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SEC's Newest Task Force Takes Cross-Border Aim

The SEC's new Cross-Border Task Force and recent enforcement history signal sustained, and likely escalating, cross-border scrutiny, particularly for China and Hong Kong based issuers, Chinese auditing firms, and firms that work on China-related deals.

In line with the Trump Administration's America First Investment Policy and perhaps in response to entreaties from Congress and state regulators to protect the U.S. capital markets from unscrupulous foreign actors, the SEC announced the formation of a Cross-Border Task Force within its Division of Enforcement on September 5, 2025.^[1] The task force will focus on investigating foreign-based issuers for potential market manipulation, such as pump-and-dump and ramp-and-dump schemes, and will increase scrutiny of gatekeepers, particularly auditors and underwriters, who help foreign issuers access the U.S. capital markets. The statement notably singles out China as a jurisdiction where governmental control and other factors pose unique investor risks.

Key Takeaways

- The Cross-Border Task Force reflects this administration's enforcement priorities.
- The Cross-Border Task Force may be an answer to calls to scrutinize Chinese companies that are taking advantage of the U.S. capital markets and those gatekeepers who help them get access.

- **The SEC's Enforcement Division has vast and deep experience investigating cross-border and international cases, including those involving Chinese issuers, advisers and traders.**
- **If past is prologue, expect to see back-to-basics enforcement with a cross-border and China twist.**
- **U.S. companies doing business with Chinese companies will want to review their compliance programs to ensure they avoid getting caught in the Cross-Border Task Force net.**

America First and the Cross-Border Task Force

The creation of a special task force aligns with the current administration's America First Investment Policy memorandum issued on February 21, 2025, which signals an intention to further decouple from China.^[2] The memorandum proposes reshaping inbound and outbound investment screening to ease investment with U.S. allies while making investment into or by China and other foreign nations more difficult.^[3] It also previews rules to restrict Chinese investment in key U.S. industries and to deter U.S. investment in sectors that support China's military industry. Responding to the call, the DOJ formed a Trade Fraud Task Force last month to investigate and prosecute duty-evasion schemes and unlawful importation of prohibited goods, focusing on international trade with foreign companies.^[4]

Fueled by tightened listing rules in China, more Chinese companies are seeking U.S. listings in the U.S.^[5] According to research by the U.S.-China Economic and Security Review Commission, as of March 7, 2025, there were 286 Chinese companies listed on the NYSE, NASDAQ and NYSE American (formerly known as the American Stock Exchange) with a total market capitalization of \$1.1 trillion.^[6] That represents a 30% growth in market cap from the prior year.^[7] A number of Chinese companies in recent years went public through special purpose acquisition companies (SPACs).^[8] This echoes the reverse-merger wave a decade ago—when about one-third of U.S. reverse mergers involved China operating companies.^[9] And, starting in 2011, the SEC responded to the associated risks by suspending, deregistering, and bringing fraud charges against companies that had completed such mergers.^[10]

The SEC's Cross-Border Task Force follows a steady drumbeat of pressure on Chairman Atkins to tighten oversight and delist China-based issuers. At his Senate confirmation hearing, several senators, from both sides of the aisle, pointed out the risk of Chinese companies accessing the U.S. capital markets and highlighted Chinese companies “playing by a whole different set of rules, which both put them at a competitive advantage, but also endangered American investors on those exchanges.”^[11]

On May 2, 2025, Rep. John Moolenaar (R-Mich.), chair of the House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party, and Sen. Rick Scott (R-Fla.), chair of the Senate Committee on Aging, together with other lawmakers, urged Chairman Atkins to use existing authorities to protect U.S. markets and investors in a letter, citing large Chinese issuers with hundreds of billions of dollars in market cap whose securities trade on U.S. exchanges and alleging they benefit from U.S. capital while advancing objectives of

the Chinese Communist Party (CCP), including military modernization and human rights abuses.^[12] A few weeks later, on May 19, 2025, Sen. Todd Young (R-Ind.) pressed Chairman Atkins in a letter to tighten oversight of China-related U.S. listings.^[13] On May 20, 2025, state financial officers wrote to Chairman Atkins urging investigations into delisting China-based issuers.^[14] The letter asserts that Chinese government actions foster opacity inconsistent with the Exchange Act's reporting and anti-fraud requirements.

