JULY 23, 2026

Regulatory Update and Recent SEC Actions

RECENT SEC ADMINISTRATION CHANGES

David Woodcock Appointed Director of Division of Enforcement

The Securities and Exchange Commission (the "SEC" or the "Commission") announced on April 8, 2026, that David Woodcock has been appointed Director of the Division of Enforcement, effective May 4, 2026. At the time of the announcement, Mr. Woodcock was a partner at an international law firm, where he serves as chair of the firm's Securities Enforcement practice group.

Mr. Woodcock returns to the Commission after previously serving as Director of the Fort Worth Regional Office from 2011 to 2015, where he led Enforcement and Examinations Division lawyers, accountants, and examiners, and oversaw investigations across nearly every major area of the SEC's enforcement program. He also created and served as chair of the SEC's cross-office Financial Reporting and Audit Task Force. Most recently, Mr. Woodcock's private practice focused on regulatory enforcement, internal investigations, and corporate governance. Mr. Woodcock is also an Adjunct Professor of Law at Texas A&M University School of Law. He earned his bachelor's degree in accounting from Louisiana State University and his J.D. from the University of Texas School of Law.

Deputy Director of Enforcement Jason Burt Concludes Tenure at the SEC

The SEC announced on April 30, 2026, that Jason Burt, Deputy Director of the Division of Enforcement (Specialized Units), was leaving the agency effective May 1, 2026, after more than 22 years of public service. In his most recent role, Mr. Burt supervised enforcement investigations and litigations of the Asset Management, Complex Financial Instruments, Cyber and Emerging Technologies, Market Abuse, and Public Finance Abuse units, as well as the Office of the Whistleblower and the Commission's Cross-Border Task Force.

Mr. Burt began his SEC career in Washington, D.C., as an attorney advisor in the Division of Examinations and then as an investigative attorney in the Division of Enforcement. He served as Regional Director of the Denver Regional Office from October 2022 through April 2025. Prior to that role, he served as an associate director in the Division of Enforcement and as an assistant director supervising staff in the Asset Management and Market Abuse units.

SEC RULEMAKING

SEC and CFTC Jointly Propose Amendments to Reduce Private Fund Reporting Requirements

The SEC and the Commodity Futures Trading Commission ("CFTC") jointly proposed amendments on April 20, 2026, to Form PF, the confidential reporting form for certain

SEC-registered investment advisers to private funds, to reduce reporting burdens while enabling the continued collection of necessary and appropriate information. The proposed amendments would eliminate filing requirements for smaller advisers—who represent almost half of the advisers currently required to file Form PF—by raising the filing threshold from $150 million in private fund assets under management to $1 billion. The proposal would also raise the exposure reporting threshold for "large" hedge fund advisers from $1.5 billion in hedge fund assets under management to $10 billion. Form PF will continue to obtain information on over 90 percent of private fund gross assets notwithstanding these changes in thresholds. In addition, the proposed amendments would introduce a mechanism for identifying funds that are active in the private credit market and would eliminate or streamline many Form PF requirements.

> *"Prior amendments to Form PF have led to overly burdensome disclosure requirements for advisers, distracting them from their core investment functions, often without a commensurate benefit to regulators' use of the collected data. These proposed changes would help to rationalize the scope of Form PF requirements to support its purpose and bring our overall disclosure regime back into alignment," said SEC Chairman Paul Atkins.*

SEC Staff Extends Co-Investment Relief to Open-End Funds

The staff of the SEC's Division of Investment Management issued a no-action letter on April 27, 2026, in response to a request from an international investment manager, confirming that open-end registered investment companies ("Open-End Funds") may rely on the new modernized co-investment exemptive order ("Order") as "Regulated Funds," subject to compliance with the Order's terms and conditions. This development closes a gap in the SEC's co-investment framework, as the Order initially issued in connection with a prior co-investment exemptive order from 2025 and those issued since did not extend to Open-End Funds.

