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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of KPMG AG (Switzerland),

Respondent.

PCAOB Release No. 105-2025-015

March 11, 2025

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 AG (“KPMG Switzerland,” the “Firm,” or “Respondent”);
- (2) imposing a civil money penalty in the amount of \$175,000 upon the Firm; and
- (3) requiring the Firm to undertake certain remedial actions as described in Section IV of this Order.

The Board is imposing these sanctions on the basis of its findings that, between 2021 and 2023, the Firm: (a) filed four inaccurate Form APs in connection with its audits of three different issuer clients, in violation of PCAOB Rule 3211(a), *Auditor Reporting of Certain Audit Participants*; and (b) violated PCAOB quality control standards.

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 the institution of these proceedings, and pursuant to PCAOB Rule 5205, KPMG Switzerland 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 the 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 AG** is a public accounting firm headquartered in Zurich, Switzerland. It is a member firm of the KPMG International Limited network of firms (“KPMG International”). At all relevant times, KPMG Switzerland was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. During the period covered by this Order, the Firm reported that it annually served as the principal auditor for between one and four issuer clients.

B. Issuers

2. **ABB Ltd** (“ABB”) is headquartered in Zurich, Switzerland. Its public filings disclose that it is a technology company. ABB was, at all relevant times, an “issuer” as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). KPMG Switzerland issued an audit report that ABB included in its Form 20-F filed with the U.S. Securities and Exchange Commission (“Commission”) for the fiscal year ended December 31, 2020.

3. **Molecular Partners AG** (“Molecular Partners”) is headquartered in Zurich, Switzerland. Its public filings disclose that it is a clinical-stage biopharmaceutical company. Molecular Partners was, at all relevant times, an “issuer” as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). KPMG Switzerland issued audit reports that Molecular Partners included in its Form 20-Fs filed with the Commission for the fiscal years ended December 31, 2021, and 2022.

4. **Sportradar Group AG** (“Sportradar”) is headquartered in St. Gallen, Switzerland. Its public filings disclose that it is a sports technology company. Sportradar was, at all relevant times, an “issuer” as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). KPMG Switzerland issued an audit report that Sportradar included in its Form 20-F filed with the Commission for the fiscal year ended December 31, 2021.

C. Other Relevant Entities

5. **B S R & Co. LLP** (“B S R & Co.”) is a public accounting firm headquartered in Mumbai, India. At all relevant times, B S R & Co. was a member firm of KPMG International, was

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.

registered with the Board pursuant to Section 102 of the Act and PCAOB rules, and participated in one or more of KPMG Switzerland’s issuer audits.

6. **KPMG Delivery Center S.R.L.** (“KPMG Delivery”) is a “shared service center”² located in Romania that utilized personnel from an other accounting firm that was a KPMG International member firm.

D. Summary

7. This matter concerns KPMG Switzerland’s violation of PCAOB rules and standards in connection with its reporting on the participation of other accounting firms in issuer audits. Specifically, KPMG Switzerland filed four inaccurate Form APs from 2021 through 2023 in connection with four audits of three different issuers, in violation of PCAOB Rule 3211(a).

8. In addition, between 2021 and 2023, KPMG Switzerland violated PCAOB quality control standards related to engagement performance by failing to establish appropriate policies and procedures, including monitoring procedures, to provide reasonable assurance that the Firm’s audit professionals would accurately identify in required Form AP filings the accounting firms that participated in KPMG Switzerland audits and their percentage of participation.

E. KPMG Switzerland Filed Four Inaccurate Form APs in Violation of PCAOB Rule 3211(a)

9. PCAOB Rule 3211 provides that each registered public accounting firm must provide information about engagement partners and other accounting firms that participate in audits of issuers by filing a Form AP, *Auditor Reporting of Certain Audit Participants*, for each audit report issued by the firm for an issuer.³

10. PCAOB Rule 3211(a) provides that, “[f]or each audit report it issues for an issuer, a registered public accounting firm must file with the Board a report on Form AP in accordance with the instructions to that form.”

² KPMG Switzerland used the term “shared service center” to describe an entity that centralizes the performance of procedures requested to support an engagement.