On September 18, 2025 in published Remarks at the Investor Advisory Committee Meeting, Chairman Atkins signaled that the Commission may tighten the special accommodation available to foreign private issuers.^[15] He pointed to the SEC's June 2025 concept release seeking public feedback on adding eligibility conditions, such as a minimum level of foreign trading volume or a primary listing on a major foreign exchange, before non-U.S. companies can rely on accommodations not afforded to domestic issuers.^[16] Chairman Atkins framed the review as a response to market shifts in which many foreign companies are incorporated in jurisdictions, e.g., the Cayman Islands, different from where they are headquartered and operate, raising governance considerations with implications for shareholder interests.

SEC Enforcement Priority: Form a Task Force

The SEC's creation of a Cross-Border Task Force is consistent with its longstanding practice of forming special task force teams to concentrate nationwide resources on priority enforcement areas. In 2013, under Chair Mary Jo White, the SEC's Enforcement Division launched the Financial Reporting and Audit Task Force (FRAud) to improve detection and prevention of financial reporting and accounting fraud,^[17] as well as the Microcap Task Force to investigate microcap securities fraud and hold gatekeepers accountable.^[18] In 2017, reflecting Chairman Jay Clayton's "Main Street" focus, the SEC formed the Retail Strategy Task Force to identify misconduct targeting retail investors.^[19] And from 2021 through 2024, a Climate & ESG Task Force, announced by Acting Chair Allison Herren Lee and continued under Chair Gary Gensler, heightened scrutiny of climate risk disclosures and underscored the SEC's prioritization of ESG initiatives.^[20]

With its announcement of the Cross-Border Task Force, Chairman Atkins noted that "[w]e welcome companies from around the world seeking access to the U.S. capital markets ... [b]ut we will not tolerate bad actors ... the new task force will consolidate SEC investigative efforts and allow the SEC to use every available tool to combat transnational fraud." He also noted a Commission-wide approach to protecting U.S. investors, including directing staff in the Divisions of Corporation Finance, Examinations, Economic and Risk Analysis and Trading and Markets as well as the Office of International Affairs to consider and recommend new disclosure guidance and any necessary rule changes.

What to Expect: Past is Prologue

Companies with ties to China should anticipate continued, and potentially heightened, SEC enforcement in traditional areas within the SEC's expertise. After years of investigating FCPA violations, off-shore market manipulations, international insider trading rings and accounting fraud

at Chinese companies, the enforcement staff has deep experience and is well-poised to execute on its new mission of combatting cross-border investment fraud.

To some extent, past is prologue and recent enforcement actions involving Chinese companies offer a clear preview of enforcement in this space and may serve as templates for the Cross-Border Task Force as it initiates and advances future investigations.

Market Manipulation

Market manipulation, including pump-and-dump and ramp-and-dump schemes, has been a traditional SEC enforcement area. On September 12, 2025—just a week after the announcement of the SEC’s Task Force—the Justice Department announced an indictment, in the Eastern District of Virginia against the co-CEO of a NASDAQ-listed Cayman islands technology company with its principal operations in China and a financial advisor alleging a \$110 million pump-and-dump scheme.^[21] According to the indictment, defendants allegedly funneled tens of millions of shares of the company to 15 co-conspirators through non-bona fide transactions and then launched a coordinated social-media campaign to inflate the price and trading volume before dumping the shares, generating over \$110 million for defendants while investors saw the company lose more than \$950 million in market capitalization. The FBI and SEC-OIG investigated this classic alleged market manipulation.^[22]

Accounting Fraud

Accounting fraud is a consistent enforcement priority for the SEC. In a recent case, on February 6, 2024, the SEC announced a settlement for accounting fraud charges against a cloud communications provider, incorporated in the Cayman Islands and headquartered in Beijing, whose American Depositary Shares traded on NYSE.^[23] The SEC alleged that two senior managers orchestrated a fraudulent scheme by prematurely recognizing revenue on service contracts before the Company had finished the work. Consequently, the company overstated revenue for two quarters and was charged with violations of the antifraud, reporting, books-and-records, and internal controls provisions of the federal securities laws.

