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WHITE PAPER

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SEC Enforcement in Financial Reporting and Disclosure: Fiscal 2025 Year-End Update

Financial reporting and disclosure enforcement is a perennial priority for the U.S. Securities and Exchange Commission (“SEC”), but the change in presidential administrations in January 2025 ushered in a potentially new approach to these kinds of cases. Overall SEC enforcement figures declined under the new administration—which often happens when administrations change. More significantly, however, the new administration appears to be focused on pursuing *intentional* misconduct, moving away from the last administration’s expansive use of strict liability and negligence-based charges to police public company reporting practices.

Our *White Paper* examines these and other big-picture trends and then summarizes key enforcement cases filed during the fiscal year.

INTRODUCTION

For financial reporting and disclosure enforcement cases, fiscal year 2025 (“FY25”) was a tale of two SECs. Before the new administration arrived, the SEC [claimed](#) to have brought a record number of enforcement cases for a first fiscal quarter, including 19 financial reporting and disclosure cases filed before the administration change. Under the new administration, however, enforcement activity overall has slowed, and the agency has, by our count, filed only seven cases against public companies or their executives for allegedly faulty accounting or disclosure.

We should not read too much into these figures, though. Temporary declines in SEC enforcement actions often accompany administration changes, as agency staff adapt to new leadership and priorities. The SEC’s high staff attrition under the new administration also may have contributed to this year’s drop-off. And SEC officials have consistently emphasized that cases involving intentional wrongdoing—including fraudulent financial reporting and disclosure—remain an enforcement focus.

Still, the thin docket makes it harder to predict where the SEC will take financial reporting and disclosure enforcement. Given this administration’s focus on intentional wrongdoing, we expect that many of the last administration’s financial reporting enforcement staples, such as unintentionally imperfect disclosures and internal controls-based charges, are now disfavored. The agency also seems unlikely to pursue aggressive risk-factor disclosure theories like those asserted in its recently dismissed *SolarWinds* case. And while the SEC may continue to settle financial reporting cases with non-scienter charges under Sections 17(a)(2) and (3) of the Securities Act of 1933 (“Securities Act”), we think this will reflect compromise on close calls over scienter evidence in important cases rather than merely the agency’s default punishment for otherwise unintentional misstatements.

We outline below other key trends we anticipate in this area before summarizing each of the SEC’s financial reporting and disclosure cases filed in FY25.

KEY TRENDS

Policing Intentional Misstatements Remains a Priority

Although a small sample size, the seven financial reporting and disclosure cases filed since January 2025 share a common thread: Each allegedly arises from intentionally deceptive disclosures or accounting entries. Six of these cases charged violations of Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 (“Exchange Act”) and/or Section 17(a)(1) of the Securities Act, which require proof of a defendant’s fraudulent intent. The seventh case accused a company’s former chief financial officer of falsifying accounting records in violation of Exchange Act Section 13(b)(5), which requires “knowing” misconduct. Accordingly, we expect the SEC to continue investigating and bringing cases involving intentional wrongdoing.

Increased Insider Trading Enforcement

Insider trading enforcement has increased under the current administration. These cases comprised 6% to 9% of the SEC’s standalone (not follow-on) docket over the last three fiscal years but approximately 15% of such cases since January. As a form of intentional fraud, insider trading fits within the SEC’s prioritization of cases involving [“lying, cheating, or stealing.”](#) While no public companies were charged in these cases, the SEC’s emphasis on insider trading nonetheless highlights the importance of maintaining and regularly reviewing strong insider trading policies and procedures, since the SEC is likely to explore these policies and procedures during investigations.

Cross-Border Enforcement

Foreign issuers and their gatekeepers are likely to receive greater scrutiny from the current administration. In September 2025, the SEC formed the Cross-Border Task Force with an initial three-part mission:

- Investigate potential U.S. securities law violations, such as market manipulation, by foreign-based companies;
- Focus enforcement efforts on gatekeepers, especially auditors and underwriters, who help these companies access U.S. capital markets; and
- Examine potential securities law violations relating to companies from foreign jurisdictions, such as China, where government control and other factors pose unique investor risks.

