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CFO JOURNAL

KPMG Wants to Be the First Accounting Giant to Own a U.S. Law Firm. Here's Why.

Bid in Arizona would break a barrier, potentially signaling deep changes for accounting and legal industries

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KPMG views its expected entry in the legal marketplace as an opportunity to streamline and expand the work it does for clients. PHOTO: MILAN JAROS/BLOOMBERG NEWS

KPMG is poised to break through a longtime barrier and become the first Big Four accounting firm to practice law in the U.S., leveraging a novel Arizona program that allows nonlawyers to own law firms.

State approval for KPMG's law ambitions is expected as soon as this month, a move that could usher in a sea change in two industries. KPMG says its Arizona-licensed lawyers could perform legal work for clients around the country. That could give it a leg up on its accounting rivals and send a shot across the bow to law firms, which would face new competition for work.

KPMG is taking advantage of [a program in Arizona](#), which lifted a restriction in place in nearly every state that prohibits nonlawyers from owning a law firm. The program, in place since 2021, aimed to expand access to legal services, in large part to address [a dearth of lawyers](#) available to help with issues such as family law or immigration.

The accounting firm's attempt to create its own law firm, KPMG Law, passed a significant hurdle when the Arizona committee that oversees the program unanimously approved the request last week. The company said it wants to offer large-scale services such as drafting and updating contracts, and reconciling legal materials in merger-and-acquisition deals.

KPMG sees this as an opportunity to streamline and expand the work it does for clients, while also allowing it to use artificial-intelligence tools to perform work that would otherwise be outsourced to a traditional law firm.

"We believe that the types of services that we're going to bring to market, assuming we get our final permission, are very much adjacent to services that we provide today and really address that client pain point head-on," said Christian Athanasoulas, leader of KPMG's U.S. tax practice.

The Arizona Supreme Court will consider final approval for KPMG Law later this month. The high court has signed off on all of the applications recommended by the committee, but occasionally has sent an application back for more questions.

KPMG already practices law in roughly 80 countries, including the U.K. and Australia. Those businesses have grown in part through acquisitions of small and midsize law firms. The U.S. represents the largest law market in the world.

"This is just more frosting on the cake for KPMG and the firm trying to get a big piece of the law marketplace," said Michele DeStefano, a law professor at the University of Miami.

KPMG is the smallest of the Big Four firms, with \$38.4 billion in global revenue for fiscal 2024. Tax and legal services was its fastest-growing division for the year, growing 10% year over year to \$8.7 billion globally.

It likely won't be long before PricewaterhouseCoopers, Deloitte and Ernst & Young follow KPMG in seeking to expand their legal offerings, Big Four observers say. EY declined to comment, while PwC and Deloitte didn't respond to requests for comment.

"It's highly likely that the other Big Four firms will follow suit if KPMG decides to make a serious investment of hundreds of millions of dollars in that market," said Fiona Czerniawska, chief executive of consulting-data provider Source Global Research.

The accounting giants, however, could face a long road in establishing thriving legal practices.

In the U.K., for example, KPMG, PwC and EY have been able to practice law since 2014, followed by Deloitte in 2018. But they are still working to gain ground, said Daniel Sutherland, partner at London-based law firm Fox Williams. The firms "have a foothold in legal advisory work, but I don't view them as having fully realized their ambition because traditional law firms still dominate," Sutherland said.

KPMG says it has targeted ambitions in the U.S. "We're not envisioning being a full-service law firm as big traditional law is, but rather being a player in those handful of areas that are connected to our legacy businesses," Athanasoulas said.

Arizona currently has 114 active licenses for nonlawyer-owned firms. Many of them focus on large-scale personal-injury and environmental litigation and have attracted investments from hedge funds and private-equity firms. Other operations provide legal services ranging from estate planning to online counseling through platforms such as Rocket Lawyer. A handful provide the kind of legal assistance to limited-income clients that the state originally envisioned.

The idea of nonlawyers owning firms has been hotly debated for decades. Critics say lawyers have ethical obligations to their clients, and a nonlawyer owner could give priority to profit instead.

Richard Lewis, former president of the New York State Bar Association, said KPMG's entry in the legal marketplace would raise concerns and could lead to

conflicts of interest for the accounting firm.

“It is a threat to the legal profession,” Lewis said. “They will be able to undercut and take shortcuts. They aren’t held to the same standards.”

KPMG says that if and when its Arizona-licensed lawyers work in other jurisdictions, it plans to enter into co-counsel relationships with attorneys licensed in other states.

John Hay, an Arizona lawyer and member of the state approval committee, urged the firm to take pains to comply with ethics rules of other states. He supported the proposal.

“This is still a country with 50 states,” he said at last week’s meeting, adding, “I’m a little concerned that because of the nature of KPMG’s practice that concept may be forgotten.”

Bruce Green, a law and ethics professor at Fordham University, said it isn’t black and white what kinds of law work KPMG’s legal operation can do outside of Arizona’s borders.

“The problem arises when the firm does work everywhere,” he said.

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