Chinese Auditors

Another notable area of enforcement involves Chinese auditors. In 2020, the Holding Foreign Companies Accountable Act (HFCAA) was enacted into law after China prevented the Public Company Accounting Oversight Board (PCAOB) from inspecting China-based audit firms who audit Chinese companies listed on U.S. exchanges.^[24] Under the HFCAA, if the PCAOB states it cannot inspect an audit firm in a jurisdiction, the SEC must identify affected issuers and, after two consecutive years, ban trading in their securities in the U.S. Although the PCAOB announced in 2022 that it had full access to audit firms in mainland China and Hong Kong,^[25] firms in these areas remain subject to PCAOB examinations and related SEC enforcement actions.

While it does not directly enforce the HFCAA, the SEC has assisted the PCAOB in disciplining Chinese auditors since the issue arose and it has brought its own enforcement actions against Chinese auditors.[\[26\]](#)

Broker-Dealers

There has been recent enforcement activity against broker dealers with China ties or with foreign customers conducting trading in foreign issuers for deficiency in SARs filings.

On November 22, 2024, the SEC announced settled charges against a broker-dealer founded by a Chinese national and with significant China-related ownership for filing deficient Suspicious Activity Reports (SARs) that omitted required details explaining the allegedly suspicious conduct as required by FinCEN.[\[27\]](#) For instance, when a foreign-based client making significant profits and facing account restrictions due to a “high probability” of insider trading, the SAR omitted the timeframe, the securities involved, and other basic trade details and rationale.[\[28\]](#)

On December 17, 2024, the SEC announced another set of settled charges against an online discount broker and its former AML Compliance Officer for failing to file required SARs in violation of Exchange Act Section 17(a) and Rule 17a-8.[\[29\]](#) The SEC alleged that the company's thousands of largely retail customers, many of whom were based in China, Malaysia, or Taiwan, routinely engaged in potentially suspicious conduct, but that deficiencies in the company's AML program led to repeated failures to investigate and report.[\[30\]](#) The order also alleges that the AML officer repeatedly declined to investigate or file SARs even when alerted by internal surveillance or the clearing firm, and at times tipped customers to keep trading below average-daily-volume thresholds to avoid review. Without admitting or denying the findings, the company agreed to a \$125,000 penalty, and the officer agreed to a \$25,000 penalty.

Insider Trading

The SEC has also brought significant insider trading enforcement actions against Chinese traders in complex, high-profile insider trading cases. Notably, the SEC's Market Abuse Unit and Analysis and Detection Center have used advanced data analytics to spot misconduct by offshore traders, which will likely be key to the Cross-Border Task Force's agency-wide expertise.

For example, on August 16, 2024, the SEC obtained a final judgment against a Chinese national who was a partner of a Hong Kong-based private equity firm who allegedly engaged in massive trading in the accounts of five Chinese nationals, including his elderly parents, amassing over \$56 million of DreamWorks stock before its acquisition by Comcast. The court granted the SEC's request for an asset freeze and ultimately imposed a \$39.5 million civil penalty to be paid from funds frozen in brokerage accounts he allegedly used for insider trading.[\[31\]](#)

In another significant case, the SEC charged the Chinese CEO and Chief Technology Officer of a Cayman Islands-incorporated, Beijing-based mobile internet company whose securities traded on the NYSE with insider trading as well as allegedly making misleading material statements about the company's revenue.[\[32\]](#) The case is notable since in addition to charging c-suite executives with insider trading in shares of their own company, the SEC charged the officers for trades that were purportedly made pursuant to Rule 10b5-1 trading plans, which are widely used by public

company officers and directors since trades pursuant to such plans can shield insiders from insider trading liability under certain circumstances.

Hong Kong's Next Move: SFC to Prosecute Overseas Insider Dealing

The Hong Kong Securities and Futures Commission (SFC) has also announced plans to amend the Hong Kong Securities and Futures Ordinance (SFO) to provide it with greater powers to investigate and prosecute cross-border insider trading.^[33] While the SFC already has powers to prosecute market misconduct (such as price rigging and creating the appearance of false trading) taking place in Hong Kong in relation to overseas listed securities, the SFC's powers in relation to insider dealing are currently limited to insider dealing taking place in Hong Kong in relation to Hong Kong listed securities or their derivatives, as well as securities dual-listed in Hong Kong and another jurisdiction. These limitations on the SFC's powers have historically meant that the SFC could not bring action directly against individuals in Hong Kong who engage in insider dealing in relation to overseas-listed securities, and was instead limited to assisting foreign regulators such as the SEC with their investigations.

