

**SEC Enforcement Highlights  
Fiscal Year 2025**





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## SEC Enforcement Highlights from Fiscal Year 2025

Shifts in SEC enforcement are typical with new presidential administrations, particularly with a change in the political party. But never have those shifts been as dramatic as those we witnessed in fiscal year 2025. Through the end of the first quarter of FY 2025, former SEC Chair Gensler and his senior leadership team zealously pursued non-fraud violations, imposed punishing monetary sanctions and closed out their tenure by issuing an unprecedented press release the Friday before Inauguration Day announcing a record-breaking *quarter*, with 118 standalone enforcement actions filed.<sup>1</sup>

With the start of President Trump's second term, we expected a meaningful reset in SEC enforcement, with fewer actions, lower monetary sanctions and a wholesale reconsideration of cryptocurrency regulation. All of that occurred following the Inauguration for the last three quarters of FY 2025, but the changes didn't stop there. Through the spring and summer of 2025, the Department

of Government Efficiency (DOGE) drastically reduced SEC Staff and caused significant disruption at the agency by reorganizing Enforcement's senior leadership and questioning the regional office footprint. At the end of fiscal year 2025, as the exodus of personnel finally began to subside and the Staff adjusted to the SEC's new leadership and priorities, more than 91 percent of the Staff were furloughed for 43 days in the longest government shutdown in U.S. history.

The SEC's less aggressive enforcement environment is a welcome relief to our public company and regulated entity clients. In particular, we look forward to the opportunity to remediate immaterial errors or minor regulatory faults without this Commission reflexively demanding an enforcement action. However, we advise against compliance complacency or underestimating the potential risks of SEC examinations or enforcement investigations. Lest we forget, errors and misconduct that occur under the current administration may still be well within statutes of limitations for any new administration that may take the helm and adjust the enforcement emphasis again in 2029.

<sup>1</sup><https://www.sec.gov/newsroom/press-releases/2025-26>

## I. Introduction

The significant headwinds faced by the SEC Staff caused a precipitous drop in the number of enforcement actions filed during fiscal year 2025 and the severity of sanctions imposed in those actions. In keeping with the SEC's deemphasis of enforcement actions, for the first time in recent memory, the agency did not release a summary of its FY 2025 enforcement statistics. However, numerous academic and industry analyses have noted huge, across-the-board declines in enforcement. For example, one study estimated that cases against public companies (including their subsidiaries) had fallen by 30 percent in FY 2025.<sup>2</sup> Perhaps more jarring was that of the 56 actions against public companies in FY 2025, 52 (93 percent) were filed during the first quarter of FY 2025 *by the prior administration*.<sup>3</sup> Similarly, depending on the categorization of certain actions, SEC enforcement actions against investment advisers fell approximately 25-30 percent in FY 2025. The SEC also imposed far lower monetary sanctions, obtaining approximately \$808 million in monetary relief against public companies during the fiscal year, the second lowest total since 2010.<sup>4</sup>

Aside from bringing fewer cases in fiscal year 2025, the SEC not only pivoted its priorities going forward, but also affirmatively **reversed course on previous priorities by dismissing high-profile litigation and abandoning disclosure requirements finalized during the Biden administration**. Since the change in administration, the SEC:

- Dismissed pending litigation and abruptly halted investigations into numerous cryptocurrency platforms<sup>5</sup>
- Voted to end its defense of the Climate Disclosure Rules in the 8th Circuit<sup>6</sup>
- Abandoned enforcement's further pursuit of

books and records violations stemming from registrants' failure to preserve and review text messages and other "off-channel" communications<sup>7</sup>

- Paused and reevaluated enforcement of the Foreign Corrupt Practices Act (FCPA)<sup>8</sup>
- Backed away from the prior administration's hardline stance concerning disclosure of cybersecurity incidents and vulnerabilities by dismissing the remnants of the pending case against SolarWinds Corporation and its chief information security officer<sup>9</sup>

The recalibration of SEC enforcement will almost certainly continue throughout the remainder of President Trump's second term. Therefore, as we look to 2026, we have largely excluded from this review matters brought by the prior administration in the first quarter of fiscal 2025 and focused instead on studying key actions during the remainder of the fiscal year, with a particular focus on actions against public companies and investment advisers. Unless otherwise specified, all settled enforcement orders discussed below were agreed to on a no-admit no-deny basis.

### New SEC Leadership

Paul Atkins was sworn in as the SEC's 34th Chair on April 21, 2025.<sup>10</sup> He brings a wealth of institutional knowledge, having previously served as: an SEC Commissioner from 2002 through 2008; Staff to two previous SEC Chairs; a member of the Congressional Oversight Panel for the Troubled Asset Relief Program during 2009 and 2010; and chief executive and founder of a well-known financial services consulting firm.<sup>11</sup>



<sup>2</sup> <https://www.cornerstone.com/insights/press-releases/sec-enforcement-actions-fy-2025/>

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> <https://www.sec.gov/newsroom/press-releases/2025-47>;

<https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26316>

<sup>6</sup> <https://www.sec.gov/newsroom/press-releases/2025-58>

<sup>7</sup> <https://www.sec.gov/newsroom/speeches-statements/atkins-100925-keynote-address-25th-annual-aa-sommer-jr-lecture-corporate-securities-financial-law>

<sup>8</sup> <https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26351>; See also, <https://www.whitehouse.gov/presidential-actions/2025/02/pausing-foreign-corrupt-practices-act-enforcement-to-further-american-economic-and-national-security/>

