to an individual within KPMG Samjong who possesses adequate knowledge and experience with PCAOB reporting requirements and sufficient authority within KPMG Samjong to fulfill those requirements on behalf of KPMG Samjong; and
 4. within 120 days from the date of this Order, to have the individual referenced in paragraph C.3 above certify in writing to the Director of the Division of Enforcement and Investigations, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, KPMG Samjong's compliance with paragraphs C.1 through C.3 above. The certification shall identify the actions taken to satisfy the conditions specified above, provide written evidence of compliance in the form of a

narrative, and be supported by exhibits sufficient to demonstrate compliance. KPMG Samjong shall also submit such additional evidence of and information concerning compliance as the staff of the Division of Enforcement and Investigations may reasonably request. ***KPMG Samjong understands that the failure to satisfy these conditions may constitute a violation of PCAOB Rule 5000 that could provide a basis for the imposition of additional sanctions in a subsequent disciplinary proceeding.***

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

December 22, 2022