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# Amendments to Regulation S-X, Rule 2-01

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The SEC has issued a Proposed Rule, Auditor Independence with Respect to Certain Loans or Debtor-Creditor Relationships, which is designed to amend certain provisions of the auditor independence requirements under Regulation S-X, Rule 2-01.

The SEC believes the amendments will refocus the analysis that must be conducted to determine whether an auditor has a lending relationship with certain shareholders of an audit client at any time during either the audit or the professional engagement period.

The proposed amendments include:

- focusing the analysis solely on “beneficial ownership” instead of the current requirement to consider both “record ownership” and “beneficial ownership”;
- replacing the existing 10 percent bright-line shareholder ownership test with a “significant influence” test
- including a “known through reasonable inquiry” standard with respect to identifying beneficial owners of the audit client’s equity securities
- modifying the definition of “audit client” for a fund under audit to exclude funds that would otherwise be considered affiliates of the audit client



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The proposal also includes a general request for comment on other potential amendments to the SEC's auditor independence rules.

Comments on the proposal are due on or before July 9.

Source:

*Grant Thornton, On the Horizon, May 10, 2018.*

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