<sup>9</sup> <https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26423>

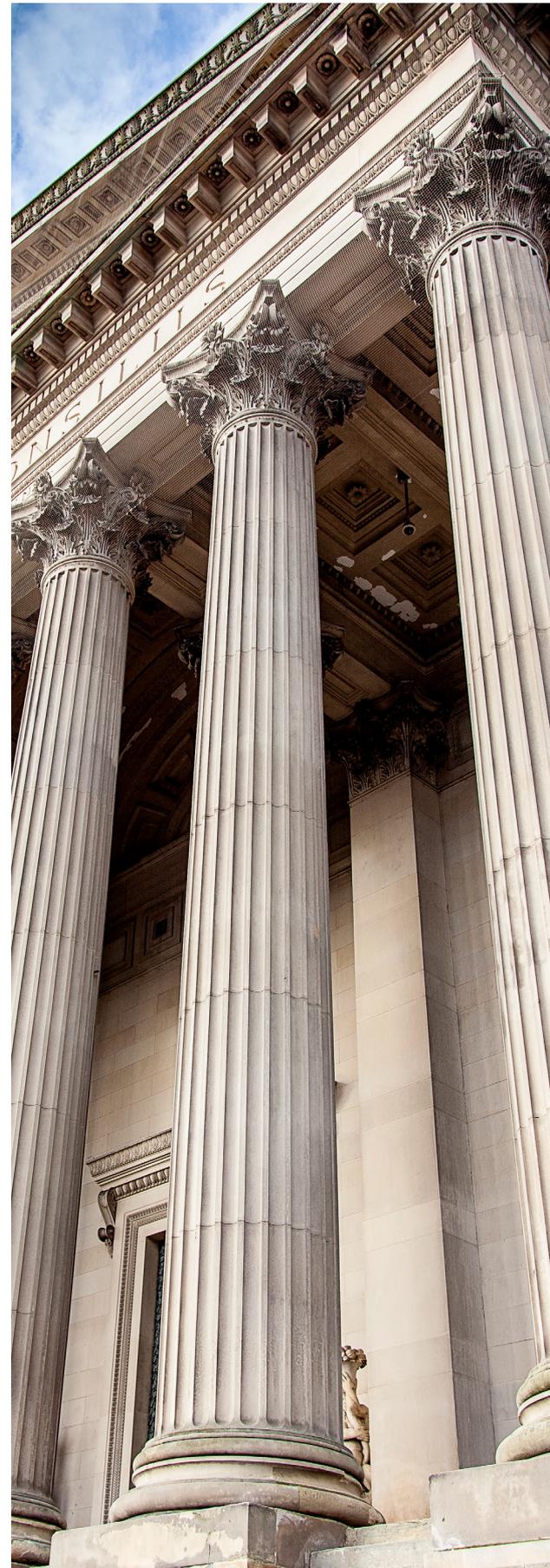
<sup>10</sup> <https://www.sec.gov/newsroom/press-releases/2025-68>

<sup>11</sup> *Id.*

We expect that Chair Atkins will have relative consensus to enact a largely deregulatory agenda at the SEC. The other two Republican Commissioners – Hester Peirce and Mark Uyeda – are expected to closely align with his regulatory philosophy, in part because both of them previously served as his counsel during his prior tenure as a Commissioner. Carolyn Crenshaw, the lone Democrat on the Commission since January 2025, functioned as a self-described voice of “ubiquitous dissent” during 2025.<sup>12</sup> However, she was required to step down when her extended term expired on January 3, 2026. In a notable departure from precedent, to date, President Trump has not indicated an intention to nominate candidates to fill either of the two Democratic party vacancies at the SEC. Therefore, in 2026, we anticipate mostly unanimous votes on SEC rulemaking and enforcement matters, albeit with the possibility that Commissioner Peirce (who has adopted the industry moniker “Crypto Mom”) may seek a more laissez-faire approach on certain crypto rulemaking.

In September 2025, Judge Margaret “Meg” Ryan became the Director of the Division of Enforcement, and Acting Director of Enforcement Sam Waldon returned to his previous role as Chief Counsel to the Division of Enforcement. Director Ryan previously served as a senior judge of the U.S. Court of Appeals for the Armed Forces. While Director Ryan’s experience with the federal securities laws is unknown, we expect her to be a quick study and highly capable decisionmaker given that her blue-chip resume included clerkships for U.S. Supreme Court Justice Clarence Thomas and Judge J. Michael Luttig of the Fourth Circuit. Director Ryan will also benefit from the deep institutional knowledge of her top advisors, including Chief Counsel Waldon and four Deputy Enforcement Directors.

To date, we don’t know much about Director Ryan’s priorities or leadership style. She has not



<sup>12</sup><https://www.sec.gov/newsroom/speeches-statements/crenshaw-remarks-future-financial-regulation-series-brookings-institute-121125>

delivered any public speeches, and she was in the job for less than a month before the 43-day government shutdown halted nearly all of Enforcement's work. However, we expect that Director Ryan will implement Chair Atkins' more measured approach to enforcement, with an emphasis on intentional fraud and matters involving measurable investor harm.

## DOGE

Elon Musk's DOGE arguably had the most significant impact on SEC enforcement in 2025. DOGE's objective to shrink the federal workforce (including the SEC Staff) was accomplished through a series of carrots and sticks. From early February through at least April, DOGE precipitated a chaotic series of offers for deferred resignation, early retirement and other Staff buyouts, including the infamous "fork in the road email" in which SEC Staff were offered the opportunity to resign immediately and be paid through the end of September. Perhaps in an effort to nudge more SEC Staff to take buyout or early retirement offers, DOGE and other top Trump administration officials frequently floated the possibility of massive layoffs (Reductions-In-Force or "RIFs" in government parlance) in which employees would not receive any financial incentives or the continuation of generous government benefits. DOGE also called into question the SEC's longstanding regional footprint by abruptly canceling the leases of the Los Angeles and Philadelphia offices and publicly announcing a "review" of the Chicago office's lease. Those leasing decisions were later reversed, and in one of his initial speeches to SEC Staff in April 2025, Chair Atkins appeared to reaffirm the agency's commitment to its regional office structure. However, lingering uncertainty as to further budget cuts and the agency's regional office structure greatly reduced Staff job security and morale.

Given this flurry of activity, it is hard to overstate the disruption caused by DOGE on SEC Enforcement operations during the first half of 2025. By fiscal year end, DOGE had slashed the SEC's overall headcount by approximately 16-20 percent. With so many SEC Staff streaming towards the exits, the agency's inventory of enforcement litigation and investigations had to be reassigned to remaining Staff. As new Staff got up to speed on their newly assigned cases, many existing matters slowed noticeably, and while the SEC does not publicly report statistics on opening new investigations, it appeared that comparatively fewer new matters were commenced in the remaining three quarters of the fiscal year.