This move dovetails with the Trump administration's broader [scrutiny](#) of foreign companies' impact on U.S. economic and national security interests, as well as congressional [concern](#) over the number and relative opacity of Chinese issuers trading on U.S. exchanges.

Reduced Corporate Financial Sanctions

Corporate financial sanctions in FY25 fell to the [lowest level](#) since 2012. We expect this trend to continue because current SEC Chairman Paul Atkins has long [criticized](#) corporate penalties as harmful to shareholders and providing little deterrence. The agency is instead likely to focus on holding individuals accountable through financial and other sanctions tailored to the wrongdoing at hand.

ENFORCEMENT REVIEW

The balance of this *White Paper* recaps notable enforcement actions in the areas of financial reporting and issuer disclosure during FY25.

Financial Reporting

On October 29, 2024, the SEC announced charges against a publicly traded furniture retailer, its former CEO, and its former controller for accounting violations in connection with expenses the company incurred shipping its furniture to customers. The SEC alleged that the company failed to properly record the costs of shipping finished products from its distribution center to end customers, purportedly to avoid a potential restatement and impacts on key quarterly financial metrics. The SEC charged the company with violating Section 17(a)(3) of the Securities Act and the reporting, record-keeping, and internal controls provisions of the Exchange Act. Without admitting or denying the allegations, the company agreed to a permanent injunction against future violations of these provisions and a \$1.5 million civil penalty. The SEC also filed litigated charges in federal district court against the former CEO and controller for violating and aiding and abetting violations of the federal securities laws' antifraud, record-keeping, internal controls, reporting, and lying-to-auditors provisions.¹

On December 20, 2024, the SEC announced settled charges against a utility company for failing to maintain internal accounting controls to ensure that its surplus materials and

supplies were accurately recorded in its books and financial statements in accordance with GAAP. The SEC alleged that from mid-2018 to the present the company included materials and supplies at their average cost as an asset on its balance sheets but failed to establish a comprehensive process to review these materials and supplies to identify surplus, remeasure it, and record any differences between average cost and remeasured cost as an expense. The SEC charged the company with violating Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act. Without admitting or denying the SEC's allegations, the company consented to entry of a permanent injunction against future violations of these provisions, to adopt an independent consultant's recommended improvements to its internal accounting controls, and to pay a \$12 million civil penalty.²

On January 14, 2025, the SEC announced settled charges against a pharmaceutical company and its former CFO for conducting a fraudulent scheme to generate revenues using illegal veterinary prescriptions. According to the SEC, from 2016 through 2021, the company generated a material percentage of its revenues from illegal prescriptions written by a veterinarian who received compensation under a sham agreement, which the company's books and records falsely described as legitimate. Without admitting or denying the SEC's allegations, the company agreed to cease and desist from violating the antifraud provisions of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. The company also consented to cease and desist from violating the Exchange Act's reporting, record-keeping, and internal controls provisions and to pay disgorgement and prejudgment interest totaling \$334,314. Also without admitting or denying the SEC's allegations, the former CFO consented to cease and desist from committing or causing these violations and violations of Section 13(b)(5) of the Exchange Act and Rules 13a-14, 13b2-1, and 13b-2 thereunder. The former CFO also consented to a bar from serving as an officer or director of a public company and a bar from appearing or practicing before the SEC as an accountant.³

On January 17, 2025, the SEC announced settled charges against an e-commerce food distributor for publicly providing financial information that the company should have known was unreliable and that overstated historical revenues by approximately \$500 million. According to the SEC, between 2019 and

2021, the company allegedly raised approximately \$80 million from investors in a private offering but gave investors financial information that differed from its internal information and overstated its historical revenues. The SEC found that, in doing so, the company violated Sections 17(a)(2) and (3) of the Securities Act. Without admitting or denying the SEC's allegations, the company agreed to cease and desist from these violations and to pay an \$8 million civil penalty.⁴

On January 17, 2025, the SEC announced settled charges against a beverage company for improperly accounting for stock-based compensation expenses when it modified the terms of stock awards for six departing employees and retiring board members. As a result, the company's quarterly reports and other public reports allegedly were materially inaccurate and misleading. The SEC charged the company with violating the Exchange Act's reporting, record-keeping, and internal controls provisions. Without admitting or denying the SEC's allegations, the company agreed to cease and desist from these violations and to pay a \$3 million civil penalty.⁵