We anticipate an uptick in insider dealing investigations in Hong Kong by the SFC in relation to U.S.-listed securities in particular once the SFC acquires these powers to directly prosecute this sort of misconduct. This will likely lead to increased collaboration by the SFC with the SEC (including with the Cross-Border Task Force) in relation to cross-border insider dealing investigations involving Hong Kong residents and/or Hong Kong licensed firms trading in US-listed securities.

Conclusion

The SEC's new Cross-Border Task Force and recent enforcement history signal sustained, and likely escalating, cross-border scrutiny, particularly for China and Hong Kong based issuers, Chinese auditing firms, and firms that work on China-related deals. These entities should pay close attention to risks related to public disclosure, audit firm qualification, and maintain robust internal accounting and disclosure controls to stay compliant with SEC requirements. In addition, they should also monitor enforcement actions and investigations coming out of the SEC to get a sense of what may come.

^[1] SEC Announces Formation of Cross-Border Task Force to Combat Fraud. <https://www.sec.gov/newsroom/press-releases/2025-113-sec-announces-formation-cross-border-task-force-combat-fraud>.

^[2] America First Investment Policy. <https://www.whitehouse.gov/presidential-actions/2025/02/america-first-investment-policy/>.

^[3] Id., § 1.

^[4] See Gibson Dunn Client Alert, Getting Serious About Tariff Evasion—New Trade Fraud Task Force Continues Trend of DOJ's Top-Down Generation of Investigative Targets.

<https://www.gibsondunn.com/getting-serious-about-tariff-evasion-new-trade-fraud-task-force-continues-trend-of-doj-top-down-generation-of-investigative-targets/>.

[5] Chinese firms set for record US listings, undeterred by geopolitics.
<https://www.reuters.com/business/finance/chinese-firms-set-record-us-listings-undeterred-by-geopolitics-2025-08-05/>.

[6] Chinese Companies Listed on Major U.S. Stock Exchanges.
<https://www.uscc.gov/research/chinese-companies-listed-major-us-stock-exchanges>.

[7] Id.

[8] Supra note 5.

[9] See PCAOB Research Note, Activity Summary and Audit Implications for Reverse Mergers Involving Companies from the China Region: January 1, 2007 through March 31, 2010, [here](#).

[10] See SEC Approves New Rules to Toughen Listing Standards for Reverse Merger Companies. <https://www.sec.gov/news/press/2011/2011-235.htm>. See also Gibson Dunn 2012 Mid-Year Securities Enforcement Update. <https://www.martindale.com/matter/asr-1553806.Securities.pdf> at p. 24-25.

[11] Confirmation Hearing Before the S. Comm. on Banking, Hous., & Urban Affs., 119th Cong. (Mar. 27, 2025) (video at 40:46). <https://www.youtube.com/watch?v=7AyzxTQZg0E>. According to media reports, during his confirmation hearing, Chairman Atkins agreed to investigate Chinese companies for violations of U.S. disclosure laws when asked by Sen. Rick Scott, who said his confirmation vote was contingent on Chairman Atkins ramping up scrutiny on Chinese companies. See New York Post article, The heat is on for newly confirmed SEC chairman Paul Atkins to crack down on Chinese companies. <https://nypost.com/2025/04/12/business/the-heat-is-on-for-newly-confirmed-sec-chairman-paul-atkins-to-crackdown-on-chinese-companies/>.

[12] Chairman Moolenaar, Chairman Scott Urge SEC to Delist CCP-Linked Companies from U.S. Markets. <https://selectcommitteeontheccp.house.gov/media/press-releases/chairman-moolenaar-chairman-scott-urge-sec-delist-ccp-linked-companies-us>.

[13] Young Asks SEC Chair to Protect U.S. Economic, National Security from Chinese Market Manipulation. <https://www.young.senate.gov/newsroom/press-releases/young-asks-sec-chair-to-protect-u-s-economic-national-security-from-chinese-market-manipulation/>.

[14] Treasurer Pack Urges U.S. Stock Exchange to Delist Chinese Companies.
<https://wvtreasury.gov/About/Press-Releases/details/treasurer-pack-urges-u-s-stock-exchange-to-delist-chinese-companies>.

