SEC Enforcement Has Continued Its Asset Management Focus

By **Andrew Dean, Chris Mulligan and Greg Burton** (May 21, 2026)

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For the past 15 months, the narrative around U.S. Securities and Exchange Commission enforcement has focused heavily on what the SEC is not doing — fewer total enforcement actions, voluntary dismissals of crypto cases and a stated pullback from novel theories of liability and technical violations.

But a closer look at the enforcement actions the commission has brought in the asset management space reveals a surprising degree of continuity.

While the overall volume of enforcement activity has undeniably declined, the types of cases being pursued — particularly against private fund advisers and retail-facing investment advisers — look remarkably familiar. And this through line was confirmed by May 13 remarks from David Woodcock, the new enforcement director, who made clear that the SEC "will remain active" in the investment adviser space.

For asset managers and their counsel, this continuity carries an important lesson: Most of the regulatory risks that existed in the prior commission have not gone away.

The Current Commission's Stated Priorities

SEC Chairman Paul Atkins has now been at the helm for over a year. On May 6, 2025, at his first town hall meeting with SEC staff, he emphasized a back-to-basics approach: "Investor protection is the cornerstone of our mission — to hold accountable those who lie, cheat, and steal."[1]

The stated enforcement priorities of this commission include insider trading, accounting and disclosure fraud, offering fraud, market manipulation, and breaches of fiduciary duty, which is what Sam Waldon, then-acting director of the SEC Division of Enforcement, described as "perennial areas of enforcement" in a March 2025 speech. The commission has also signaled a retreat from what it views as overly aggressive or novel theories of liability.

The raw numbers reflect a slowdown. Overall, SEC enforcement activity declined almost 30% in fiscal year 2025[2] compared to the prior year,[3] with nearly half of actions filed during the final months of the prior commission.[4]

Several factors beyond enforcement philosophy contributed to this decline, such as a roughly 18% reduction in SEC headcount[5] — including 14% of Examinations Division staff and 18% of Enforcement Division staff — a depleted pipeline of mature investigations, a more than 50% decline in reported job engagement and satisfaction scores,[6] a 43-day federal government shutdown, and a shuffling of enforcement directors.

Against this backdrop, many in the asset management industry anticipated a meaningful

reduction in enforcement risk. That expectation has proven only partially correct.

Retail Advisers and Registered Funds: Conflicts of Interest, the Marketing Rule and Disclosures

Unsurprisingly, this commission's actions involving retail-facing investment advisers reflect a degree of continuity with prior commissions. Conflicts of interest remain an area of focus for the Division of Enforcement, and this commission has demonstrated a willingness to pursue these cases with vigor.

For example, on Aug. 29, 2025, the SEC filed settled actions against a large retail investment adviser, Empower Advisory Group LLC, for failing to disclose conflicts of interest — specifically, undisclosed compensation arrangements incentivizing representatives to recommend fee-based advisory programs — resulting in penalties and disgorgement exceeding $5 million.[7]

Similarly, on March 23, 2026, the SEC settled with a robo-adviser, Ally Invest Advisors Inc., for failing to disclose the conflict created by investing 30% of client assets in cash.[8] Even though the robo-adviser disclosed the cash allocation, it failed to disclose that its affiliated broker-dealer earned revenue from the cash.

The marketing rule has also continued to generate enforcement activity. On Sept. 4, 2025, the SEC brought its first — and so far only — marketing rule enforcement action under Atkins, charging Meridian Financial LLC for failing to substantiate claims in its own Form ADV.[9] While the penalty was modest and no investor harm was alleged, that result was similar to resolutions from the prior commission.

Finally, the SEC continues to spend time and energy on registered funds, which appeal to retail clients. On March 17, 2025, in a litigated matter in the U.S. District Court for the District of New Jersey, the SEC charged recidivist Upright Financial Corp. and its principal for being highly concentrated in one industry, which was contrary to its fund disclosures.[10]

None of these enforcement actions should come as a surprise: The SEC has universally talked about protecting retail advisers, and these actions could have occurred under any commission.

Large-Scale Fraud: The Commission's Wheelhouse

The Enforcement Division has also continued its pursuit of large-scale investment adviser fraud, which is often led by the SEC's specialty enforcement units.