On January 17, 2025, the SEC announced settled charges against a publicly traded shipping and logistics company for internal control and disclosures violations, as well as reporting violations and books and records failures. The SEC alleged that, in each of its past eight fiscal years, the company disclosed that its internal control over financial reporting and disclosure controls and procedures were ineffective. These control deficiencies contributed to the company restating certain prior period financial statements in March 2023. Without admitting or denying the SEC's allegations, the company agreed to cease and desist from violating the Exchange Act's reporting, record-keeping, and internal controls provisions, to pay a civil penalty of \$350,000, and to remediate its material weaknesses and publicly report on that remediation.⁶

On March 17, 2025, the SEC filed litigated charges against the former CFO of a company in the cannabis industry for allegedly lying to the company's auditor and falsifying the company's accounting records. According to the SEC's complaint, with the former CFO's knowledge and participation, the company caused an affiliated entity to transfer roughly \$4.2 million into its bank account in December 2019 with the understanding that the company would return the same amount at the beginning of the new year, which it did. The complaint further alleges that the former CFO was responsible for the

company's creation of journal entries mischaracterizing this round-trip transaction. The SEC charged the former CFO with violating Section 13(b)(5) of the Exchange Act and Rules 13b2-1 and 13b2-2 thereunder, and with aiding and abetting the company's violations of Section 13(b)(2)(A) of the Exchange Act. The SEC sought permanent injunctive relief, civil monetary penalties, and a conduct-based injunction.⁷

On July 18, 2025, the SEC filed litigated charges against an infrastructure development company and its owner for materially misrepresenting the company's business operations, acquisitions, and valuation in several SEC filings. According to the SEC, from July 2020 to at least April 2024, the owner offered and sold approximately \$2.4 million of the company's shares to more than 150 investors. The SEC further alleged that, while the offering was ongoing, the owner caused the company to make multiple SEC filings that included false information about real estate purchases and funding. The complaint charged the company and its owner with violating Sections 5(a), 5(c), and 17(a) of the Securities Act and Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder. The complaint also charges violations and aiding abetting violations of the Exchange Act's reporting and record-keeping requirements.⁸

On August 21, 2025, the SEC filed litigated charges against the co-founder and former board member of an environmental sustainability company for operating a fraudulent scheme to mislead investors about revenues for environmental sustainability services. According to the SEC, from January 2021 through December 2022, while the company was seeking to go public via a merger, the owner recruited friends into reforestation transactions and presented them to the company as bona fide customers. The SEC alleged that none of these purported customers had agreed to pay, and in fact would not pay, for the company's services. The SEC charged the owner with violating Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.⁹

Issuer Disclosure

On October 22, 2024, the SEC charged four public companies with making materially misleading disclosures regarding cybersecurity risks and intrusions. The SEC alleged that, after these companies learned that a cybersecurity threat actor had accessed their systems without authorization, each negligently minimized the cybersecurity incident in public disclosures. Without admitting or denying the SEC's allegations, each

company agreed to cease and desist from future violations of Sections 17(a)(2) and (3) of the Securities Act and different reporting provisions of the Exchange Act. One company was also charged with violations of the Exchange Act's disclosure controls and procedures provisions. Each company agreed to pay civil penalties ranging from \$990,000 to \$4 million.¹⁰

On November 12, 2024, the SEC announced settled antifraud charges against an animal health products company for misleading statements about its revenue growth and end-user demand without disclosing its reliance on certain incentives that were necessary to generate that revenue. According to the SEC, from the first quarter of 2019 through the first quarter of 2020, the company used discounts, rebates, and extended payment terms to entice distributors to purchase product above then-existing end-user demand. The company then misleadingly attributed its revenue growth to strong end-user demand, without disclosing that its sales practices might negatively impact future revenue. The SEC's order found that the company violated Sections 17(a)(2) and (3) of the Securities Act as well as the Exchange Act's reporting and record-keeping requirements. Without admitting or denying the SEC's findings, the company agreed to cease and desist from these violations and to pay a \$15 million penalty.¹¹

