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GIBSON DUNN

Securities Enforcement Update August 4, 2026

Securities Enforcement 2026 Mid-Year Update

The first half of 2026 brought the second change of Enforcement leadership in under a year, the first comprehensive overhaul of the Enforcement Manual since 2017, and the first full-year enforcement statistics of the Atkins era — each reinforcing a consistent "quality over quantity," back-to-basics enforcement philosophy.

Three developments defined the first half of 2026 at the SEC's Division of Enforcement: a second change of Director in under a year, the first comprehensive overhaul of the Enforcement Manual since 2017, and the release of the first full-year enforcement statistics of Chairman Paul Atkins' tenure. Each reinforced the same message — a "quality over quantity," back-to-basics enforcement program focused on fraud and manipulation, with process discipline and cooperation incentives now formalized in writing. At the same time, the Commission continued to unwind legacy litigation, entered into a landmark memorandum of understanding with the CFTC, and stood up new task forces and working groups.

Despite lower headline numbers, Division leadership has signaled — and early indicators suggest — a coming uptick in core fraud enforcement, with accounting and disclosure fraud, private funds, cross-border misconduct, and retail-facing fraud at the top of the agenda. This update summarizes the leadership changes, statistics, process reforms, dismissals, and significant enforcement actions of the first half of 2026, and what they suggest for the remainder of the year.

Leadership Turnover and "Quality Over Quantity" in Practice

The Enforcement Director Turnover

Judge Margaret Ryan resigned as Director of the Division of Enforcement effective March 16, 2026, after roughly six months in the role.[1] The release announcing her departure credited her with overseeing a "critical course correction" in the enforcement program, away from approaches that prioritized volume over impact, together with a renewed focus on holding individual wrongdoers accountable.

On April 8, 2026, the Commission announced the appointment of David Woodcock as Director of the Division of Enforcement, effective May 4, 2026, with then Acting Director Waldon continuing to serve in the interim.[2] Director Woodcock returned to the agency after serving as Director of the Fort Worth Regional Office from 2011 to 2015 and as creator and chair of the Financial Reporting and Audit Task Force; he began his career as a Big Four auditor and most recently practiced as a partner and co-chair of the Securities Enforcement Practice Group at Gibson Dunn.

The Division's national leadership continued to take shape around the new Director. In July, Osman Nawaz rejoined the Commission as a Deputy Director of the Division of Enforcement. Nawaz had previously spent more than 14 years in the Enforcement Division — including as Chief of the Complex Financial Instruments Unit — before departing in December 2024 to join Gibson Dunn as a partner in its Securities Enforcement and White Collar Defense and Investigations Practice Groups.[3] On July 22, the Commission announced that Deputy Director Nawaz will succeed Mr. Waldon as Principal Deputy Director following Mr. Waldon's departure at the end of July.[4]

Turnover extended to the Commissioners as well: Commissioner Caroline Crenshaw departed in January 2026,[5] and Commissioner Hester Peirce will leave the SEC to join Regent University School of Law as an associate professor in November 2026.[6]

Continuity of Philosophy Across Three Leaders

Although the Division has had three leaders in twelve months, their public statements reflect a common through line that echoes the themes of Chairman Atkins' Keynote Address at the 25th Annual A.A. Sommer, Jr. Lecture on Corporate, Securities, and Financial Law.[7]

Judge Ryan's first public remarks, delivered to the Los Angeles County Bar Association in February 2026, targeted bad actors, "which Chairman Atkins refers to as the liars, cheats, and thieves."[8] Then Acting Director Waldon carried that message forward at the 2026 SEC Speaks conference in March 2026, assuring attendees that the enforcement program remained "full steam ahead" and that the Division would pursue "quality over quantity."[9] And Director Woodcock, in his May 2026 remarks at the MFA Legal & Compliance Conference, pledged a return to "back to basics" enforcement, with "hands-on leadership" and a "focus on the fundamentals."[10]

