

GIBSON DUNN



Securities Enforcement Update

September 9, 2025

State Securities Regulators Announce New Initiative to Increase Enforcement Investigations of Broker-Dealers

Gibson Dunn will monitor closely the new NASAA Broker-Dealer Inspections & Compliance (BDIC) initiative as it undertakes its “ambitious agenda” beginning with several new multi-state investigations.

The Securities and Exchange Commission’s Enforcement Division has declared its focus on fraud, market manipulation and securities violations that cause substantial investor harm.^[1] The move away from standalone operational compliance violations that did not cause any substantial investor harm is welcome news for registered broker-dealers.^[2] Against this change, however, state securities regulators will be *expanding* their enforcement focus to cover all aspects of regulatory compliance by registered broker-dealers. Is this a case of the SEC giveth and the states take away?

At the annual meeting of the North American Securities Administrators Association (NASAA) in Phoenix on September 8, 2025, an attorney from the Massachusetts Securities Division presenting at the Broker-Dealer Section announced the creation of a new project group focused on multi-state collaboration in identifying new areas of investigation of broker-dealers.

The new Broker-Dealer Inspections & Compliance (BDIC) group will be an “enforcement-forward” group—i.e., one that is looking for enforcement investigations through compliance examination programs—that will help identify new matters that can be brought by an individual state or a group of coordinated states.[\[3\]](#)

The attorney described the group as having a “very ambitious agenda” and outlined four prongs of the initiative:

- Gather data to help develop investigations and identify trends (e.g., in sales practices and specific products).
- Review prior cases brought by other regulators to determine whether the subject-matter of those cases could form the basis for a multi-state investigation.
- Facilitate dialogue and field state examiners’ questions about broker-dealer compliance obligations to assess whether an identified issue might warrant an enforcement investigation.
- Identify new areas for inquiry at broker-dealers, including developing template request letters and investigatory plans for use by any state that wants to use them.

The attorney said that the NASAA Enforcement section has noted the importance of having group members who understand broker-dealer operations to identify enforcement targets effectively. The expectation is that the BDIC group will work closely with the Enforcement Section.

According to the presentation, the BDIC group is ready to begin several new investigations.

Unlike investment advisers, investment companies, and most issuers, broker-dealers are regulated concurrently by up to 53 state jurisdictions where they conduct securities business, as well as by self-regulatory organizations (e.g., FINRA) and the SEC. While some states have routine broker-dealer examination programs, many states limit their examination program to “for cause” exams. The new initiative may allow states with for-cause programs to leverage information developed by states with routine exam programs.

What can broker-dealers do?

- Pay close attention to all state exam requests, particularly given that the states are coordinating their efforts to use exam findings as a pipeline for multi-state enforcement investigations.
- Continue to take exams seriously from the beginning and ensure the firm devotes the right type and amount of resources to managing the exam internally.
- Assess and address any complaints made by customers or others and remain diligent around compliance.
- Review key risk areas and recent guidance from the states, FINRA, and the SEC to identify and update compliance risks and document compliance efforts.

The impact of this new initiative will develop over time, and we will be monitoring it closely.

[1] Chairman Paul S. Atkins, Opening Remarks at the SEC Town Hall (May 6, 2025) (“Investor protection *is* the cornerstone of our mission—to hold accountable those who lie, cheat, and steal.”), <https://www.sec.gov/newsroom/speeches-statements/atkins-townhall-05062025>.

[2] Note that, within the last month, the SEC has instituted several proceedings involving Regulation Best Interest and its component obligations.

[3] Historically, the “majority” of state and provincial enforcement work “originate[d] from complaints submitted by the public or from referrals made by other agencies.” https://www.nasaa.org/wp-content/uploads/2024/10/FINAL_2024-Enforcement-Report.pdf.

The following Gibson Dunn lawyers prepared this update: Mark Schonfeld, David Woodcock, Jina Choi, Lauren Jackson, Osman Nawaz, and Tina Samanta.

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