³ Form APs must be filed by the 35th day after the date the audit report is first included in a document filed with Commission, *see* PCAOB Rule 3211(b)(1), subject to a shorter filing deadline that applies when the audit report is first included in a registration statement filed under the Securities Act of 1933, as amended, *see* PCAOB Rule 3211(b)(2).

11. The instructions to Item 4.1 of Form AP “Part IV - Responsibility for the *Audit Is Not Divided*” require that an auditor who uses an “other accounting firm”⁴ that incurs more than 5% of the total audit hours “[s]tate the legal name of *other accounting firms* and the extent of participation in the *audit*” in its Form AP.⁵

12. The instructions to Item 4.2 of Form AP “Part IV – Responsibility for the *Audit is Not Divided*” require an auditor to “[s]tate the number of *other accounting firm(s)* individually representing less than 5% of total audit hours” and “[i]ndicate the aggregate percentage of participation” by those other accounting firms.⁶

13. Form AP Item 3.2 explains that an other accounting firm participated in the audit if “the Firm assume[d] responsibility for the work and report of the *other accounting firm* as described in . . . AS 1205, *Part of the Audit Performed by Other Independent Auditors*,” or “the *other accounting firm* or any of its principals or professional employees was subject to supervision under AS 1201, *Supervision of the Audit Engagement*.”⁷

14. For four audits across three different issuers with fiscal years ending in 2020 through 2022, KPMG Switzerland filed Form APs that failed to accurately report information concerning other accounting firm participants in the audits.⁸ In particular, the Firm failed to file accurate Form APs in connection with the following:

- the Firm’s use of an other accounting firm to review and evaluate the Firm’s critical audit matters (“CAMs”);
- the Firm’s use of professional practice personnel from an other accounting firm;

⁴ See General Instruction No. 2 of Form AP (“‘[O]ther accounting firm’ means (i) a *registered public accounting firm* other than the Firm; or (ii) any other *person* or entity that opines on the compliance of any entity’s financial statements with an applicable financial reporting framework”).

⁵ In the adopting release for PCAOB Rule 3211, the Board explained that information provided on Form AP was “intended to help investors understand how much of the audit was performed by the accounting firm signing the auditor’s report and how much was performed by other accounting firms,” and allow investors to “research publicly available information about the firms identified in the form, such as whether a participating firm is registered with the PCAOB, whether it has been inspected and, if so, what the results were and whether it has any publicly available disciplinary history.” See *Improving the Transparency of Audits: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form and Related Amendments to Auditing Standards*, PCAOB Rel. No. 2015-008, at 4 (Dec. 15, 2015).

⁶ See Item 4.2 and Part IV of Form AP.

⁷ See Note to Item 3.2 of Form AP.

⁸ Each of the other accounting firm participants in the Order meets the definition of an “other accounting firm” requiring reporting on Form AP in accordance with the instructions of Form AP. See Rule 3211(a) and *supra* note 4.

- the Firm’s use of shared service centers; and
- the Firm’s use of personnel borrowed from other accounting firms.

i. Audits Using a “CAM Hub” and an Other Accounting Firm’s Department of Professional Practice

15. In connection with preparing an audit report, “[t]he auditor must determine whether there are any [CAMs] in the audit of the current period’s financial statements.”⁹ A CAM is “any matter arising from the audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex auditor judgment.”¹⁰

16. During the audits of Molecular Partners’ 2021 financial statements and 2022 financial statements (collectively, the “Molecular Partners Audits”), guidance followed by KPMG Switzerland required that another, specifically-designated KPMG International-affiliated entity review and evaluate certain CAMs that would be communicated in the auditor’s report prior to the issuance of the report. KPMG Switzerland referred to that designated entity as a “CAM Hub.”

17. During the Molecular Partners Audits, KPMG Switzerland consulted with and utilized a UK-based CAM Hub, which was a wholly owned subsidiary of an other accounting firm based in England (the “UK Firm”), to review and evaluate its CAM determinations (“CAM Hub Reviews”). The UK Firm directed and supervised its subsidiary’s CAM Hub Evaluations on the Molecular Partners Audits. As a result, the UK Firm participated in the Molecular Partners Audits.

18. Additionally, during its audit of Molecular Partners’ 2022 financial statements (the “2022 Molecular Partners Audit”), KPMG Switzerland consulted with a US-based other accounting firm’s Department of Professional Practice (the “DPP Firm”) on an income statement presentation matter. The DPP Firm thereby participated in the 2022 Molecular Partners Audit.