The Water Station Management LLC case, filed on Aug. 14, 2025, in the U.S. District Court for the Southern District of New York, involved charges against the owner of a private company for operating Ponzi-like schemes that raised more than $275 million from over 250 investors.[11] Importantly, the SEC also charged a private fund portfolio manager who had invested his fund's assets in the scheme despite red flags and undisclosed conflicts of interest.

On Sept. 11, 2025, in parallel with related criminal charges, the SEC announced a follow-on action[12] to its Jan. 16, 2025, settled order against Two Sigma Investments LP, alleging that for almost three years the individual defendant had secretly manipulated investment models that Two Sigma used to predict the future performance of securities and make

investment decisions for clients.[13]

The SEC alleged that this manipulation "caused Two Sigma to buy and sell securities for its clients in amounts, concentrations, and frequencies that differed from Two Sigma's intended strategies, and caused at least $165 million in harm to certain clients" while the defendant obtained millions in incentive compensation.

Although this case fits the commission's emphasis on individual accountability,[14] it also echoes cases brought by prior commissions related to individual misconduct at Archegos Capital Management LP in April 2022,[15] Infinity Q Capital Management in February 2022[16] and Western Asset Management Company LLC in November 2024.[17]

This reflects that although the announced focus may be different, the SEC has not abandoned its existing playbook for adviser and manager fraud cases.

Private Fund Advisers: Business as Usual

Perhaps the most striking illustration of enforcement continuity is in the private fund adviser space. The enforcement actions that have emerged in this commission are, in many respects, indistinguishable from those of prior commissions.

While this may come as a surprise, it shouldn't be based on commission votes: In the prior commission, SEC enforcement actions against private fund advisers were unanimous, 3-1 or 4-1. Indeed, Woodcock, in his first remarks on May 13, said that the Enforcement Division will continue to focus on "potential risks relating to liquidity, fees, valuations, and conflicts of interest."[18]

We are now in the third era of the SEC's private fund adviser enforcement following the enactment of the Dodd-Frank Act in 2010.

During the first stretch, the SEC saw the creation of the specialty Asset Management Unit in the Enforcement Division and the Private Funds Unit in the Examinations Division, along with investigations and examinations that culminated in several fee- and expense-related actions, including around accelerated monitoring fee practices.

In the second stretch, which occurred during the first several years of the commission under former Chairman Jay Clayton, advisers primarily remediated during SEC examinations and avoided enforcement scrutiny.

The third era started in the last year under Clayton with a private fund adviser risk alert in June 2020.[19] Over the next few years, the SEC brought several enforcement actions involving the calculation of postcommitment period management fees for private equity advisers, and expertise in the Private Funds Unit was disseminated throughout the SEC regions to both Exams and Enforcement Division staff.

Recent cases are a continuation of that trend. For example, on Aug. 15, 2025, in a settled action, the SEC charged TZP Management Associates LLC with breaching its fiduciary duty through two fee offset calculation practices — one involving retained interest on deferred transaction fees and the other an improper allocation methodology — that were inconsistent with its funds' limited partnership agreements and inadequately disclosed to limited partners.[20]

The TZP case was notable for what it did not represent: a novel theory of liability or an

expansion of regulatory reach. Instead, it continued a well-established enforcement theme tracing back to the 2014 "Spreading Sunshine" speech by Andrew Bowden, then-director of the Office of Compliance Inspections and Examinations — namely, that private fund advisers must honor fee and expense provisions to the letter and fully disclose conflicts arising from portfolio company charges.[21]

The TZP order underscores the SEC's ongoing focus on management fee calculation practices, despite talk of deregulation and a shift toward cases involving fraud and manipulation.

More recently, on Feb. 25, 2026, the SEC brought settled charges against Madison Capital Funding LLC for selling loans to private fund clients without reasonably determining whether those trades were at fair market value — continuing to use a formulaic pricing methodology even during the significant market turmoil of early 2020.[22] This action underscores the commission's continued attention to principal transactions and valuation practices — another perennial area of concern for private fund advisers that transcends any particular administration.