Each of the three leaders has identified the same core priorities: offering and retail fraud, accounting and disclosure fraud, insider trading, market manipulation and wash trading, and breaches of fiduciary duty or misuse of client assets by investment advisers. At the same time, leadership has consistently signaled that non-fraud violations — reporting, books-and-records, internal-controls, and broker-dealer and adviser compliance failures — occupy a different tier. As Judge Ryan put it: “Are violations of these provisions on par with fraud? No, not necessarily.”[11] Then Acting Director Waldon struck the same balance at SEC Speaks: “If you make an honest mistake, and fix it, take steps to remediate, improve internal controls, and help harmed investors — those are not the cases we are looking at. If you don’t do that, that is a different story.”[12]

Early Indications of Increased Enforcement Activity

The Division has brought slightly fewer enforcement actions in the first half of 2026 compared to the first half of 2025, which is not unexpected given the Director turnover in 2026 and the SEC’s actions under former Chairman Gary Gensler in January 2025. The Commission announced 122 standalone and follow-on enforcement actions in the first half of 2026, compared to 146 in the first half of 2025. The intra-year trend, however, points upward: enforcement activity quickened as the half progressed, with more new actions announced in the second quarter than in the first and June filings up roughly 25% over May — including a near-tripling of new district-court actions and a cluster of administrative orders in the final week of the quarter.

Hiring tells a similar story. The Division has named three Deputy Directors this year, beginning with Paul H. Tzur and David M. Morrell in January[13] and followed by Deputy Director Nawaz in July. It has also posted multiple open positions, including postings for staff attorneys, accountants, and assistant directors, and the agency recently posted for an “Enforcement Liaison” in the Division of Trading and Markets.[14] Together with the new Retail Fraud Working Group and the Division’s stated priorities, discussed below, these indicators suggest that the pace of investigations and enforcement actions will accelerate in the second half of 2026.

<u>The FY 2025 Enforcement Results — The First Full Statistical Picture of the Atkins Era</u>

Chairman Atkins has long invoked a classic management adage — “you get what you measure.”[15] As he explained in the Sommer Address:

> If we reward the staff only for bringing enforcement actions, then we have discouraged the staff from determining not to recommend an enforcement action. A basic tenet of management is, ‘You get what you measure.’ The wrong incentives make it more difficult for the staff to follow the evidence and the law wherever it leads and instead encourage the staff to stretch the boundaries of existing law.[16]

Our 2025 Year-End Update noted that official FY 2025 statistics had not yet been released and cited an estimate by The Brattle Group of 506 actions (a 13% decline from FY 2024). The official results, announced April 7, 2026, came in materially lower.[17] The release arrived months after the Commission’s usual November/December cadence — and, notably, one day before the announcement of Director Woodcock’s appointment.

The headline figures: 456 total enforcement actions — reported as the lowest total in roughly 20 years — comprising 303 standalone actions (down approximately 30% from FY 2024), 69 follow-on administrative proceedings, and 84 delinquent-filing actions. Monetary relief totaled approximately $17.9 billion, consisting of $10.8 billion in disgorgement and prejudgment interest and $7.2 billion in civil penalties. Excluding the monies ordered from the Stanford International Bank Ltd. action, totaling $14.9 billion, judgments and "deemed satisfied" offsets, FY 2025 produced approximately $1.4 billion in disgorgement and prejudgment interest and $1.3 billion in civil penalties — roughly a one-third year-over-year reduction — and approximately $262 million was returned to harmed investors, down about 24%.

By case mix, investment adviser/investment company, securities offering, delinquent-filing, and broker-dealer actions together accounted for roughly 75% of FY 2025 actions. Conspicuously absent relative to FY 2024 were off-channel communications,[18] whistleblower-rule, non-fraud crypto offering, and cybersecurity disclosure and controls cases. For the first time, the Commission disclosed the number of matters closed without enforcement action: 1,095 in FY 2025.

The Commission's announcement of FY 2025 enforcement results was as much policy statement as scorecard. The announcement explicitly criticized the prior Commission's "regulation by enforcement" and volume-driven metrics, while emphasizing individual accountability: approximately two-thirds of standalone actions named at least one individual, a 27% increase over FY 2024. Chairman Atkins stated that "the Commission has put a stop to regulation by enforcement and recentered its enforcement program on the Commission's core mission." Commissioner Mark Uyeda added: "I fully support the move away from using enforcement as a tool for policymaking, and the return to the Commission's historical norms."[19] Measured against the Chairman's own yardstick, the FY 2025 results were less a retreat than a recalibration of what the Commission has chosen to measure.

