

CLIENT ALERT



“SEC Speaks” Shift in Regulatory and Philosophy Priorities

MAY 29, 2025

On May 19 and 20, senior leadership and other representatives from the Securities and Exchange Commission (SEC) presented at Practising Law Institute’s The SEC Speaks conference. SEC leadership delivered comprehensive remarks articulating a clear shift in the SEC’s regulatory philosophy and priorities and outlining the agency’s evolving approach to regulation and enforcement. We previously covered updates related to the Division of Enforcement [here](#).

Championing Market Evolution and Crypto Engagement

Chairman Paul Atkins opened the conference by underscoring the SEC’s commitment to innovation.^[1] In response to criticisms that the SEC’s prior approach to crypto was “regulation by enforcement,” Atkins has directed SEC staff across policy divisions to draft new rules related to digital assets and to maintain transparent, open interactions with the public. He highlighted the recent publication of FAQs by the Division of Trading and Markets, as well as the work of the Crypto Task Force, as examples of this more responsive posture.^[2] Atkins also shared that the SEC has sought Congressional permission to disband FinHub, the Strategic Hub for Innovation and Financial Technology, and integrate its functions throughout the Commission to ensure that innovation is “ingrained in the culture SEC-wide.” Other speakers, including Commissioner Mark Uyeda, praised other recent crypto-related developments, including dismissing certain crypto enforcement actions and publishing Staff Accounting Bulletin 122.^[3]

Division of Investment Management: Adapting to Industry Innovation and Complexity

Director Natasha Greiner reported that the Division of Investment Management is encouraging early engagement with registrants, especially those pursuing complex or innovative fund strategies related to digital assets, blockchain, or defined outcome funds. The Division is closely monitoring developments in digital assets, tokenization, and artificial intelligence, and is working with the Crypto Task Force to develop “evergreen” regulatory approaches to AI. Applications to permit mutual funds to offer Exchange Traded Fund share classes are under review, with the Division seeking to balance potential benefits with regulatory concerns around conflicts and board oversight. The Division has also streamlined model applications for co-investment relief, reducing burdens while maintaining investor protections. Rulemaking and implementation efforts are focused on disclosure, fund names, and shareholder reports, with extended compliance dates and FAQs to assist registrants.

Division of Examinations: Enhanced Oversight, Cybersecurity, and AI Governance

The Division of Examinations, led by Acting Director Keith Cassidy, has expanded its examination programs and is leveraging data analytics and technology to target risk areas. Cybersecurity remains a top priority, with the Technology Controls Program developing new protocols for registrants affected by cyber events. Firms are urged to tailor cybersecurity policies to their business models, formalize incident response plans, and extend controls and training to all offices. While AI is increasingly used for operational efficiencies and investment decision-making, the SEC stresses the importance of maintaining a “human-in-the-loop” to ensure accurate disclosures and address risks across governance, model validation, privacy, and bias. The Division also continues to focus on the Adviser Marketing Rule, with ongoing examinations highlighting issues with performance claims, testimonials, and third-party ratings.

Refocusing on Core Mission and Regulatory Restraint

Commissioner Mark Uyeda’s remarks further outlined the shifts in SEC policy under the new administration, which he described as a return to the agency’s “core mission of regulating the capital markets.”^[4] Uyeda particularly criticized the SEC’s “policy drifts,” including its climate-related disclosure rules and other regulatory initiatives that, in his view, consumed significant staff resources, imposed significant compliance burdens, and distracted from the SEC’s primary responsibilities.^[5] He noted that SEC staff have been encouraged to meaningfully engage with market participants, particularly regarding new technologies and services, and that the quality of SEC policymaking is enhanced by robust public input.

Specialized Enforcement Units: Addressing Emerging Risks and Market Abuses

Leadership in key Enforcement units shared their investigative priorities, with a common emphasis on scienter-based fraud, a more transparent process, and protecting retail investors.