19. Following each of the Molecular Partners Audits, KPMG Switzerland filed a Form AP. In each Form AP filing, KPMG Switzerland failed to report the participation of the UK Firm and, for the 2022 Molecular Partners Audit, the DPP Firm.

⁹ AS 3101.11, *The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.

¹⁰ *Id.*

20. Accordingly, KPMG Switzerland violated PCAOB Rule 3211(a) in connection with the Form APs filed for the Molecular Partners Audits.

21. On April 12, 2024, KPMG Switzerland filed amended Form APs for each of the Molecular Partners Audits. The amended Form APs reported the participation of the UK Firm in both Molecular Partners Audits, and additionally reported the participation the DPP Firm in the 2022 Molecular Partners Audit, as other accounting firms representing less than 5% of total audit hours.

ii. Audits Using Shared Service Centers

22. In connection with KPMG Switzerland’s audit of ABB’s 2020 financial statements and internal control over financial reporting (the “ABB Audit”), the Firm utilized work performed by a shared service center, KPMG Delivery. During the relevant period, KPMG Delivery utilized an other accounting firm based in Romania (the “Romanian Firm”) to perform certain necessary audit procedures as part of the audit.

23. Following the ABB Audit, KPMG Switzerland filed a Form AP, which failed to report the participation of the Romanian Firm in its Form AP.

24. Accordingly, KPMG Switzerland violated PCAOB Rule 3211(a) in connection with the Form AP for the ABB Audit.

25. On December 14, 2023, KPMG Switzerland filed an amended Form AP for the ABB Audit to report the participation of the Romanian Firm as an other accounting firm representing less than 5% of total audit hours.

iii. Audits Using Personnel Borrowed from Other KPMG International-Affiliated Firms

26. In connection with the audit of Sportradar’s 2021 financial statements (the “Sportradar Audit”), KPMG Switzerland utilized, and supervised under AS 1201, personnel that it treated as “borrowed” (“Borrowed Personnel”) from two other KPMG International member firms, B S R & Co. and another public accounting firm based in India (the “Indian Firm”), to perform work on the audit.

27. At the time, the Firm distinguished Borrowed Personnel from what the Firm considered “Seconded Employees.” KPMG Switzerland understood that it was expected to report the Firm’s use of the Borrowed Personnel as participants in the relevant audit for Form AP reporting purposes. In contrast, KPMG Switzerland attributed the work of Seconded

Employees to its own group audit hours for purposes of Form AP.¹¹

28. Following the Sportradar Audit, KPMG Switzerland filed a Form AP and reported that B S R & Co. participated in the Sportradar Audit at a level of between 10-20% of total audit hours. Despite utilizing the Indian Firm through Borrowed Personnel, KPMG Switzerland failed to report the participation of the Indian Firm in its Form AP.

29. Accordingly, KPMG Switzerland violated PCAOB Rule 3211(a) in connection with the Form AP for the Sportradar Audit.

30. KPMG Switzerland subsequently reevaluated its Form AP for the Sportradar Audit and determined the Indian Firm had erroneously not been included as a participating other accounting firm. KPMG Switzerland also determined that the B S R & Co. personnel it utilized on the Sportradar Audit should have been considered Seconded Employees, with their work attributable to the Firm.

31. On June 9, 2023, KPMG Switzerland filed an amended Form AP for the Sportradar Audit, which (1) reported the participation of the Indian Firm in Item 4.2 as an other accounting firm representing less than 5% of total audit hours; and (2) removed B S R & Co.'s reported participation from Item 4.1.

F. KPMG Switzerland Violated PCAOB Quality Control Standards

32. PCAOB rules require that a registered firm comply with PCAOB quality control standards.¹² Those standards require a firm to “have a system of quality control for its accounting and auditing practice.”¹³ As part of this requirement, “[p]olicies and procedures should be established to provide the firm with reasonable assurance that the work performed

¹¹ See Staff Guidance, *Form AP, Auditor Reporting of Certain Audit Participants, and Related Voluntary Audit Report Disclosure Under AS 3101, The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*, at 7 (Dec. 17, 2021) (“[S]upervision of a professional employee in a secondment arrangement does not, in and of itself, mean that the other accounting firm participated in the audit. A secondment arrangement for purposes of reporting on Form AP is one in which, *for at least three consecutive months*, (1) a professional employee of an accounting firm in one country works for an accounting firm located in another country, and (2) the professional employee performs audit procedures with respect to entities and their operations in that other country and does not perform more than de minimis audit procedures in relation to entities or business operations in the country of his or her employer.”).