<u>**Process and Policy Institutionalized**</u>

The Enforcement Manual Overhaul

On February 24, 2026, the Division announced the first comprehensive revision of its Enforcement Manual since 2017, together with a commitment to review the Manual annually going forward.[20] The updated Manual formalized changes across the life cycle of an investigation. It included a restructured Wells process, with Director-level approval for Wells notices, four-week submission windows, and prompt post-Wells meetings with senior leadership. It also restored the simultaneous consideration of settlement offers and related collateral-consequence waiver requests (well-known seasoned issuer status, and Regulation D and forward-looking-statement safe harbors). Finally, it adopted a framework, rooted in the Seaboard report,[21] for evaluating cooperation and remediation — including their effect on civil penalties and the express possibility of zero-penalty resolutions. Chairman Atkins called the overhaul "an important and long-overdue step."[22]

Cooperation and Self-Reporting Messaging

Director Woodcock's MFA remarks reinforced the cooperation framework in practical terms, urging counsel and firms to "engage early, engage seriously, and engage candidly" and placing the onus on firms to take advantage of pre-enforcement dialogue. To date, however, the Commission has stopped short of quantifying cooperation credit in the manner of DOJ or the CFTC,[23] and as FINRA has signaled it plans to do.[24] The Manual also institutionalized a structure for the approval of any cooperation agreements, deferred prosecution agreements, non-prosecution agreements, and immunity requests. Section 6.2.1 provides that the "cooperation program is overseen and administered by the Division's Cooperation Committee," which "ensures that decisions regarding cooperation are made in an appropriate and consistent manner," and that "Staff should seek Cooperation Committee approval for all cooperation agreements."[25]

"Material Matters" Podcast

On April 16, 2026, Chairman Atkins launched the "Material Matters" podcast, providing "exclusive interviews and insights around the agency's policy and rulemaking agenda," with guests including fellow Commissioners, division directors, legal and policy experts, authors, and corporate leaders.[26] The inaugural episode featured Commissioners Uyeda and Peirce discussing regulatory philosophy and interagency coordination.[27]

Podcast participants have reinforced the Commission's current fraud-first mantra and emphasized enforcement's outer boundary: no interpretive enforcement and no jurisdictional overlap with the CFTC.

Rescission of the "Gag Rule"

On May 18, 2026, the Commission rescinded its 1972 policy barring settling defendants from publicly denying the Commission's allegations and stated that it will not enforce no-deny provisions in existing settlements.[28] Chairman Atkins explained: "Speech critical of the government is an important part of the American tradition. This rescission ends the policy prohibiting such criticism by settling defendants."[29]

Structural Priorities: Task Forces and Working Groups

Cross-Border Task Force

The Cross-Border Task Force, formed on September 5, 2025, and reaffirmed by Director Woodcock, remains focused on foreign-based issuers, pump-and-dump and other market-manipulation schemes, and the gatekeepers — principally auditors and underwriters — that facilitate access to U.S. capital markets.[30]

Continuing the trend reported in our 2025 Year-End Update, trading suspensions have remained the Task Force's most visible enforcement tool. Thus far this year, the Commission suspended trading in the securities of three offshore-incorporated, Asia-headquartered, U.S.-exchange-listed issuers — two based in Hong Kong and one in Singapore — citing suspected "ramp" manipulation of their securities promoted through social media.[31]

Retail Fraud Working Group

On July 7, 2026, the Commission formally announced the Retail Fraud Working Group[32] — a revival of the first-Trump-Administration group that Director Woodcock had previewed in his May remarks as one of his earliest priorities.[33] Its mandate covers offering frauds, microcap pump-and-dump schemes, market manipulation, unsuitable products, and breaches of duties to retail customers, with an emphasis on proactive case generation and coordination with state and foreign regulators. Chairman Atkins described the group as "a return to the core values and principles of the enforcement program," and Director Woodcock said it "will bring focused energy and resources to that mission."[34]

Office of the Whistleblower

Leadership of the Office of the Whistleblower has quietly turned over: long-time Chief Nicole Creola Kelly left the SEC early in 2025 amid the staff reductions, and Jonathan Carr, previously an Assistant Director in the Office, was most recently identified as Acting Chief[35]; no permanent successor has been announced.