The commission has also continued to bring custody rule enforcement actions, such as the Aug. 1, 2025, settled charges against Munakata Associates LLC for failing to comply with independent verification requirements — notably, a rule violation that does not involve fraud or investor harm.[23] Similarly, the Vukota Capital Management LLC settlement on Sept. 9, 2025, involved negligence-based charges against a private fund adviser for below-market-rate interfund loans and misleading investor communications — conduct that would have been actionable under any prior commission.[24]

Policies Only: Still Going

Despite some speculation that the SEC would not pursue technical or policies- and procedures-only cases, this commission has brought some matters that seem to be in proportion to matters brought in prior commissions.

For example, in one settled matter, the SEC on Nov. 24, 2025, charged a recidivist adviser, Rudney Associates Inc., with a stand-alone compliance violation for failing to ensure that its Form ADV brochure was accurate with respect to how it described its advisory fees, and charged a books and records violation for failing to obtain written advisory agreements.[25]

Perhaps more importantly, after dismissing Investment Advisers Act, Section 204A, information barriers litigation that was brought under the prior commission in 2023, the SEC on Dec. 3, 2025, settled with Virtu Financial Inc., a broker-dealer, for failing to have sufficient policies to protect against the misuse of material nonpublic information.[26]

While the Virtu resolution is in the broker-dealer space, the principles behind it are the same for investment advisers, and it is notable that several Section 204A settlements in the prior commission were approved by 4-1 and 5-0 votes.

What This Means for Asset Managers

The lesson for asset managers is straightforward but important: Do not mistake a change in enforcement volume or rhetoric for a change in enforcement risk. Advisers expecting wholesale regulatory rollback should recalibrate; while rulemaking agendas may shift, fiduciary enforcement remains alive and well.

Several specific takeaways emerge from the actions brought under this commission.

First, conflicts-of-interest disclosure remains a bedrock obligation. Whether in the private fund context (undisclosed fee retention practices, below-market interfund loans) or the retail advisory context (undisclosed compensation arrangements incentivizing product recommendations), the SEC continues to bring cases where advisers fail to disclose material conflicts. While certain categories of enforcement have clearly receded, the broad middle ground of fiduciary duty enforcement remains active.

Second, fee calculation practices and limited partnership agreement compliance remain squarely in the SEC's crosshairs. The TZP and Madison Capital actions are reminders that even relatively modest dollar amounts of investor harm can trigger an enforcement response. Private fund advisers should ensure that their fee calculations, offset methodologies and allocation practices track the precise language of their governing documents. While full remediation during an examination can, in some instances, stave off enforcement, that was not the case in Madison Capital.

Third, the SEC's Division of Examinations continues to operate as a significant source of enforcement referrals. The TZP action was conducted in part by staff from the Division of Examinations' Private Funds Unit, and the fiscal year 2026 examination priorities place particular scrutiny on investment advisers' adherence to fiduciary standards, with special attention to complex products, including private credit and private funds with extended lockup periods.[27]

Conclusion

The change in SEC leadership has unquestionably altered the enforcement landscape in meaningful ways. The total number of actions is down, certain novel theories of liability have been abandoned and the commission's rhetoric has shifted toward a back-to-basics posture.

But for asset managers — and particularly for private fund advisers that may have expected a broader reprieve — the cases brought under this commission should be a wake-up call. The SEC's Asset Management Unit remains operational and active; the same types of fee, expense, conflict and disclosure cases that characterized prior administrations continue to be brought; and the nonscienter standard under the Advisers Act remains a potent enforcement tool.

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[3] https://www.sec.gov/newsroom/press-releases/2024-186.

[4] https://www.sec.gov/newsroom/press-releases/2025-26.

[5] https://www.gao.gov/products/gao-26-107813.

[6] https://bestplacestowork.org/.

[7] https://www.sec.gov/enforcement-litigation/administrative-proceedings/34-103809-s.

[8] https://www.sec.gov/enforcement-litigation/administrative-proceedings/ia-6954-s-0.

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[10] https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26286.

[11] https://www.sec.gov/newsroom/press-releases/2025-107-founder-owner-washington-based-water-machine-manufacturer-two-companies-charged-275-million-fraud.

[12] https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26398.

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