## Notable Enforcement Policy Changes

As the DOGE downsizing subsided, SEC Chair Atkins signaled a back-to-basics approach to enforcement. In an October 2025 speech, he promised to "go after cases of genuine harm and bad acts."<sup>13</sup> During his past tenure as a Commissioner and now as Chair, Paul Atkins has expressed deep-seated concerns about heavy-handed regulation, recently warning that "our enforcement program is also an exercise of government power that must be tempered by fair process, good judgement, integrity, and rectitude."<sup>14</sup> Chair Atkins' notable policy pronouncements in 2025 all appeared to be aimed at curbing such power by making changes concerning: (1) the Staff's commencement of formal investigations; (2) the Wells Process for the Commission's evaluation of Staff enforcement recommendations; and (3) the Commission's consideration of requests for waivers from collateral consequences resulting from enforcement actions, including Well-Known Seasoned Issuer (WKSI) waivers.

<sup>13</sup>*Id.*

<sup>14</sup>*Id.*

In March 2025 (prior to the Chair’s Senate confirmation, but undoubtedly with his support), the SEC finalized a rule to rescind the 2009 delegation to the Director of the Division of Enforcement to issue formal orders of investigation. The issuance of a formal order is a critical step in any SEC investigation because it empowers the Staff to subpoena documents and testimony. Prior to obtaining a formal order, SEC Staff have always been required to write an internal memorandum explaining why the facts discovered to date may indicate potential violations of the federal securities laws. In reverting to pre-2009 processes, *the Commissioners* (rather than the Director of Enforcement or other Senior Officers), will once again decide whether the circumstances merit granting the Staff subpoena power. In most matters, this decision-making process may lead to a slight delay, but it rarely affects the eventual trajectory of an investigation. However, going forward, in reviewing formal order requests, the SEC may refuse to authorize certain types of enforcement investigations such as those predicated on creative legal theories, where there is no investor harm, or where minor violations have already been remediated.

In October 2025, Chair Atkins announced significant enhancements to “rectify” the SEC’s Wells process, explaining that the process “should be viewed as an extension of due process and fundamental constitutional rights that play an integral role in protecting citizens from a powerful government agency that could become policeman, prosecutor, judge, jury, and executioner all in one.”<sup>15</sup> Even prior to the Staff’s completion of a factual investigation, Chair Atkins expressed a newfound willingness by Staff and the Commission to receive and consider so-called “white papers” concerning novel factual or legal issues that may impact the continuation of the investigation or potential charges. Following an investigation, Chair

Atkins directed the Staff to make the Wells process more fair to potential defendants and their counsel through, among other things: (i) more robust identification of key evidence by the Staff; (ii) mandating four weeks or more to provide Wells submissions in complex investigations; and (iii) upon timely request, requiring Enforcement senior leadership to meet with defense counsel.<sup>16</sup> These changes reversed Enforcement’s Wells process limitations under the prior administration and restored decades-old due process at the agency.

Chair Atkins also announced in October 2025 that the Commission would revert to its historical practice of simultaneously considering settlement offers and related requests for waivers from collateral consequences resulting from enforcement actions. In recent years, the SEC had implemented a Kafkaesque policy whereby Enforcement Staff negotiated settlements in one silo, while SEC policy divisions (e.g. the Division of Corporation Finance or the Division of Investment Management) separately considered and made recommendations concerning requests for waivers of various automatic disqualifications and other collateral impacts



<sup>15</sup>*Id.*  
<sup>16</sup>*Id.*

stemming from those settlements (e.g. use of automatic shelf registrations by WKSIs), often on different timetables. Chair Atkins' reversion to the SEC's simultaneous consideration of these closely linked settlement components will help potential defendants and respondents navigate what will nevertheless remain a daunting process for negotiating potential settlements.

## II. Enforcement's Reversal and Recalibration

### Dismissal of Key Cryptocurrency Matters

As predicted in [last year's publication](#), the current administration has embraced innovation in the crypto space and moved away from a regulation-by-enforcement approach to digital assets. Correspondingly, in January, the SEC launched a Crypto Task Force – led by longtime crypto proponent Commissioner Peirce – dedicated to developing a comprehensive and clear regulatory framework for crypto assets.<sup>17</sup>

The SEC followed that announcement with the unprecedented *dismissal* of several high-profile crypto enforcement actions brought by the Commission during the prior administration. Between February and May, the SEC dismissed civil enforcement actions against well-known crypto industry players, including Coinbase,<sup>18</sup> Kraken,<sup>19</sup> Consensys<sup>20</sup> and Binance.<sup>21</sup>

Specifically, in June 2023, the SEC had sued Coinbase and Binance, operators of two of the world's largest crypto asset trading platforms, alleging that they were operating as unregistered national securities exchanges, brokers and clearing agencies. The SEC had also alleged that Coinbase failed to register its crypto asset staking-as-a-service program, through which Coinbase pooled and

staked customers' crypto assets to perform blockchain transaction validation services and provided those customers with a portion of the rewards generated from the validation work. With respect to Binance, the SEC had alleged that the company also commingled and diverted customers' crypto assets, misled investors about non-existent trading controls and violated the securities offering registration provisions by offering and selling certain digital assets on its platform.

Similarly, in November 2023, the SEC had sued Kraken, one of the world's largest cryptocurrency exchanges, and alleged Kraken was operating as an unregistered securities exchange, broker, dealer and clearing agency. The SEC's enforcement case also charged that Kraken had commingled customers' money and crypto assets with its own, including paying operational expenses directly from customer accounts.



<sup>17</sup><https://www.sec.gov/newsroom/press-releases/2025-30>

<sup>18</sup><https://www.sec.gov/newsroom/press-releases/2025-47>

<sup>19</sup><https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26278>

<sup>20</sup><https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26277>

<sup>21</sup><https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26316>

In June 2024, the SEC sued Consensys, a crypto technology company, for allegedly engaging in the unregistered offer and sale of securities through a service called MetaMask Staking. In addition, the SEC alleged that Consensys collected over \$250 million in fees while operating as an unregistered broker through MetaMask Staking and a cryptocurrency exchange service called MetaMask Swaps.