The Commission has continued to grant awards in 2026, but announced them exclusively through redacted final orders posted to the Office's Final Orders page.[36] It has not issued a press release announcing an award this year or at any point during Chairman Atkins's tenure (other than on the day of Chairman Atkins's swearing-in), a departure from the prior administration's practice of publicizing significant awards. Thus far this year, the Commission has ordered 18 awards totaling at least $80 million, and 38 denials.

The awards issued in 2026 have quickly exceeded the value of those issued in all of 2025. In 2025, total awards fell to roughly $60 million[37] from $255 million in 2024.[38] Thus far this year, the SEC has issued one award exceeding $50 million[39] and another of approximately $20 million,[40] eclipsing the total amount awarded in all of FY 2025.

The Commission also pursued a whistleblower protection action: In May, the SEC settled an action against a national athletic footwear retailer, imposing a $148,000 civil penalty, for separation agreements that required departing employees to waive SEC whistleblower awards in violation of Rule 21F-17(a).[41] The settlement is a notable data point that contrasts with the Commission's stated focus on "lying, cheating, or stealing," as it represents a technical violation involving no fraud or direct investor harm. The order — a single action, resolved with cooperation and remediation credit and a comparatively modest penalty — contrasts with the sweep-style Rule 21F-17 enforcement of the prior administration.

Dismissals Continue

The Commission continued to unwind legacy litigation in the first half of 2026, extending the pattern of discretionary dismissals we described in our 2025 Year-End Update.

In early January, the Commission stipulated to the dismissal, with prejudice, of its remaining claims against the former chief financial officer of a global mining company[42] — a 2017 fraud action arising from the alleged inflated valuation of coal assets — ending more than eight years of litigation notwithstanding that the claims against the defendant had survived summary judgment in February 2025.[43]

In February, the Commission also stipulated to the voluntary dismissal of two other legacy district-court actions against individual defendants: a 2022 action pending in the Northern District of California,[44] and a 2023 action, also in the Northern District of California, against a former public-company chief financial officer.[45]

In March:

The Commission and the founder of a crypto social-media platform jointly stipulated to the dismissal of a 2024 fraud action against him, related individuals, and affiliated entities.[46]

In litigation against a blockchain entrepreneur, related foundations, and an affiliated entity, the Commission filed a proposed final judgment as part of a global resolution under which the affiliated entity will pay a $10 million civil penalty to resolve a wash-trading claim and all remaining claims against the entrepreneur and the related entities will be dismissed with prejudice; the original 2023 case had alleged unregistered offerings, wash trading involving more than 600,000 trades, and undisclosed celebrity-promoter payments.[47]

The Commission filed a joint stipulation dismissing, with prejudice, its action against a restaurant franchising company, its founder, and two other executives following the U.S. Department of Justice's July 2025 dismissal of a parallel criminal case.[48]

Separately, the Commission resolved its beneficial-ownership reporting action against Elon Musk. The SEC had filed the action after Musk allegedly acquired more than five percent of Twitter, Inc.'s outstanding common stock without timely filing the required beneficial-ownership report, alleging that "Musk saved at least $150 million at the expense of Twitter shareholders by failing to timely file the beneficial ownership report."[49] In May, the Elon Musk Revocable Trust was added as a defendant and consented to entry of a final judgment, subject to court approval, ordering payment of a civil penalty of $1.5 million.[50] A federal judge approved the settlement in July.