¹² PCAOB Rule 3400T, *Interim Quality Control Standards*.

¹³ QC § 20.01, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality."¹⁴

33. PCAOB quality control standards also recognize that monitoring procedures are necessary "to provide the firm with reasonable assurance that the policies and procedures relating to each of the other elements of quality control are suitably designed and are being effectively applied."¹⁵ Under PCAOB standards, monitoring involves an ongoing consideration and evaluation of, among other things, compliance with the firm's policies and procedures.¹⁶

34. From 2021 through 2023, KPMG Switzerland failed to establish and implement adequate policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that the work performed by engagement personnel met applicable regulatory requirements related to accurately reporting on Form AP the participation, including the percentage of participation, of other accounting firms in issuer audits.

35. Although KPMG Switzerland had certain quality control policies and procedures relating to Form AP reporting in connection with the use of other accounting firms, the Firm failed to implement and monitor them in an adequate manner. As a result, the Firm filed inaccurate Form APs between 2021 and 2023.

36. Accordingly, the Firm failed to comply with QC § 20 and QC § 30.

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 Switzerland 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 \$175,000 is imposed on KPMG Switzerland.
 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.

¹⁴ QC § 20.17.

¹⁵ QC § 30.02, *Monitoring a CPA Firm's Accounting and Auditing Practice*; see also QC § 20.20.

¹⁶ See QC § 20.20.d; QC § 30.02.d.

2. The Firm shall pay this civil money penalty within ten (10) days of the issuance of this Order by: (a) wire transfer in accordance with instructions furnished by Board staff; or (b) United States Postal Service money order, bank money order, certified check, or bank cashier's check (i) made payable to the Public Company Accounting Oversight Board, (ii) delivered to the Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (iii) submitted under a cover letter, which identifies KPMG Switzerland 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. If timely payment is not made, interest shall accrue at the federal debt collection rate set for the current quarter pursuant to 31 U.S.C. § 3717. Payments shall be applied first to post-Order interest.
 4. Respondent understands that failure to pay the civil money penalty described above may result in summary suspension of its 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), the Board orders that:
1. Review by KPMG Switzerland. Within three months of the date of this Order, KPMG Switzerland shall review and evaluate its quality control policies and procedures to assess whether those policies and procedures provide the firm with reasonable assurance that its personnel and other associated persons comply with PCAOB Rule 3211.
 2. Reporting. Within three months of the date of this Order, KPMG Switzerland shall submit a written report to the Director of the Division of Enforcement and Investigations summarizing the review and evaluation of the areas specified in paragraph C.1 above ("Report"). The Report shall describe any modified or additional policies or procedures adopted or to be adopted by KPMG Switzerland or, if KPMG Switzerland concludes no such modifications or additions should be adopted, a detailed and satisfactory explanation of why the Firm believes changes are not warranted. In addition, KPMG Switzerland shall submit any additional

information and evidence concerning the Report, the information in the Report, and KPMG Switzerland's compliance with this Order as the staff of the Division of Enforcement and Investigations may reasonably request.

3. Certificate of Implementation. Within six months of the date of this Order, KPMG Switzerland's Chairman of the Board shall certify in writing ("Certificate of Implementation") to the Director of the Division of Enforcement and Investigations that KPMG Switzerland has implemented all of the modifications and additions, if any, to its policies and procedures that were described in the Report. The Certificate of Implementation shall provide written evidence of KPMG Switzerland's adoption of such modifications and additions in narrative form, identify the actions taken to implement such modifications and additions, and be supported by exhibits sufficient to demonstrate implementation. KPMG Switzerland shall also submit such additional evidence of, and information concerning, implementation as the staff of the Division of Enforcement and Investigations may reasonably request.
4. Noncompliance. KPMG Switzerland understands that a failure to satisfy all applicable undertakings may constitute a violation of PCAOB Rule 5000 and 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

March 11, 2025