By dismissing each of the above actions *with prejudice* in 2025, the SEC under Chair Atkins fully abandoned the prior administration's position that crypto platforms posed significant danger to investors by operating as fully integrated but unregistered securities exchanges, broker-dealers and clearing agencies. In another stunning 180-degree reversal from the prior administration, the SEC's current position is that most (if not all) staking-as-a-service programs and digital assets traded on crypto platforms are *not* securities.

The SEC's comprehensive reevaluation of its authority to regulate digital assets also aligns with other agencies' actions across the federal government. For instance, in April, the Deputy Attorney General issued a memorandum disbanding the DOJ National Cryptocurrency Enforcement Team and instructing all DOJ employees to cease "regulation by prosecution" in the digital asset space.<sup>22</sup> DOJ employees instead were directed to focus on crimes by digital asset platform *users*, not by platforms or exchanges themselves. Likewise, a day after the DOJ memorandum was issued, the CFTC Chair announced that the CFTC would no longer "charge regulatory violations in cases involving digital assets, in particular violations of registration requirements under the Commodity Exchange Act, unless there is evidence that the defendant knew of the

licensing or registration requirement at issue and violated [it] willfully."<sup>23</sup>

### Other Key SEC Dismissals and Policy Reversals

In addition to the sea change in crypto regulation, in 2025, the SEC also: refused to defend the Climate-Related Disclosure Rules against private sector challenges, emphasized remediation rather than enforcement for off-channel communications and dismissed pending enforcement actions alleging registered fund Liquidity Rule and cybersecurity breach disclosure violations.

In March 2025, the SEC voted to end its defense of the rules requiring the disclosure of climate-related risks and greenhouse gas emissions.<sup>24</sup> These rules had been in limbo for nearly a year after the SEC voluntarily stayed its Climate-Related Disclosure Rules in April 2024 pending the completion of judicial review of consolidated petitions challenging the rules pending in the U.S. Court of Appeals for the Eighth Circuit.<sup>25</sup> Despite some lingering procedural complexity (the SEC has not formally repealed the rules



<sup>22</sup><https://www.justice.gov/dag/media/1395781/dl?inline>

<sup>23</sup><https://www.cftc.gov/PressRoom/PressReleases/9063-25>

<sup>24</sup><https://www.sec.gov/newsroom/press-releases/2025-58>

<sup>25</sup><https://www.sec.gov/files/rules/other/2024/33-11280.pdf>

following public notice and comment), as a practical matter and for the foreseeable future, the Climate-Related Disclosure Rules will not see the light of day.<sup>26</sup> Given the administration's larger efforts to dissuade public companies and asset managers from focusing on environmental, social and governance issues, we do not expect any enforcement action in this space in 2026.

Under Chair Atkins, the SEC also reversed course on another signature issue of former SEC Chair Gensler – imposing eye-popping penalties against registrants for failing to preserve and review text messages and other off-channel communications. Since the beginning of the new administration, the SEC has not filed a single enforcement action concerning off-channel communications. In an October 2025 speech, Chair Atkins expressed his perspective that enforcement “must go after cases of genuine harm and bad acts, but we must view cases of benign or innocent actions differently. In the past, we have seen examples of enforcement actions in areas, such as retention of books and records, that consumed excessive Commission resources not commensurate with any measure of investor harm.”<sup>27</sup> In remarks later that month, Atkins sharpened his criticism of the agency's prior handling of off-channel communications enforcement, saying those cases were “not the way a regulator should act” and were something “we have to address.”<sup>28</sup>

The SEC's dismissal of the remnants of its high-profile case against SolarWinds Corporation and its CISO also signaled a notable shift in enforcement concerning disclosures relating to cybersecurity breaches.<sup>29</sup> The SEC originally sued the company and its CISO (Chief Information Security Officer) in October 2023 alleging violations of the antifraud, internal accounting, and disclosure controls provisions. In July 2024, the court dismissed most of the

allegations, including the SEC's aggressive theories that the company's cybersecurity failures violated the internal accounting controls provisions of Section 13(b)(2)(B) of the Exchange Act and that the company's disclosure failures related to one material incident evidenced deficient disclosure controls and procedures pursuant to Rule 13a-15(a) of the Exchange Act.<sup>30</sup> We believe that the SEC's decision to dismiss the remaining fraud claims relating to certain of the company's website disclosures evidences that this Commission will not seek to flyspeck public cybersecurity materials to spot inconsistencies revealed by breach incidents. That said, due to the ever-present threat of private litigation surrounding cybersecurity breaches, we recommend continued, diligent compliance with the disclosure requirements set forth in the SEC's 2023 Cybersecurity Risk Management, Strategy, Governance and Incident Disclosure Rule, which remains in effect.<sup>31</sup>

We're also keeping our eyes on whether the SEC may revise or repeal the Liquidity Rule for registered funds or lighten its enforcement posture in this space. In July 2025, the SEC dismissed its ongoing civil enforcement action against an investment advisor for aiding and abetting Liquidity Rule violations by a mutual fund it advised (which included administering the mutual fund's Liquidity Risk Management Program).<sup>32</sup> The Liquidity Rule, first promulgated in 2018, prohibits mutual funds from investing more than 15 percent of their net assets in illiquid investments, requires them to take prompt remedial steps if they exceed the limit, and requires them to adopt a liquidity risk management program. While the SEC declined to provide specifics surrounding its dismissal “as a policy matter,”<sup>33</sup> at a minimum, the agency appears to be reconsidering some of the practical challenges faced by advisers in complying with the Liquidity Rule.

<sup>26</sup><https://www.sec.gov/newsroom/press-releases/2025-58>

<sup>27</sup><https://www.sec.gov/newsroom/speeches-statements/atkins-100925-keynote-address-25th-annual-aa-sommer-jr-lecture-corporate-securities-financial-law>

<sup>28</sup><https://www.thinkadvisor.com/2025/10/21/sec-chief-texting-crackdown-went-too-far/>

<sup>29</sup><https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26351>

<sup>30</sup><https://www.haynesboone.com/news/alerts/judge-curtails-secs-cybersecurity-claims-against-solarwinds-setting-precedent-for-future-cases>

<sup>31</sup><https://www.sec.gov/files/rules/final/2023/33-1216.pdf>

<sup>32</sup><https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26347>

<sup>33</sup><https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26347>

### III. Issuer Disclosure

As noted in the introduction, the SEC brought far fewer issuer disclosure cases in 2025. However, the filed actions suggest that Enforcement will remain vigilant in policing the accuracy of “hot topic” disclosures such as artificial intelligence (AI), as well as perennial favorites like drug trial prospects and results.