<u>From Enforcement to Framework: Project Crypto and SEC–CFTC Harmonization</u>

On March 11, 2026, the SEC and CFTC entered into a memorandum of understanding committing the agencies to "clarify, coordinate, and harmonize" their regulatory frameworks, including a "fit-for-purpose" framework for crypto assets, and simultaneously launched a Joint Harmonization Initiative spanning policymaking, examinations, and enforcement.[51]

Six days later, on March 17, 2026, the Commission issued — and the CFTC joined — an interpretive release addressing how the federal securities laws apply to certain crypto assets and transactions, establishing a five-category taxonomy: digital commodities, digital collectibles, digital tools, stablecoins, and digital securities.[52] CFTC Chairman Selig endorsed the release, saying that the "joint agency action reflects a shared commitment to developing workable, harmonized regulations for the new frontier of finance."[53]

While working to establish a workable regulatory framework for crypto, and notwithstanding the dismissal of registration-based crypto cases, the Commission continues to bring crypto-adjacent fraud and misappropriation actions — a distinction market participants should not overlook. Two actions brought in 2026 illustrate the point.

In April, the Commission filed an action against an individual and two entities he controlled that accused the defendants of "allegedly defrauding hundreds of investors across the United States in a $16 million securities offering of 'Simple Agreements for Future Tokens' that purported to give investors the right to receive a crypto asset . . . at a future point."[54] According to the complaint, the individual made false claims that the token was "the world's first insured digital asset" with "up to $1 billion coverage" even though no such insurance ever existed; that the token was asset-backed and that an "existing trust" secured its value, but no such trust was ever created; and "80% or more" of offering proceeds would support the token's underlying value, while in reality he used investor funds for his personal benefit.

In May, the Commission filed an action against a Texas resident in a crypto asset trading scheme in which he "allegedly raised approximately $12.3 million from about 150 investors based on various misrepresentations and omissions, including that he would use proprietary AI-based trading bots to engage in high-frequency arbitrage trading in crypto assets."[55] The complaint alleges that the defendant falsely promised some investors returns in excess of 40–50% within 30 to 45 days and guaranteed profits exceeding 100% in as little as 21 days; falsely claimed investor funds were secured by a surety bond, insured by the FDIC, and protected by a professional-liability policy; misappropriated at least $6.2 million for personal expenses; used approximately $5.5 million to make Ponzi-like payments; and lulled investors with fake account statements and fabricated correspondence from phony entities.

Back-to-Basics Enforcement by Category

Offering Fraud and Large-Scale Retail Fraud

Offering fraud is the Division's most clearly stated priority, and the FY 2025 data bears it out: offering-fraud actions roughly doubled under Chairman Atkins. The Commission has continued to pursue such cases in 2026.

In March, the Commission filed a settled action alleging that a college-student fund manager raised approximately $7.8 million through two funds he managed and misappropriated nearly $7 million of investor assets.[56]

In April, the Commission filed an action in the Northern District of California against an individual who allegedly raised approximately $43 million from more than 400 investors, largely members of the Indian American community solicited through Telegram chatrooms, for a purported pooled trading operation promising annual returns of 20–40%.[57] The complaint alleges Ponzi-like payments of roughly $18 million and fabricated account statements.

Public Company Accounting, Financial Reporting, and Disclosure

Accounting, financial reporting, and disclosure enforcement is Director Woodcock's signature area. He chaired the Division's Financial Reporting and Audit Task Force when he was last at the Commission, began his career as an auditor with a national accounting firm, and spoke on the importance of "good corporate accounting and disclosures."[58] In the Director's words, the Enforcement Division is "prioritizing financial reporting matters that are important to ensure good corporate accounting and disclosures."[59] This priority aligns with Chairman Atkins' insistence that the Commission "must operate within its mandate as a disclosure agency."[60] Policing the accuracy of what public companies tell the markets is disclosure regulation at its core, and issuers should expect these cases to remain at the center of the Division's docket in the second half of 2026.

Against this backdrop, it is little surprise that, in his remarks at the MFA Legal & Compliance 2026 Conference, Director Woodcock pointed to the Division's early-2026 docket as proof of concept: in his telling, the first half of the year already supplies a template for how the Division intends to approach financial-reporting cases. Two matters from the first half of this year that Director Woodcock noted in his remarks illustrate the point.