[15] Remarks at the Investor Advisory Committee Meeting.
<https://www.sec.gov/newsroom/speeches-statements/atkins-091825-remarks-investor-advisory-committee-meeting>.

[16] Concept Release on Foreign Private Issuer Eligibility, 90 Fed. Reg. 24,232 (June 9, 2025) (SEC), <https://www.federalregister.gov/documents/2025/06/09/2025-10428/concept-release-on-foreign-private-issuer-eligibility>.

[17] Financial Reporting and Accounting Fraud. <https://www.sec.gov/newsroom/speeches-statements/spch091913ac>.

[18] SEC Announces Enforcement Initiatives to Combat Financial Reporting and Microcap Fraud and Enhance Risk Analysis. <https://www.sec.gov/newsroom/press-releases/2013-2013-121htm>.

[19] SEC Announces Enforcement Initiatives to Combat Cyber-Based Threats and Protect Retail Investors. <https://www.sec.gov/newsroom/press-releases/2017-176>.

[20] SEC Announces Enforcement Task Force Focused on Climate and ESG Issues. <https://www.sec.gov/newsroom/press-releases/2021-42>.

[21] Co-CEO of Chinese Publicly Traded Technology Company and Financial Advisor Indicted for Over \$100M Securities Fraud Scheme. <https://www.justice.gov/opa/pr/co-ceo-chinese-publicly-traded-technology-company-and-financial-advisor-indicted-over-100m>.

[22] These types of market manipulations are bread-and-butter cases the SEC has brought over the years, including against traders based in China. See, e.g., SEC Charges 18 Traders in \$31 Million Stock Manipulation Scheme. <https://www.sec.gov/newsroom/press-releases/2019-216>.

[23] SEC Charges China-Based Tech Company Cloopen Group with Accounting Fraud. <https://www.sec.gov/newsroom/press-releases/2024-15>.

[24] Holding Foreign Companies Accountable Act. <https://www.sec.gov/rules-regulations/holding-foreign-companies-accountable-act>.

[25] PCAOB Secures Complete Access to Inspect, Investigate Chinese Firms for First Time in History. <https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-secures-complete-access-to-inspect-investigate-chinese-firms-for-first-time-in-history>.

[26] See <https://www.sec.gov/newsroom/press-releases/2022-176>. The PCAOB has also taken several recent actions against Chinese and Hong Kong audit firms. See e.g., <https://pcaobus.org/news-events/news-releases/news-release-detail/fact-sheet-pcaob-imposes-historic-sanctions-on-china-based-audit-firms>; <https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-sanctions-three-partners-of-kpmg-china-for-violations-of-audit-standards>.

[27] SEC Charges Three Broker-Dealers with Filing Deficient Suspicious Activity Reports. <https://www.sec.gov/newsroom/press-releases/2024-185>. Webull disclosed its ties to China in its Annual Report. See Webull Corp. Form 20-F for the fiscal year ended Dec. 31, 2024 (filed Apr. 25, 2025),

https://www.sec.gov/ix?doc=/Archives/edgar/data/1866364/000121390025035656/ea0235698-20f_webull.htm.

[28] In the Matter of Webull Financial LLC, Exchange Act Release No. 101707, Admin. Proc. File No. 3-22330 (Nov. 22, 2024). <https://www.sec.gov/files/litigation/admin/2024/34-101707.pdf>.

[29] SEC Charges SogoTrade Inc. and Former Anti-Money Laundering Compliance Officer for Failure to File Suspicious Activity Reports (SARs). <https://www.sec.gov/enforcement-litigation/administrative-proceedings/34-101936-s>.

[30] In the Matter of SogoTrade, Inc., Exchange Act Release No. 101936, Admin. Proc. File No. 3-22363 (Dec. 17, 2024). <https://www.sec.gov/files/litigation/admin/2024/34-101936.pdf>.

[31] Shaohua (Michael) Yin, et al. <https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26093>.

[32] SEC Charges Cheetah Mobile's CEO and its Former President with Insider Trading. <https://www.sec.gov/newsroom/press-releases/2022-169>.

[33] Hong Kong Securities and Futures Commission, Consultation Conclusions on Proposed Amendments to Enforcement-related provisions of the Securities and Futures Commission. <https://apps.sfc.hk/edistributionWeb/api/consultation/conclusion?lang=EN&refNo=21CP3>.

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