As quickly as issuer disclosures concerning environmental, social and governance (ESG) factors waned, public company disclosures relating to AI have exploded over the past couple of years, drawing significant scrutiny from the SEC. Unlike many other areas, with respect to AI disclosures, we have seen remarkable consistency between the administrations.

For example, in January 2025, in one of the last SEC enforcement actions under the prior administration, the SEC settled charges against a public company for allegedly making materially false and misleading statements about the ownership and capabilities of its flagship AI-assisted speech recognition technology and failing to maintain required disclosure controls and procedures, in violation of the antifraud, reporting and disclosure controls provisions.<sup>34</sup> According to the Commission, the company failed to disclose its initial reliance on third-party technology for its AI voice product designed for drive-thru order-taking, while making misleading statements that the technology was its own. When the company later developed its own technology, it overstated the technology’s ability to operate without human involvement and misrepresented its “automated order completion” rate. The company agreed to a cease-and-desist order, and the SEC chose not to impose a civil penalty in consideration of the company’s financial condition, remedial efforts and cooperation with the Staff.



In April 2025, the SEC filed a similar case against the CEO of a private technology startup, alleging that he defrauded investors in early fundraising rounds by falsely claiming that the company’s mobile shopping app used automated AI neural networks to make purchases, when in reality, purchases were largely processed manually by overseas contractors.<sup>35</sup> In a litigated action, the SEC charged the CEO with violations of the antifraud provisions and will seek permanent and conduct-based injunctions, disgorgement with prejudgment interest, civil penalties, and an officer-and-director bar.

While we anticipate that the SEC under Chair Atkins will step back from the prior administration’s aggressive charging decisions concerning *disclosure controls*, both of the above enforcement actions indicate that the SEC will continue to closely examine the substance of AI-related disclosures, particularly those involving automation levels, human-in-the-loop reliance, and third-party technology dependencies.

We also expect that the SEC will continue its close scrutiny of event-driven disclosures such as drug trial results or the rollout of new products. Even amidst a broader enforcement pullback, in fiscal year 2025, the SEC continued its focus on issuer disclosures concerning drug trials. For example, in September 2025, the SEC charged a biopharmaceutical company and its former CMO (Chief Medical Officer) with making misleading statements about cardiovascular safety analyses for its lead anemia drug

<sup>34</sup><https://www.sec.gov/enforcement-litigation/administrative-proceedings/33-11352-s>

<sup>35</sup><https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26282>

<sup>36</sup><https://www.sec.gov/files/litigation/admin/2025/33-11387.pdf>

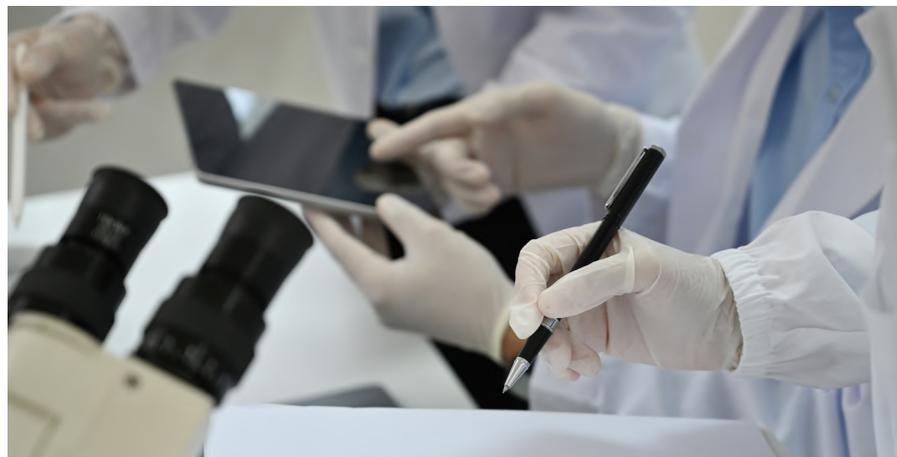


The SEC alleged that the company violated the antifraud provisions by touting the superiority of its drug over an existing treatment without disclosing that certain results relied on post-hoc changes to stratification factors. The SEC also charged the company's former CMO with misstating on an earnings call that the FDA had agreed with its statistical approach when in fact, the post-hoc changes had not been discussed with the agency. The company agreed to a cease-and-desist order and a \$1.25 million civil penalty, while the former CMO is litigating.<sup>37</sup>

## IV. Investment Advisers

### Private Equity Fees and Expense Allocation

In August 2025, the SEC announced it had settled charges against an investment adviser arising from management-fee calculation practices that allegedly created undisclosed conflicts of interest and were inconsistent with the funds' limited partnership agreements, in breach of the firm's fiduciary duties.<sup>38</sup> Specifically, the Commission alleged that the investment adviser violated Section 206(2) of the Advisers Act by failing to disclose that it received interest on deferred transaction fees on certain investments and did not include those amounts in corresponding fee offsets, and that the firm improperly duplicated transaction fee reductions when calculating certain fee offsets, resulting in its receipt of more than \$500,000 in excess management fees. The investment adviser agreed to a cease-and-desist order, a censure, a payment of \$508,877 in disgorgement and prejudgment interest, and a civil penalty of \$175,000.



<sup>37</sup><https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26394>

<sup>38</sup><https://www.sec.gov/enforcement-litigation/administrative-proceedings/ia-6908-s>

For private fund advisers, this action underscores that the SEC will likely continue to bring enforcement actions concerning fee and expense allocation issues that cause harm to fund clients and their investors. We recommend that advisers periodically review relevant disclosures, policies, and controls governing the calculation and application of ancillary fees, offsets and related conflicts of interest.

