

Insights

BENEATH THE HEADLINES ABOUT SEC ENFORCEMENT DURING TRUMP'S SECOND TERM

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“Back to basics” is a popular refrain in describing SEC Enforcement during the second Trump Administration. In part, that implies the Commission has dropped cases against crypto firms, turned away from big-fine cases about off-channel communications, and brought fewer enforcement actions overall. That much is true.

But “back to basics” also implies a focus on true, intentional frauds like Ponzi schemes and insider trading (especially frauds involving foreign actors). We analyzed the Commission’s enforcement actions since January 20, 2025, and found that, in two areas, the Commission continues to bring enforcement actions for conduct that does not amount to intentional fraud. First, the Commission continues to bring cases against securities-industry firms for negligent misrepresentations, conflict disclosure failures, violations that cause customer harm, and other procedural lapses. Second, the Commission also continues to bring enforcement actions—and impose seven-figure corporate penalties—when corporations make negligent misrepresentations about their businesses.

CASES AGAINST INVESTMENT ADVISERS AND BROKER-DEALERS

When it comes to the securities industry specifically, the Commission has continued to pursue aggressive enforcement actions. Specifically, the Commission has continued to charge investment advisers and broker-dealers for negligently misleading investors and for violations that cause investor harm. For example:

NEGLIGENT MISREPRESENTATION OR CONFLICT NON-DISCLOSURE

- In *SEC v. Vukota Capital Mgmt, LLC et al.* No. 1:25-cv-02821 (D. Colo. Sept. 9, 2025), the Commission alleged that an investment adviser negligently breached fiduciary duties, and negligently made misrepresentations, by causing private funds to make short-term loans to affiliates on unfavorable terms; by sending misleading letters to private-fund investors in an attempt to buy out interests in the funds; and by making misleading statements in marketing materials about a fund.

- In *In the Matter of One Oak Capital Mgmt. LLC*, File No. 3-22453 (SEC Feb. 14, 2025), the Commission alleged that an investment adviser negligently violated the Advisers Act by transitioning customers' brokerage accounts into more expensive advisory accounts without adequately disclosing the increased costs, and without having a reasonable belief that the transition was in clients' best interests.
- In *In the Matter of Vanguard Advisers, Inc.*, File No. 3-22518 (SEC Aug. 29, 2025), the Commission alleged that Vanguard, an investment adviser, had negligently failed to disclose conflicts of interest because the firm had recommended that clients open fee-based advisory accounts without disclosing that Vanguard representatives had incentives to make such recommendations. Although the firm's ADV Part 2 brochure disclosed the incentives, other filings and marketing material stated that representatives received no additional compensation.
- In *In the Matter of Transamerica Retirement Advisors, LLC*, File No. 3-22426 SEC (April 25, 2025), the Commission alleged that an investment adviser negligently breached fiduciary duties by failing to disclose conflicts associated with paying incentive compensation related to retirement-account rollovers. Although the firm disclosed that it "may" pay incentives to advisers, the Commission alleged that this disclosure was misleading because the company was in fact paying incentives.
- In *In the Matter of American Portfolios Advisors, Inc.*, File No. 3-22488 (SEC July 11, 2025), the Commission alleged that an investment adviser negligently breached fiduciary duties by failing to disclose conflicts related to compensation that an affiliated broker received from a clearing firm, and because the firm overbilled certain clients. The Commission alleged that, although the firm "disclosed . . . that it had a conflict of interest . . . it did not fully and fairly disclose the nature and extent of the conflict."
- In *In the Matter of TZP Management Associates, LLC*, File No. 3-22511 (SEC Aug. 15, 2025), the Commission alleged that an investment adviser had negligently failed to disclose conflicts of interest because the adviser had not adequately disclosed management-fee calculation practices that resulted in higher management fees for affiliated funds.
- In *In the Matter of Bloomberg Tradebook LLC*, File No. 3-22551 (Sept. 18, 2025), the Commission alleged that a broker-dealer had made a negligent misrepresentation by representing in marketing materials that the firm provided market data "in fractions of a second," when the firm was encountering delays of "several minutes."