On December 3, 2024, the SEC filed settled charges against a bioterapeutics company and its former CEO and former CFO for failing to disclose material information about the company's two cancer-fighting drug candidates before, during, and after a July 2021 follow-on public offering that raised \$40 million. According to the SEC's order, two weeks before the public offering, the FDA notified the company that it had placed the drug candidates on clinical hold, but the company failed to disclose this in its SEC filings, investor roadshow calls, or during due diligence calls leading up to the offering. The SEC charged the company with violating Sections 17(a)(2) and 17(a)(3) of the Securities Act and the reporting, record-keeping, and disclosure controls and procedures provisions of the Exchange Act. Without admitting or denying the SEC's findings, the company consented to an order to cease and desist from these violations. The SEC did not order the company to pay a civil penalty considering its self-reporting, cooperation, and remediation.

On December 16, 2024, the SEC announced settled charges against a medical device manufacturer for misleading

investors about risks associated with its continued sales of a particular device and for overstating its income by failing to record the costs of fixing multiple software flaws with the device. The SEC charged the company with violating Sections 17(a)(2) and 17(a)(3) of the Securities Act and the reporting, record-keeping, and internal controls provisions of the Exchange Act. Without admitting or denying the SEC's findings, the company agreed to cease and desist from violations of these provisions, to retain an independent compliance consultant, and to pay a civil penalty of \$175 million.¹²

On December 16, 2024, the SEC filed settled charges against a financial services company for making materially misleading statements regarding a cybersecurity attack on its network in late 2021. The SEC order found that the company's 2021 Form 10-K included risk factor disclosures that cybersecurity attacks may interrupt its business, but did not disclose that it had already experienced cybersecurity attacks that resulted in the exfiltration of sensitive customer data and the interruption of its business. The SEC's order found that the company violated Section 17(a)(2) of the Securities Act and the reporting, record-keeping, and internal controls provisions of the Exchange Act. Without admitting or denying the findings in the SEC's order, the company agreed to cease and desist from these violations and to pay a \$3.55 million civil penalty.¹³

On December 17, 2024, the SEC announced settled charges against a fashion retailing company for failing to disclose executive compensation it paid to its now former CEO. According to the SEC's order, in proxy statements from 2019 through 2021, the company failed to disclose \$979,269 worth of perks and personal benefits provided to its CEO. The SEC's order found that the company violated Sections 13(a) and 14(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-15(a), 14a-3, and 14a-9 thereunder. Without admitting or denying the SEC's findings, the company agreed to a cease-and-desist order against these violations. The SEC did not impose a civil penalty based in part on the company's self-reporting, cooperation, and remedial efforts.

On January 10, 2025, the SEC announced settled charges against a payment processing company for not making required disclosures of related party transactions. According to the SEC, from 2021 through 2023, the company failed to disclose employment relationships with two immediate family

members of its executives and the payment of commissions to another immediate family member of its executives. The SEC's order found that the company violated Sections 13(a) and 14(a) of the Exchange Act and Rules 13a-1 and 14a-3 thereunder. Without admitting or denying the SEC's findings, the company agreed to cease and desist from these violations and to pay a \$750,000 penalty.¹⁴

On January 13, 2025, the SEC filed settled charges against an alternative asset management company for allegedly false and misleading disclosures to investors regarding a cyber incident. The SEC alleged that the company learned in September 2023 that it had suffered a cybersecurity attack and that the intruder accessed, among other things, sensitive customer information. According to the SEC, the company falsely misrepresented in quarterly and annual reports filed with the SEC that no customer information was exposed by the attack. The SEC charged the company with violating Section 17(a)(3) of the Securities Act and the reporting provisions of the Exchange Act. Without admitting or denying the SEC's allegations, the company consented to an injunction against these violations and to pay a civil penalty of \$115,231.¹⁵

On January 14, 2025, the SEC announced settled charges against a restaurant-technology company for making materially false and misleading statements about critical aspects of its flagship artificial intelligence ("AI") product, which purportedly employs AI-assisted speech recognition technology to automate aspects of drive-thru ordering. According to the SEC's order, the company made false and misleading claims in SEC filings and public statements from November 2021 through May 2023 because it failed to disclose that the speech recognition component of its AI product was owned and operated by a third party. The SEC found that the company violated Section 17(a)(2) of the Securities Act and Section 13(a) of the Exchange Act and Rules 13a-11 and 13a-15(a) thereunder. Without admitting or denying the SEC's findings, the company consented to a cease-and-desist order against these violations. The SEC did not impose a civil penalty due to the company's remedial efforts and cooperation with the SEC's investigation.¹⁶