First, the Commission brought actions against "a large agricultural processing and commodities trading company and three former executives for allegedly inflating the performance of a key business segment touted as an important growth driver."[61] The company paid a $40 million civil penalty and settled together with two of the former executives, who agreed to disgorgement and civil penalties totaling approximately $525,000 and $650,000 respectively.[62] Another of the company's former executives is litigating the Commission's enforcement action.

Second, the Commission "settled with a manufacturing company that [the Commission] alleged violated the internal accounting controls and books and records provisions related to false entries in [the Company's] inventory system and adjustments it made after reversing the improper income from those entries. In addition, [the Commission] settled with two of the company's executives for allegedly causing the violations."[63]

Investment Advisers and Private Funds

Director Woodcock also identified private funds as a focus area during his MFA remarks. He noted recurring risk areas, such as valuations, fees and expenses, liquidity and suitability, and conflicts of interest, and stressed that the Division is watching for such issues "not only at the private fund adviser level but throughout the distribution chain," including whether firms' representatives understand the products they sell and the risk tolerance and liquidity needs of the clients who buy them.[64] He also singled out private credit, an asset class with "stresses in some portfolios" that the Commission is actively monitoring.[65] And he promised that "the Enforcement Division will remain active" in its oversight of investment advisers more broadly, listing misappropriated client assets, misleading strategy disclosures, undisclosed fees and expenses, fraudulent valuations and mismarking, and undisclosed conflicts of interest as continuing staples of the Division's docket.[66]

In February, the Commission settled claims against a formerly registered investment adviser and private fund manager for allegedly selling loans without reasonably determining whether the trades were made at fair market value, in violation of its obligations under its advisory agreements and contrary to its representations to investors.[67] The adviser agreed to settle to negligence-based violations of the Advisers Act and pay a $900,000 penalty. The adviser also voluntarily reimbursed the funds more than $5 million plus interest. For more information, please refer to Gibson Dunn's client alert.

In April, the Commission instituted a settled order against three affiliated Florida advisory firms and their owner for fraud and other violations arising from misrepresentations to venture-fund investors, including fabricated institutional co-investments and overstated performance, imposing approximately $1.75 million in disgorgement and a $600,000 civil penalty and a bar against the individual from association with an investment adviser.[68]

Notably, the Division of Examinations' 2026 priorities emphasize alternative investments, private credit, and extended lock-up structures[69] — the same areas Enforcement leadership has flagged as areas of interest. As historical experience demonstrates, the Commission's Examination program can often be a source of referrals to the Enforcement Division for investigation.

Insider Trading

Insider trading remains a core priority of the Enforcement Division — and the first half of the year produced both a headline-grabbing ring and a steady stream of individual actions, large and small. At the same time, a heightened, and novel, risk of insider trading enforcement has arisen from a state attorney general.

Most prominent among the Commission's insider trading actions thus far this year, in May, the Commission charged 21 individuals in what it described as a wide-reaching insider trading scheme.[70] The scheme was allegedly orchestrated by a Los Angeles mergers-and-acquisitions attorney who, together with a business partner, misappropriated material nonpublic information from the attorney's law firm's clients concerning more than a dozen pending corporate transactions between 2018 and 2024, recruited a second corporate lawyer as the scheme expanded, and passed tips through friends and family. The action was filed in the District of Massachusetts, where the U.S. Attorney's Office brought parallel criminal charges.

In other notable actions, in March, the Commission filed a settled enforcement action against the former president and chief operating officer of a publicly traded pet-health company alleging he traded ahead of the company's acquisition by a private equity firm using brokerage accounts belonging to his ex-wife. The Commission also charged a friend whom the executive allegedly tipped and who purchased call options.[71] Their combined illicit profits exceeded $200,000. The executive pled guilty in a parallel criminal proceeding and is awaiting sentencing. The friend was criminally charged.

Also in March, the Commission filed a settled action against the former chief revenue officer of a publicly traded company alleging he traded ahead of two quarterly earnings calls, thereby avoiding losses and generating illicit gains totaling more than $2.5 million, and for failing to file required reports of his trading.[72] The individual consented to injunctions and a permanent officer and director bar, and pled guilty in a parallel criminal case brought by the United States Attorney's Office for the Southern District of New York in January.