### Charges Against CCO for Altering Records

While the SEC has wavered in charging CCOs with so-called “wholesale compliance failures,” the agency has remained consistent in charging CCOs (and other compliance personnel) for alleged participation in misconduct or misleading regulators. In July 2025, the SEC charged a former CCO of an investment adviser for altering records and creating false trading forms in response to an SEC examination request.<sup>39</sup> The Commission alleged that the respondent aided and abetted the adviser’s violations of the Compliance Rule and books and records provisions of the Advisers Act by modifying dates or filling in missing information on forms tracking personal trading, many of which had been completed after the trades occurred, as well as creating forms where none existed and affixing trader signatures without authorization. The Respondent consented to a cease-and-desist order, a civil penalty of \$40,000, and a three-year bar from acting in a compliance capacity for any investment advisor or other specified registrants.

### Compensation Conflicts Associated with Recommending Managed Accounts

In lightly publicized enforcement actions in 2025, the SEC brought three settled actions against investment advisers for failing to adequately disclose compensation-related conflicts tied to recommending managed account programs.

In April 2025, the SEC charged an investment adviser for having disclosed that it “may” pay incentive compensation to investment advisor representatives (IARs) in connection with the rollover of approximately \$1.2 billion of retirement account assets to managed accounts, when in fact the IARs consistently received either a flat fee or variable compensation based on the amount invested.<sup>40</sup> Based upon alleged violations of antifraud provisions and the Compliance Rule, the adviser agreed to a cease-and-desist order, a censure, payment of a \$2.9 million civil penalty, and remedial improvements.<sup>41</sup>

Similarly, in August 2025, the SEC charged an investment adviser with making misleading statements and failing to adequately disclose IARs’ incentive-compensation conflicts associated with managed-account program client enrollment and retention.<sup>42</sup> Among other things, the Commission charged that while the adviser’s Form ADV Part 2 Brochure for the managed account program disclosed that certain IARs were eligible for some compensation tied to client managed account enrollment and retention, the firm’s Form CRS and Brochure Supplement regarding the managed account program contained contradictory disclosures concerning the IARs’ compensation.<sup>43</sup> To settle the alleged violations of the antifraud provisions and the Compliance Rule, the adviser agreed to a cease-and-desist order, a censure, a \$19.5 million civil penalty, and remedial undertakings to enhance disclosures and compliance.<sup>44</sup>

On the same day in August 2025, the SEC charged an investment adviser and its affiliated broker-dealer for inadequate and misleading disclosures regarding a compensation system that incentivized enrollment in a managed account service.<sup>45</sup>

<sup>39</sup><https://www.sec.gov/enforcement-litigation/administrative-proceedings/ia-6896-s>

<sup>40</sup><https://www.sec.gov/files/litigation/admin/2025/ia-6876.pdf>

<sup>41</sup>*Id.*

<sup>42</sup><https://www.sec.gov/files/litigation/admin/2025/ia-6912.pdf>

<sup>43</sup>*Id.*

<sup>44</sup>*Id.*

<sup>45</sup><https://www.sec.gov/files/litigation/admin/2025/34-103809.pdf>

The SEC alleged that the affiliated entities failed to make clear whether certain dually registered employees were acting as broker-dealer representatives or IARs and also made misleading statements and omitted disclosure of certain financial incentives to recommend managed accounts.<sup>46</sup> Based upon alleged violations of Section 206(2) of the Advisers Act by the adviser and Rule 15l-1(a)(1) of the Exchange Act (Reg BI's General Obligation) by the broker-dealer, the entities agreed to cease-and-desist orders, censures, and \$5,989,969 in combined disgorgement, prejudgment interest and civil penalties, with remedial measures including removal of asset-based enrollment targets, policy and training overhauls, and enhanced capacity and conflict disclosures.<sup>47</sup>

With the proliferation of managed account programs *within retirement plans*, we expect that the SEC will continue to focus on disclosures concerning incentive-based compensation paid to IARs and registered representatives, including in Forms ADV, Forms CRS, websites, other written marketing materials and oral communications.

### Reverse Churning

With the continued aggregate flow of investor assets from broker-dealer accounts to investment advisory accounts, we expect that enforcement will remain on the lookout for systemic "reverse churning." In February 2025, the SEC charged an investment adviser and one of its IARs with converting 180 mostly inactive, commission-based brokerage accounts to fee-based advisory accounts without adequate disclosure of the higher fees or associated conflicts, or justification for the conversions.<sup>48</sup> To settle the SEC's claims, the adviser consented to a cease-and-desist order, paid a civil penalty of \$150,000, and agreed to undertakings to notify impacted clients,

and to retain an independent compliance consultant to review and enhance policies and procedures relating to account type. The IAR also consented to a cease-and-desist order, the payment of a \$75,000 civil penalty, and a nine-month industry suspension.<sup>49</sup>

## V. Insider Trading

For decades, insider trading enforcement has enjoyed bipartisan support, and we do not expect that to change in this administration. During 2025, the SEC alleged the misuse of material nonpublic information (MNPI) through "wall-crossing" communications received by investment firm traders, charged insider trading even in low-dollar schemes and continued to leverage sophisticated investigative techniques to target cross-border schemes and reconstruct encrypted-message communications, while leaving open questions about its willingness to charge so-called "shadow trading."

The SEC continued to pursue classic misappropriation theories, including bringing actions based on the misuse of MNPI obtained through wall-crossing communications. For example, in September 2025, the SEC charged an equity trader at an investment firm with repeatedly trading in his personal accounts based upon MNPI obtained from so-called "wall-crossing" emails.<sup>50</sup>



<sup>46</sup>*Id.*

<sup>47</sup>*Id.*

<sup>48</sup><https://www.sec.gov/files/litigation/admin/2025/34-102425.pdf>

<sup>49</sup>*Id.*

<sup>50</sup><https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26388>

Specifically, the Commission alleged that the defendant ignored explicit non-trading and confidentiality confirmations from underwriters, sometimes trading in his personal accounts within minutes of obtaining the MNPI. To settle the SEC's charges, the defendant consented to a judgment permanently enjoining him from violations of the antifraud provisions and agreed to pay monetary relief in amounts to be determined by the Court at a later date.