The staff also addressed governance mechanics, permitting Regulated Fund boards (including Open-End Fund boards) to delegate co-investment approval authority to a committee of at least three disinterested directors, rather than requiring a vote of the full board. The staff noted that Open-End Funds are independently subject to Rule 22e-4 under the Investment Company Act of 1940, as amended (the "1940 Act" or the "ICA"), which limits investments in illiquid securities to 15 percent of a fund's net assets, providing a built-in guardrail against overexposure to illiquid, negotiated investments. Sponsors that have a modernized Order can begin relying on this relief without requesting an amended Order.

SEC Rescinds No-Deny Policy for Enforcement Settlements

The SEC rescinded a longstanding policy, codified in Rule 202.5(e) of its informal rules of procedures on May 18, 2026, which stated that when the Commission chooses to settle an enforcement action in which a sanction is imposed, it will not settle unless the defendant or respondent also agrees not to publicly deny the allegations. The Commission stated that the rescission aligns the Commission with the overwhelming majority of federal agencies that do not have a similar rule and gives the Commission more flexibility in settling enforcement actions, which conserves resources, provides certainty, and potentially expedites the return of money to injured investors. The Commission noted that there is no known instance of the Commission seeking to reopen a proceeding as a consequence of a defendant violating a no-deny provision. In light of the rescission, the Commission also stated that it will not enforce existing no-deny provisions that have already been entered. The rescission does not affect the Commission's practice related to admissions in settlements.

> *"For more than 50 years, the Commission has conditioned settlement on a defendant's promise not to publicly deny the Commission's allegations. I am pleased that we are rescinding the no-deny policy today," said SEC Chairman Paul S. Atkins. "Speech critical of the government is an important part of the American tradition. This rescission ends the policy prohibiting such criticism by settling defendants."*

SEC Proposes Rescission of Climate-Related Disclosure Rules

On May 29, 2026, the SEC proposed the rescission of rules that require companies to provide certain climate-related information in their registration statements and annual reports. The Commission approved the climate disclosure rules in March 2024, but the rules were stayed in April 2024 pending completion of consolidated litigation in the U.S. Court of Appeals for the Eighth Circuit. In March 2025, the Commission voted to end its defense of the rules.

The Commission is now proposing to rescind the climate disclosure rules in their entirety on the basis that they exceed the scope of the agency's statutory authority. The Commission further stated that the rules are unnecessary and inconsistent with a materiality-based approach to disclosure, impose substantial costs on public companies not justified by their informational benefits, and are at odds with the Commission's policy objectives of facilitating capital formation and promoting public company status.

SEC Proposes New E-Delivery Rule

On July 16, 2026, the SEC proposed Regulation E-Delivery (the "proposed rule"). The proposed rule titled "Electronic Delivery of Information Under the Federal Securities Laws," would allow issuers, broker dealers, investment advisers and others to use electronic delivery ("e-delivery") as the default option for delivering fund disclosures to investors. If adopted, investment advisers and others would not be required to obtain investors' affirmative consent before using e-delivery. This new approach would supersede the Commission's current "opt-in" approach to e-delivery. The Investment Company Institute previously published research estimating the industry could save as much as $800 million per year under an e-delivery default. Although e-delivery will become the default for several regulatory documents, the proposed rule states that investors may choose to "opt out" of e-delivery and continue receiving regulatory disclosures via paper, free of charge. The proposed rule also proposes to rescind rule 30e-3 under the 1940 Act and amend certain rules in Regulations 14A and 14C and rule 14d-5 under the Securities Exchange Act of 1934 (the "Exchange Act") "to facilitate, and promote consistency with, the proposed new e-delivery framework."

The public comment period will remain open for 60 days following publication of the proposing release in the Federal Register.

> *"By proposing to permit electronic delivery to become the default method for issuers, market intermediaries, and others to communicate with investors, we are taking another stride toward a regulatory framework suitable for the modern era, a key pillar of my agenda" said SEC Chairman Paul S. Atkins.*

The full rule proposal can be accessed here.

SEC Staff Seeks Feedback on Regulatory Reforms for "Novel" ETFs

The staff of the SEC's Division of Investment Management issued a request for public comment on July 1, 2026, on potential reforms for "novel" exchange-traded funds ("ETFs"), citing an increasing number of new products ranging from crypto asset and blockchain-enabled strategies to single-stock, "heightened leveraged," prediction-market, and private-asset funds. The request for comment raises a series of possible reforms to the ETF registration process, including lengthening the wait for automatic effectiveness beyond 75 days, instituting a pre-filing consultation process, requiring confidential draft registration statements, suspending effectiveness when registrants fail to respond to staff comments, and allowing staff to delay effectiveness for other reasons. The request also raises the possibility of amendments to ETF portfolio requirements, including a minimum for securities holdings, restrictions on certain strategies or asset classes, diversification requirements, concentration limits, or issuer-specific limits.