The Commission continued to bring small-dollar insider trading cases: an action filed in January in the District of Massachusetts against an individual who allegedly avoided losses of less than $20,000;[73] an action filed in April against an individual with alleged ill-gotten gains of approximately $54,000;[74] and a settled administrative proceeding against an individual with alleged ill-gotten gains of approximately $41,000.[75] These cases signal that there is no de minimis floor for insider-trading enforcement.

Earlier this year, in *SEC v. Panuwat*, the Ninth Circuit Court of Appeals heard oral argument on the defendant's appeal of his adverse trial court judgment. The Commission continued to defend its position in this first-of-its-kind "shadow trading" case.

Finally, in a client alert earlier this year, we discussed a novel insider trading action brought by the New York Attorney General (NYAG). In January, the NYAG brought a Martin Act insider-trading action against the former chief executive officer of Emergent BioSolutions, alleging that he adopted a Rule 10b5-1 trading plan while aware of material nonpublic information about manufacturing-contamination problems and then sold roughly $10.1 million in stock before those problems became public; the company simultaneously settled through an assurance of discontinuance with a $900,000 penalty, while the litigated case against the former executive remains pending.[76] The case is extraordinary in multiple respects, not least of which being that it is rare for state attorneys general to bring insider trading cases, which are the traditional purview of the U.S. Department of Justice and the Commission. It is particularly surprising that the NYAG did so here, where the alleged insider trading involves a Rule 10b5-1 plan and the company had entered into a negligence-based settlement with the SEC for alleged disclosure violations relating to the manufacturing issues.[77]

Market Manipulation and Wash Trading

In June, a federal jury in the Central District of California convicted the founder of a prominent short-selling research firm on 13 of 17 counts of securities fraud arising from his alleged "scalping" scheme, which consisted of publicly recommending positions he intended to, and did, quickly reverse for profit, with sentencing scheduled for August 31, 2026.[78] The SEC's parallel civil action, filed in 2024, remains pending.[79]

Also in June, the Commission filed a settled action against an individual, a California-based day trader, alleging a years-long spoofing scheme involving more than 150 thinly traded American Depositary Receipts that generated more than $1.3 million in ill-gotten gains.[80] According to the complaint, the scheme ran from October 2021 through at least November 2024 and followed three steps: the trader placed buy and sell orders he never intended to execute to move the price of a targeted security, executed genuine trades at the manipulated prices through accounts at a different brokerage firm, and then canceled the non-bona fide orders — conduct he admitted to investigators was designed "to walk the price up [to] my advantage." The defendant consented to a judgment that includes restrictions from opening or trading in brokerage accounts without first providing the broker-dealer a copy of the complaint and judgment for five years, and reserves disgorgement and civil penalties for court determination. The Department of Justice filed parallel criminal charges.

Gatekeepers — Auditors and Accountants

In April, the Commission instituted a settled order against an outside audit engagement partner responsible for the audits of a crypto asset trading platform, finding that the audits departed from generally accepted auditing standards because the partner lacked a sufficient understanding of the platform and its relationship with an affiliated trading firm, and denying him the privilege of appearing or practicing before the Commission as an accountant, with a right to seek reinstatement after two years.[81]

The Commission also resolved a settled administrative proceeding against a national accounting firm.[82] The order alleged that, in auditing the 2020 financial statements of a mutual fund client whose investment adviser was later found to have orchestrated a large-scale overvaluation scheme, the firm failed to obtain a sufficient understanding of the internal controls around the valuation process, failed to obtain sufficient appropriate evidence in its valuation testing, and did not exercise due professional care and professional skepticism. The firm consented to a censure, a cease-and-desist order, and an undertaking to certify its remedial efforts in writing within 60 days. Notably, the Commission imposed no civil penalty, expressly on the basis of the firm's prompt remediation, which includes new national-office consultation requirements for model-based fair-value measurements and annual risk-profiling of fund clients, but reserved the right to seek to reopen the matter and pursue a penalty if the firm was found to have knowingly provided materially false or misleading information.