On January 17, 2025, the SEC filed settled charges against an electric utility company for making false statements in a press release about its connection to a related party and allegedly

questionable payments to entities associated with politicians. Without admitting or denying the SEC's allegations, the company consented to a cease-and-desist order finding that it violated Section 17(a)(2) of the Securities Act and the reporting, record-keeping, and internal controls provisions of the Exchange Act. The company also agreed to pay a civil penalty of \$19 million.¹⁷

On March 12, 2025, the SEC announced settled charges against a biopharmaceutical company for nondisclosure of the Food and Drug Administration's February 2020 criticism of the company's flagship cancer drug candidate. The SEC's order found that the company violated Sections 17(a)(2) and 17(a)(3) of the Securities Act and the Exchange Act's reporting provisions. Without admitting or denying the order's findings, the company consented to cease and desist from these violations and to pay a \$2.5 million penalty. The SEC also brought litigated charges against the company's former CEO, chief medical officer, and chief business officer for violating Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.¹⁸

On April 7, 2025, the SEC instituted cease-and-desist proceedings against a life sciences company for making a series of materially misleading public statements touting its ability and readiness to manufacture COVID-19 vaccine doses at one of its facilities while omitting information about several issues in the state of its readiness. The SEC's order found that the company violated Section 17(a)(2) of the Securities Act. Without admitting or denying the order's findings, the company consented to cease and desist from these violations and to pay a \$1.5 million penalty.¹⁹

On June 13, 2025, the SEC charged an individual who allegedly controlled a digital media and content technologies company with engaging in a scheme to defraud investors through material misrepresentations in SEC filings and diverting company assets to his long-time business associate and former romantic partner. In a partial settlement, the individual consented to a bifurcated settlement providing permanent injunctive relief against future violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act and Sections 10(b) and 14(a) of the Exchange Act and Rules 10b-5 and 14a-9 thereunder. The consent judgment also imposed an officer-and-director bar. The parties will litigate the SEC's request for disgorgement with prejudgment interest and civil penalties.²⁰

On September 5, 2025, the SEC instituted settled cease-and-desist proceedings against a biopharmaceutical company for allegedly false and materially misleading statements it made from November 2019 to April 2021 about the results of certain cardiovascular safety analyses of its then-primary drug candidate. The SEC's order found that the company violated Section

17(a)(2) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10-5(b) thereunder. Without admitting or denying the SEC's allegations, the company consented to entry of a cease-and-desist order against these violations and to pay a \$100,000 penalty.²¹

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ENDNOTES

- 1 SEC Litigation Release No. 26166.
- 2 SEC Press Release No. 2024-206.
- 3 SEC Administrative Proceeding File No. 3-22416.
- 4 SEC Press Release No. 2025-18.
- 5 SEC Administrative Proceeding File No. 3-22429.
- 6 SEC Administrative Proceeding File No. 3-22424.
- 7 SEC Litigation Release No. 26271.
- 8 SEC Litigation Release No. 26353.
- 9 SEC Litigation Release No. 26382.
- 10 SEC Press Release No. 2024-174.
- 11 SEC Administrative Proceeding File No. 3-22309.
- 12 SEC Press Release No. 2024-201.
- 13 SEC Administrative Proceeding File No. 3-22360.
- 14 SEC Administrative Proceeding File No. 3-22393.
- 15 SEC Litigation Release No. 26215.
- 16 SEC Administrative Proceeding File No. 3-22413.
- 17 SEC Administrative Proceeding File No. 3-22425.
- 18 SEC Administrative Proceeding File No. 3-22462; SEC Litigation Release No. 26265.
- 19 SEC Administrative Proceeding File No. 3-22472.
- 20 SEC Litigation Release No. 26326.
- 21 SEC Administrative Proceeding File No. 3-22528.

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