

CLIENT ALERT



# “SEC Speaks” Enforcement Summary: What You Need to Know

MAY 22, 2025

On Tuesday, May 20, representatives from the Securities and Exchange Commission’s (SEC) Division of Enforcement presented at Practising Law Institute’s SEC Speaks, highlighting a renewed focus on investor harm and individual accountability, as well as several organizational and procedural updates that may impact Division investigations.

## ENFORCEMENT PRIORITIES AND FOCUS AREAS

Although Sam Waldon, Acting Director of Enforcement, challenged the characterization of changes at the SEC as “aggressive,” he acknowledged that the industry should anticipate a reallocation of resources toward core areas of historical focus: insider trading, accounting and disclosure fraud, offering frauds, market manipulation, and breaches of fiduciary duty by investment advisers.

Deputy Director Nekia Hackworth Jones signaled that individual liability will receive heightened attention, evaluating the culpability, scienter, severity, and recurrence of misconduct before pursuing prophylactic remedies such as conduct-based injunctions. When recommending such remedies against individuals, the Division will evaluate (1) the egregiousness of the defendant’s actions, (2) whether the violation is isolated or recurrent, (3) the degree of scienter involved, and (4) the likelihood that misconduct will recur.

Deputy Director Jones also stated that investigations that implicate seniors or other retail investors will continue to command priority across all specialized units, particularly where misconduct involves undisclosed fees, conflicted rollover recommendations, or misleading claims relating to emerging technologies such as artificial intelligence or crypto assets.

## DIVISION REORGANIZATION AND LEADERSHIP STRUCTURE

Additionally, the Division is undergoing significant reorganization, with changes aimed at streamlining supervision, sharpening investigative focus, and reinforcing the Division’s traditional emphasis on protecting retail investors and promoting individual accountability. Acting Director Waldon explained that while the Division previously relied on a single Deputy Director, it now functions under four Deputy Directors—three overseeing geographic regions and one supervising the specialized units—thereby reducing reporting lines, promoting consistency across regional offices, and facilitating a more unified, nationwide enforcement program.

Key senior personnel now report directly to the Director, and a newly created National Enforcement Liaison is charged with strengthening coordination between the SEC and state, local, and other federal enforcement partners. Staffing levels are currently in flux, with Acting Director Waldon stating that headcount at the SEC is down roughly 15%, and the Division has not been immune from the new vacancies. In testimony before the U.S. House Appropriations Subcommittee on Financial Services and General Government, however, SEC Chairman Paul Atkins stated on Tuesday that these departures at the SEC—a mix of employees taking the Trump administration’s “fork in the road” offer and leaving to pursue other opportunities—“leave vacancies that in many cases need to be filled.”<sup>[1]</sup>

## PROCEDURAL CHANGES TO FORMAL ORDERS AND THE WELLS PROCESS

Procedurally, the Commission has rescinded the 2009 regulation<sup>[2]</sup> that allowed the Enforcement Director to issue formal orders of investigation; the Commission itself must now authorize those orders. Formal Commission approval may lengthen the front end of investigations, but it also underscores the significance of each matter that proceeds to compulsory process.

Deputy Director Antonia Apps announced that the Division is undertaking a specific effort to increase the levels of communication between the SEC and defense counsel. The Division is expanding access to Wells meetings: Respondents who request it will be allowed to present to the Director or a Deputy Director. In addition, the Division has also endorsed a more transparent Wells process, indicating a willingness to share substantial portions of the investigative record—although regular investigative updates or disclosure of witness identities should not be expected.

Deputy Director Apps made clear that this expanded access to Wells meetings does not entitle defense counsel to meetings with leadership at every juncture of the investigation. Absent exceptional circumstances, leadership does not plan to meet with defense counsel until SEC staff has completed their investigation and the issues are ripe for discussion based on a fully developed factual record.

## REMEDiation, COOPERATION, AND RESOURCE CONSTRAINTS

Deputy Director Kate Zoladz emphasized that the Division will reward self-reporting, cooperation, and remediation. She stated that in appropriate cases, the Division may decide to bring no enforcement action at all when these steps have occurred, and—at least in some cases—issues that are identified and fully remediated in an examination may not even result in an enforcement referral. Finally, the Division will focus less on violations that do not involve fraud.

Conversely, conduct that is severe, ongoing, or long term—even if nonfraudulent—remains fair game. Resource constraints remain a reality. As stated above, the overall SEC headcount is down roughly 15%, and the Division has not been immune to attrition. Even so, leadership emphasized that the staff’s core commitment remains unchanged, and that data analytics, specialized expertise, and inter-agency collaboration will help offset personnel shortages.

## PRACTICAL IMPLICATIONS FOR REGISTRANTS AND PUBLIC COMPANIES

In practical terms, registrants and public companies should expect prompt scrutiny of any conduct touching retail investors, seniors, or new technologies; an earlier focus on individual decision-makers; and continued pressure to demonstrate proactive compliance, swift remediation, and robust cooperation when issues arise.

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[1] Paul Atkins, Testimony Before the United States House Appropriations Subcommittee on Financial Services and General Government (May 20, 2025), <https://www.sec.gov/newsroom/speeches-statements/atkins-testimony-fsgg-052025>.

[2] Prior rule: 200.30-4(a)(13) (17 C.F.R. § 200.30(4)(a)(13)).

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## Authors

Caitlin M.R. Mandel

Daniel T. Chaudoin

Michael Hill

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Caitlin M.R. Mandel



Daniel T. Chaudoin



Michael Hill