REGULATION BEST INTEREST

- In *In the Matter of Centaurus Financial Inc. et al.*, File No. 3-22451 (SEC Feb. 7, 2025), the Commission alleged that Centaurus violated Reg. BI because the firm recommended that

customers invest in risky "L Bonds," without having a reasonable basis to believe that those securities were in customers' best interests based on investor profiles (which generally included moderate or conservative risk tolerances). The firm also allegedly violated Reg. BI by failing to enforce its policies and procedures requiring personnel to complete training related to Reg. BI and offering L Bonds.

MARKETING RULE

- In *In the Matter of Meridian Financial LLC*, File No. 3-22525 (SEC Sept. 4, 2025), the Commission alleged that an investment advisory firm had disseminated misleading advertising because the firm claimed in an ad that it "refuse[d] all conflicts of interests," yet also separately disclosed conflicts of interest in the firm's Form ADV Part 2A brochure.

OTHER COMPLIANCE AND REGISTRATION FAILURES

- In *In the Matter of Velox Clearing LLC*, File No. 3-22469 (SEC April. 4, 2025), the Commission alleged that a broker-dealer had failed to file suspicious activity reports for transactions related to the firm's business as a clearing broker for foreign correspondent broker-dealers that traded through omnibus accounts. The Commission also alleged that the firm's policies and procedures were not reasonably designed to monitor for, detect, and report suspicious activity based on the risks associated with the firm's business.
- In *In the Matter of Munakata Associates LLC*, File No. 3-22500 (SEC Aug. 1, 2025), the Commission alleged that an investment adviser violated a rule requiring that, if the adviser has custody of client funds and securities, the adviser must ensure that client funds and securities are verified by an accountant's surprise examination.
- In *In the Matter of Sourcerock Group LLC*, File No. 3-22502 (SEC Aug. 4, 2025), the Commission alleged that an investment adviser violated Regulation M by purchasing securities for private fund clients after the firm had sold short the same securities during a restricted period defined in the rule.

NEGLIGENT CORPORATE DISCLOSURE FAILURE

The Commission has likewise pushed beyond "true-fraud" theories in enforcement actions outside the securities industry. Specifically, the Commission has charged corporations with making negligent misrepresentations about their businesses, imposing seven figure penalties in the process:

- In *In the Matter of Allarity Therapeutics, Inc.*, File No. 3-22462 (SEC March 12, 2025), the Commission alleged that the company made negligent misrepresentations by making positive statements about a new cancer drug without disclosing that the FDA had advised (i) against submitting the drug for review and (ii) in favor of conducting a new trial on the drug. Corporate

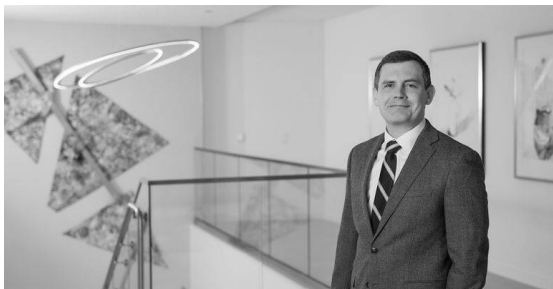
management had hidden from the board that the FDA had recommended against submitting the drug application. The Commission imposed a \$2.5 million penalty.

- In *In the Matter of Emergent Biosolutions, Inc.*, File No. 3-22472 (SEC Apr. 7, 2025), the Commission alleged that a company made negligent misrepresentations by touting its ability to manufacture COVID-19 vaccines without disclosing issues in the readiness of its facilities, personnel training, and quality-control protocols to implement the vaccine manufacturing process. The Commission imposed a \$1.5 million penalty.

CONCLUSION

The change in Administration has likewise brought changes to SEC Enforcement, particularly related to cryptocurrency and off-channel communications. But firms should not take the “Back to Basics” refrain to signal that the Commission is focused exclusively on intentional fraud. Particularly for investment advisers and broker dealers, the agency continues to police for negligent misconduct, particularly conduct that misleads or harms investors.

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