

U.S. Regulatory Update – Outlook for 2025

PMAC International Committee

February 11, 2025

Tracy Soehle
Associate General Counsel, IAA



INVESTMENT ADVISER
ASSOCIATION



“

Investment Adviser Association

is a not-for-profit organization that has exclusively represented the interests of fiduciary investment adviser firms for more than eight decades.



IAA



/ Agenda

- Trump Transition
- SEC Leadership
- Rulemaking
- Examinations
- Enforcement
- Questions

Trump Transition

- **Agency Nominations** – President Trump is moving ahead quickly with agency nominations and putting acting chairs in place while the confirmation process gets underway.
- **Regulatory Freeze** – consistent with other recent administrations, from Reagan to Biden: Order to halt all rulemaking processes. The memo directs all executive agencies to not propose or issue any rule without the approval of an appointed agency head or the President. The memo also directs agencies to withdraw any rules that have been submitted to the *Federal Register* but have not been published. In addition, the memo directs agencies to consider postponing the effective dates of rules that have been finalized and published in the *Federal Register* but have not become effective yet.

Trump Transition

- **Hiring Freeze** – A federal hiring freeze was instituted by a presidential memorandum.
- **Executive Orders** - President Trump issued a slew of Executive Orders and Memoranda. These Executive Orders and Memoranda spanned a broad range of topics including immigration and border security, energy and climate, trade, the federal workforce, gender, healthcare, the justice system, taxation, national security, foreign aid, TikTok, and federal civic architecture, among others. “DOGE,” the Department of Government Efficiency, was also created.
- **Digital Assets** – Acting SEC Chair Mark Uyeda announced a crypto task force dedicated to developing a comprehensive and clear regulatory framework for crypto assets. Commissioner Hester Peirce will lead the task force.

Leadership

- **SEC Chair** - Paul Atkins was nominated to fill the remainder of Gary Gensler's term (June 2026).
- **SEC Commissioners** – Gary Gensler (D) and Jaime Lizarraga (D) have both stepped down leaving 3 Commissioners. Mark Uyeda (R) has been appointed Acting Chair. Hester Peirce (R) and Caroline Crenshaw (D) remain Commissioners.
- **SEC Staff** – Acting Enforcement Director Sanjay Wadhwa has also stepped down. Samuel Waldon has been named acting director of the Division of Enforcement. Keith Cassidy remains acting director of the Division of Examinations. Natasha Vij Greiner remains the Director of the Division of Investment Management.
- **Other Key Staff** – Scott Bessent was confirmed as Treasury Secretary, Caroline Pham is Acting Chair of the CFTC, and Vince Micone is the acting Secretary of Labor for the DOL. Lori Chavez-DeRemer is nominated to become Secretary of Labor.

Rulemaking

- **Advisers Act Open Rules** – *Safeguarding, PDA, Outsourcing, Cybersecurity, and ESG* proposed rules remain open. At this juncture, we do not expect that these rules will move forward in their current condition. It is unclear whether they will be withdrawn (which requires process) or simply not acted upon. Expect that the SEC will deal with custody in connection with its digital assets initiative, though it is unclear what form that will take.
- **Anti-Money Laundering** – the AML rule for investment advisers was proposed and finalized by FinCEN. The accompanying CIP rule was issued jointly by the SEC and FinCEN and is still in the proposal stage. The CDD rule has not been proposed due to litigation surrounding the Corporate Transparency Act (currently stayed) and related beneficial ownership reporting requirements.

/ Rulemaking

- **Form PF** – the SEC extended the compliance period for Form PF until June 12 after a number of trades pushed for this outcome. Industry was hoping for September 12.
- **Pending Litigation** – we have seen a number of challenges to rulemaking this past year, with the SEC suffering challenging losses. The stock-buyback rule, private fund adviser rule, and dealer rules were all vacated. There are a number of cases still in process: Issuer Climate Change, Securities Lending, Form SHO, Fund Reporting (NPORT), Proxy Voting, DOL ESG (remanded), DOL Fiduciary (stayed while on appeal), and the FTC’s non-compete rule is on appeal (permanently enjoined).

Examinations

- Expect to still have a strong exams function. Historically, the program hasn't changed that much and has been less political. The staff will likely continue to focus on core compliance areas, fraud, investor harm, retail, and risk-based themes (e.g., AI)
- Possibly less focus on private funds, and potentially a different approach to crypto
- Expect that examiners in regional offices around the country will continue to exercise some of their own agenda including thematic exams
- ESG will likely be integrated into all exams (disclosure focus); potentially with an “anti-woke” posture
- May have new division heads in Exams, Enforcement, and IM once Atkins is confirmed

A network diagram consisting of numerous grey nodes of varying sizes connected by thin lines, forming a complex web-like structure that extends from the top center towards the right side of the slide.

Enforcement Landscape

Previously, we saw:

- An absence of reasonableness in approach, more strict liability (e.g., pay to play; off-channel cases)
- Messaging cases instead of deficiencies (e.g., off-channel, ESG cases)
- Blaming the victim (e.g., cyber cases – Solar Winds)

Expecting a change in posture:

- Compliance Rule standard is “reasonably-designed,” hoping to see this come back
- Undertakings – the IAA is advocating that undertakings in an individual enforcement action shouldn’t create an expectation for all firms

/ Thank you

Questions?