- Laura D’Allaird, Chief of the Cyber and Emerging Technologies Unit (“CETU”), noted that CETU continues to broaden its mandate in response to rapid technological innovation. CETU’s current priorities include emerging technologies, with a particular focus on preventing bad actors from exploiting innovations such as artificial intelligence.
- The Asset Management Unit, led by Corey Schuster, is focused on misappropriation, misleading disclosures, undisclosed conflicts of interest, fraudulent valuations, and prohibited trading practices. Schuster emphasized that the unit will look closely at non-scienter violations that are long-term and persistent, such as violations of Section 204A of the Investment Advisers Act, which requires investment advisers to establish and maintain policies to prevent the misuse of material nonpublic information, and the failure to file required forms without remediating.
- The Market Abuse Unit (“MAU”) will maintain its focus on market manipulation, including cases of spoofing, layering, cherry-picking, frontrunning, insider trading, and hack-to-trade schemes. MAU is particularly attentive to the increased risk of material nonpublic information misuse in remote work environments and has cautioned that firms and individuals should consider how they can better safeguard sensitive information.
- Rebecca Olsen, Deputy Chief of the Public Finance Abuse Unit, highlighted recent enforcement actions that targeted fraudulent municipal bond offerings—including cases that involved investors being given fabricated documents forming the basis for revenue projections, undisclosed material conflicts of interest, and unregistered municipal advisors.
- The Complex Financial Instruments Unit is focused on efficiency and early engagement with defense counsel, frequently using tools like reverse proffers to encourage meaningful cooperation and achieve efficient resolutions. The unit is particularly concerned with retail customer protection, as over half of its docket involves retail clients. The unit is also monitoring the collateralized loan obligation market, the private credit market, and commercial mortgage-backed securities due to rising default rates and concerns about asset quality.

Division of Corporation Finance: Responsive Engagement and Regulatory Review

The Division of Corporation Finance, led by Acting Director Cicely LaMothe, reported significant activity since the change in administration. The Division’s leadership provided guidance on making outreach to the SEC maximally

productive, encouraging early and targeted inquiries, ideally in writing and directed to a particular office. Members of the Division also pointed to recent staff guidance, such as when asset managers’ engagement with companies may constitute influencing control, thus affecting their eligibility to file Schedule 13G, and enforcement of Rule 192, adopted in 2023 and meant to prevent conflicted transactions in the world of asset-backed securities.

Office of the Investor Advocate: Protecting Retail Investors

Adam Anicich, Senior Advisory and Investor Engagement Manager, noted that a key focus of the Office is combating retail investor fraud, which has been exacerbated by the proliferation of new technologies in investment tools. The scale of the problem is significant, with the FTC estimating \$158 billion in fraud in 2023 alone. In response, the Office has established a forum for law enforcement and regulators to collaborate and share insights on technology-driven fraud, including the creation of the Interagency Security Council, which convenes quarterly to discuss emerging trends in scams and frauds affecting investors.

A New Era of Engagement, Predictability, and Investor Focus

In sum, the 2025 SEC Speaks marked a significant shift in the agency’s regulatory posture. Leadership emphasized innovation, transparency, and a return to core principles, with a focus on emerging risks such as crypto, artificial intelligence, and cybersecurity. Firms are encouraged to engage early with SEC staff, monitor new guidance and rulemaking, and prioritize strong compliance frameworks to navigate this evolving landscape.

[1] <https://www.sec.gov/newsroom/speeches-statements/atkins-prepared-remarks-sec-speaks-051925>.

[2] <https://www.sec.gov/newsroom/speeches-statements/atkins-prepared-remarks-sec-speaks-051925>.

[3] <https://www.sec.gov/rules-regulations/staff-guidance/staff-accounting-bulletins/staff-accounting-bulletin-122>.

[4] <https://www.sec.gov/newsroom/speeches-statements/uyeda-remarks-sec-speaks-051925>.

[5] Uyeda noted that challenges to the SEC’s climate-related disclosure rules are currently before the Eighth Circuit Court of Appeals, although the SEC informed the Court in March that it had ended its defense of these rules. While strongly criticizing these rules, Uyeda argued that the SEC should not rescind them, but rather should wait for judicial review, as the Court’s decision on the policy will likely offer important insight that can help guide future SEC rulemaking.

6 Min Read

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