Looking ahead, the Division has created a new enforcement team to investigate and litigate violations by audit professionals of Sarbanes-Oxley auditing standards. In response to media inquiries, an SEC spokesperson said the initiative would "continue the Commission's longstanding efforts to crack down on bad actors in the profession," describing auditors as "critical gatekeepers."[83]

Broker-Dealers

In remarks at SEC Speaks, senior Enforcement leaders discussed the Division's focus on broker-dealers, as well as investigation of potential misappropriation, churning, cherry-picking, and unauthorized trading.[84] Two actions illustrate the Division's focus.

In April, the Commission filed an action against a former registered representative and investment adviser representative alleging misappropriation of client securities.[85] According to the complaint, between September 2017 and February 2024 the representative misappropriated more than $800,000 worth of securities from twelve of his advisory and brokerage clients through a sham investment program of his own creation. He allegedly told clients he had created a program to purchase discounted securities through a third-party transfer agent and sell them at a profit, when in reality he used the clients' funds to purchase the securities at no discount and used falsified documents and signatures to divert some of them to his personal brokerage account.

In May, the Commission instituted a settled order against a New York-based retail broker-dealer for violations of Regulation Best Interest's Care and Compliance Obligations arising from more than 253 mutual-fund "switch" recommendations between June 2020 and September 2024 that generated approximately $230,088 in new upfront Class A sales charges without adequate consideration of cost. The firm consented to a censure, disgorgement of $141,600 and a $60,000 civil penalty.[86]

[1] SEC Press Release, SEC Announces Enforcement Division Director Judge Margaret A. Ryan Has Resigned From Agency (Mar. 16, 2026), available at https://www.sec.gov/newsroom/press-releases/2026-27-sec-announces-enforcement-division-director-judge-margaret-ryan-has-resigned-agency.

[2] SEC Press Release, SEC Appoints David Woodcock as Director of the Division of Enforcement (Apr. 8, 2026), available at https://www.sec.gov/newsroom/press-releases/2026-35-sec-appoints-david-woodcock-director-division-enforcement.

[3] David Woodcock, LinkedIn post announcing Osman Nawaz as Deputy Director of the Division of Enforcement (July 5, 2026), available at https://www.linkedin.com/posts/dwoodcock_sec-enforcement-publicservice-activity-7479668520687960064-ZEkq/.

[4] SEC Press Release, SEC Announces Departure of Principal Deputy Director of Enforcement Sam Waldon (July 22, 2026), available at https://www.sec.gov/newsroom/press-releases/2026-68-sec-announces-departure-principal-deputy-director-enforcement-sam-waldon.

[5] Paul S. Atkins, Chairman, U.S. Securities and Exchange Commission, et al., Statement on Departure of Commissioner Caroline Crenshaw (Jan. 2, 2026), available at https://www.sec.gov/newsroom/speeches-statements/statement-departure-commissioner-crenshaw-010226.

[6] Regent University, Regent Law Welcomes Gregory F. Jacob and Hester M. Peirce to Faculty (May 19, 2026), available at https://www.regent.edu/news/regent-law-welcomes-gregory-f-jacob-and-hester-m-peirce-to-faculty/.

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The following Gibson Dunn lawyers prepared this update: Mark Schonfeld, Jina Choi, Tina Samanta, Lauren Jackson, and Hayden McGovern.

Gibson Dunn lawyers are available to assist in addressing any questions you may have about these developments. Please contact the Gibson Dunn lawyer with whom you usually work, any leader or member of the firm's Securities Enforcement practice group, or the authors:

Mark K. Schonfeld – New York (+1 212.351.2433, mschonfeld@gibsondunn.com)

Jina L. Choi – San Francisco (+1 415.393.8221, jchoi@gibsondunn.com)

Tina Samanta – New York (+1 212.351.2469, tsamanta@gibsondunn.com)

Lauren Cook Jackson – Washington, D.C. (+1 202.955.8293, ljackson@gibsondunn.com)

Hayden K. McGovern – Dallas (+1 202.887.3569, hmcgovern@gibsondunn.com)