In 2025, the SEC also evidenced its willingness to bring insider trading cases involving minimal amounts, particularly where the agency alleged aggravating conduct. In July 2025, the SEC filed a complaint against an employee of a pharmaceutical company and her friend, who allegedly made profits from insider trading of \$2,447 and \$109,437, respectively.<sup>51</sup> The SEC alleged that the employee traded using information she received while doing due diligence for her employer related to an acquisition and, in turn, tipped her friend, who also traded on this MNPI. According to the SEC, the employee lied to her employer during a FINRA inquiry and made false statements to the FBI about her trading activity before tipping off her friend that the FBI was investigating him.

The SEC also signaled its continued willingness to devote significant resources to investigate sophisticated insider trading schemes and the depth of its analytical toolkit. In March 2025, the SEC charged two defendants with an alleged seven-year tipping ring concerning both U.S. and foreign issuers using burner phones, encrypted apps, coded chats, coordinated trading around corporate events and announcements, and kickbacks.<sup>52</sup> The defendants – both of whom were indicted in the District of Massachusetts in a parallel proceeding – are litigating the charges.

Thus far, the SEC under Chair Atkins has remained silent as to whether it may charge insider trading under the theory of “shadow trading.” The SEC's groundbreaking shadow trading theory has remained a live wire after the SEC's April 2024 trial win in *Secs. & Exch. Comm'n. v. Panuwat*.<sup>53</sup> The SEC alleged that Panuwat misused confidential information about a planned acquisition of his employer to buy stock in a *comparable company*, yielding Panuwat over \$100,000 in illicit profits. While we expect that this Commission will be circumspect in pursuing future shadow trading enforcement actions, given the lingering uncertainty, compliance professionals should remain vigilant in analyzing how comparable or peer companies are defined in insider trading policies.

Based upon the types of cases filed in 2025 and the SEC's retrenchment in other areas, we anticipate that the Commission will devote *additional resources* to the pursuit of insider trading investigations in the coming year.

## VI. FCPA

In February 2025, President Trump upended FCPA enforcement by issuing an executive order directing a 180-day pause and policy review of all FCPA matters by the Department of Justice.<sup>54</sup> Framed as an exercise of Article II foreign affairs authority, the executive order asserted that contemporary FCPA enforcement had become “expansive and unpredictable” in ways that hindered U.S. foreign policy and undermined the global competitiveness of American companies, particularly in sectors such as critical minerals and strategic infrastructure. Although directed at DOJ, the order had clear implications for the SEC's parallel FCPA investigations by signaling an indeterminate shift in federal enforcement posture and resource allocation.

<sup>51</sup><https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26348>

<sup>52</sup><https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26268>

<sup>53</sup><https://www.sec.gov/enforcement-litigation/litigation-releases/lr-25970>

<sup>54</sup><https://www.whitehouse.gov/presidential-actions/2025/02/pausing-foreign-corrupt-practices-act-enforcement-to-further-american-economic-and-national-security/>



During the review period, DOJ was required to halt new FCPA investigations or enforcement actions absent an individually justified exception (which required approval by the Attorney General), reassess existing matters to “restore proper bounds” on FCPA enforcement and develop updated guidelines aligning enforcement with presidential foreign policy priorities, U.S. economic interests and efficient use of federal law enforcement resources. Following the review, all FCPA actions would require specific authorization by the Attorney General. The order also contemplated potential remedial measures for “inappropriate” past FCPA enforcement matters.



In practice, the directive recalibrated federal enforcement discretion in 2025 – delaying charging decisions, greatly reducing investigations and influencing future considerations around self-disclosure, remediation and parallel SEC civil enforcement.

Against this backdrop, during 2025, both DOJ and the SEC dismissed, with prejudice, their respective criminal and civil cases against two former executives of a global professional services company.<sup>55</sup> The SEC had charged the issuer and two former executives back in 2019, stemming from an alleged scheme to bribe senior state officials in India in connection with the issuer’s significant construction project.<sup>56</sup> The issuer settled immediately with the SEC by consenting to a cease-and-desist order and agreeing to pay approximately \$19 million in disgorgement and prejudgment interest and a \$6 million civil penalty. However, the SEC’s civil case against the executives had been stayed pending the resolution of the parallel criminal case against them. In announcing the dismissal, the Commission emphasized that its decision rested on policy considerations rather than an assessment of the merits and cautioned that it should not be viewed as indicative of its position in other cases.

Historically, DOJ and the SEC have rarely charged individuals with FCPA-related violations. The SEC’s dismissal here (following DOJ’s dismissal of its parallel criminal case on the eve of trial) suggests that the Commission will be even more cautious in contemplating FCPA charges against individuals.

Following the initial pause and review of FCPA enforcement, DOJ announced in May 2025 that its enforcement focus will center on matters involving: (1) U.S. national security, (2) U.S. economic interests or

(3) transnational criminal organizations.<sup>57</sup> Because most traditional FCPA cases involve corporate bribes to *government officials* to secure business advantages abroad (rather than transnational criminal organizations), we anticipate that FCPA enforcement during the remainder of President Trump’s second term will focus on U.S. national security and economic interests. However, DOJ’s guidance raises significant questions as to how those terms will be interpreted and applied – from DOJ line staff up through the Attorney General. It is easier to anticipate economic sectors implicating U.S. national security (e.g. oil and gas, rare earth minerals, aerospace and semiconductors). However, the breadth of FCPA enforcement relating to U.S. economic interests is more difficult to predict because, read literally, it would include all international commerce by U.S. companies. As a result, DOJ’s guidance may result in more selective enforcement with heightened scrutiny of companies operating in certain geographic regions or countries with less favorable relations with the administration.

## VII. Looking Ahead

In many years of closely following SEC enforcement, we have observed that new administration transition years typically involve some degree of turbulence. In fiscal year 2025, with the added disruption of DOGE, SEC enforcement appeared to be out of sorts for much of the year. In fiscal year 2026, we expect a return to normalcy, albeit one in which SEC enforcement focuses most of its resources on “meat-and-potatoes” cases involving fraud, theft, or other calculable investor harm.

SEC enforcement’s new focus has been evident in the agency’s press releases during the last three quarters of FY 2025. In stark

<sup>55</sup>[https://business.cch.com/srd/20250401\\_US-v-Coburn\\_letter\\_DOJ.pdf](https://business.cch.com/srd/20250401_US-v-Coburn_letter_DOJ.pdf);  
<https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26351>

<sup>56</sup><https://www.sec.gov/enforcement-litigation/litigation-releases/lr-24402>

<sup>57</sup><https://www.justice.gov/opa/media/1400141/dl?inline>

contrast to the blizzard of enforcement action press releases issued by the SEC under former Chair Gensler, the SEC issued just 14 enforcement-related press releases during the remainder of the year following the change in administration. Breaking down those 14 press releases: seven cases related to alleged offering frauds or other misappropriation schemes, four cases related to alleged Ponzi schemes, and three cases related to investment advisers that the Commission charged with defrauding clients.

Chair Atkins has echoed this back-to-basics enforcement approach in numerous speeches and media appearances. In an interview in September 2025, Chair Atkins pledged aggressive enforcement “[i]f you lie, cheat or steal [from] your investors and steal their money like [disgraced former financier] Bernie Madoff.”<sup>58</sup> However, Chair Atkins repeatedly emphasized giving SEC registrants notice of technical violations before regulators “bash down their door.”<sup>59</sup> In many investigations, this important policy shift may provide registrants with an opportunity to mitigate a potential enforcement action – or perhaps avoid one altogether – through the prompt remediation of technical violations, particularly if they do not involve investor harm. We expect that in fiscal year 2026, the SEC’s case mix will focus on offering frauds, Ponzi schemes, the misstatement of financial results, egregious disclosure frauds (particularly by foreign-based issuers), deficient audits of foreign issuers, insider trading, market manipulation schemes, the misappropriation of investor or fund assets, or other conduct causing client harm by investment advisers.

We also expect that civil penalties will remain historically low. Over many years, Chair Atkins and his fellow Commissioners have repeatedly called for reconsideration of when it may be appropriate for the SEC to impose civil

penalties and how those penalties should be calculated. During his prior tenure as an SEC Commissioner, Chair Atkins was one of the architects of the SEC’s 2006 Corporate Penalty Guidance, which required the primary consideration of the “presence or absence of a direct benefit to the corporation as a result of the violation” and “the degree to which the penalty will recompense or further harm the injured shareholders.”<sup>60</sup> In financial misstatement and corporate disclosure cases, given the frequency with which public company shareholders have already been victimized by the violative conduct or by the resulting negative effect on the entity following its discovery, we expect that the SEC will ramp down civil penalties against issuers. Similarly, with respect to investment advisers, broker-dealers and other SEC registrants, we expect that the SEC will emphasize *remediation* of rules violations (including making clients or customers whole for any resulting losses), while imposing lower civil penalties. Chair Atkins has repeatedly criticized the prior administration’s off-channel communications for a lack of notice and for the calculation of billions in civil penalties as having “devolved . . . to where it became a formula: what’s your revenue, here’s your invoice.”<sup>61</sup> However, we believe the SEC will pursue aggressive civil penalties against *individual defendants* for alleged violations of the antifraud provisions.

With respect to rulemaking, the SEC’s primary focus will be the development of a comprehensive framework concerning crypto to fulfill President Trump’s promise to make the U.S. “the crypto capital of the world.” Here, the GENIUS Act (signed into law in July 2025) provided a preview of how other crypto frameworks may be constructed. Among other things, the GENIUS Act created a federal framework for stablecoins and purported to preempt state regulation by:

<sup>58</sup><https://www.ft.com/content/55d4c6e5-663b-4b09-a374-1a607f82ad8d>

<sup>59</sup>*Id.*

<sup>60</sup><https://www.sec.gov/news/press/2006-4.htm>

<sup>61</sup><https://www.ft.com/content/55d4c6e5-663b-4b09-a374-1a607f82ad8d>

defining the types of stablecoin issuers (e.g. banks, OCC-approved non-banks and other small issuers), requiring 1:1 reserves of cash or U.S. Treasuries, implementing modest disclosure requirements concerning issuer reserves and subjecting issuers to anti-money laundering requirements under the Bank Secrecy Act. Chair Atkins has repeatedly expressed his view that most crypto tokens are not securities and indicated his intention for Congress and/or the SEC to develop rules that clearly delineate when digital assets are securities.<sup>62</sup> Among other things, we expect that the SEC will prioritize rulemaking to advance crypto tokenization and trading whereby synthetic versions of securities (often fractionalized) will trade using blockchain technology.

In September 2025, President Trump called for the SEC to allow U.S. public companies to shift from quarterly to semiannual reporting. Although Chair Atkins promptly agreed to fast-track the President's proposal, we expect that even if rulemaking is finalized by the SEC, adoption by U.S. companies may be sluggish given decades of capital markets structure built around the quarterly reporting cadence (e.g. auditor quarterly reviews and lending facility covenants). Indeed, following the voluntary allowance of semiannual reporting in the European Union and United Kingdom, adoption has been mixed with companies weighing potential cost savings against the benefits of quarterly transparency with investors and other constituents.

Lastly, we are keeping our eye on how the SEC may affirmatively use AI in enforcement. In August 2025, the SEC announced the creation of an AI Task Force, which it described as an "internal cross-agency and cross-disciplinary collaboration" to "empower staff

across the SEC with AI-enabled tools and systems to responsibly augment the staff's capacity, accelerate innovation, and enhance efficiency and accuracy."<sup>63</sup> Given Chair Atkins' inclination to temper SEC enforcement, we do not anticipate that Staff will unleash AI-generated fishing expeditions for minor rule violations. However, AI often provides immense efficiency enhancements in analyzing large data sets. Therefore, the Staff may use AI to help identify potential insider trading (including parallel trading in the same issuers by common traders), account churning by broker-dealer representatives, reverse churning by IARs and market manipulation such as front-running, spoofing and wash trading.

Regardless of how the SEC's Division of Enforcement evolves in 2026, we look forward to assisting clients in facing whatever comes their way.

<sup>62</sup>*Id.*

<sup>63</sup><https://www.sec.gov/newsroom/press-releases/2025-103-sec-creates-task-force-tap-artificial-intelligence-enhanced-innovation-efficiency-across-agency>



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