> *"Innovation in exchange-traded funds depends on a consistent, transparent, and efficient regulatory framework," said SEC Chairman Paul S. Atkins. "The Commission's request for comment seeks input from the public on how the U.S. ETF market can continue to grow and innovate while serving investors effectively, and I look forward to reviewing feedback from market participants as we evaluate how to best respond to recent market changes."*

The full request for comment can be found here.

SEC Releases Agency Rule List for 2026

Under the Regulatory Flexibility Act, the SEC is required to publish an agenda identifying rules that the agency expects to consider within the next 12 months. The SEC recently released its agenda, which include considerations of the following:

- Rule 17a-7 under the 1940 Act – Amendments to Rule 17a-7 to modernize the conditions for and expand the availability of the exemption of certain purchase or sale transactions between an investment company and certain affiliated persons.

- Enhancing Retail Exposure to Private Markets – Amendments to existing rules and/or new rules under the Investment Advisers Act of 1940, as amended

(the "Advisers Act"), and the 1940 Act to better facilitate retail investor exposure to private markets through registered investment companies and to allow investment advisers to charge performance fees to an expanded set of clients.

- Investment Adviser Recordkeeping Rules – Amendments to rule 204-2 under the Advisers Act which requires investment advisers to make and keep certain records, to address the appropriate scope of and identified compliance burdens related to electronic communications and to account for certain technological developments since the rule was adopted.

- Electronic Delivery Rules: A broader e-delivery rule proposal that would extend modernization efforts beyond fund documents to cover "the full range of securities law delivery requirements." (see SEC Proposes New E-Delivery Rule above)

- Crypto Asset Rule(s) – the SEC is considering rules relating to the offer and sale of crypto assets, potentially to include certain exemptions and safe harbors, to help clarify the regulatory framework for crypto assets. The SEC is also considering amending rules 15c3-1 and 15c3-3 and other broker-dealer fiduciary responsibility rules to address the application of these rules to crypto assets.

- Amendment to Certain Proxy Rules – The SEC is considering amendments to modernize certain rules regarding the proxy solicitation process, including certain filing and procedural requirements relating to proxy solicitations and shareholder meetings.

Notices of proposed rulemakings on the draft amendments are expected as soon as October 2027. The full agency rule list for 2026 can be found here.

SEC ENFORCEMENT ACTIONS AND OTHER CASES

Asset Management Firm Sues SEC Over Money Fund Liquidity Fee Rule

An asset management firm (the "Firm") filed suit against the SEC in Pennsylvania District Court on May 12, 2026, challenging the SEC's mandatory liquidity fee rule for institutional money market funds. The suit seeks to vacate the mandatory liquidity fee, which was added to Rule 2a-7 in July 2023 and requires institutional prime and municipal money market funds to charge investors during periods of elevated redemptions when daily net redemptions exceed five percent of total assets. The Firm contends that the rule was adopted without adequate notice and opportunity to comment and without an adequate cost-benefit analysis, and that the SEC overstepped its regulatory authority.

Asset Management Firm Sued Over Fund NAV Calculations

A class action suit was filed in Massachusetts Superior Court on June 30, 2026, against a global asset management firm (the "Firm") and certain of the directors of its sponsored funds, alleging that multiple equity funds used an accounting method that inflated net asset valuations ("NAV") and fees without proper disclosure to investors. According to the complaint, which asserts claims under the Securities Act of 1933, as amended, the plaintiffs allege that the equity funds treated accrued income as fund assets in NAV calculations rather than removing it as other sponsored money market and fixed income funds do, resulting in inflated NAVs until distributions were realized. The suit alleges this method is contrary to conventional accounting practice and common investor expectations and should have been disclosed, and that the practice resulted in increased fees and erroneous taxation of a portion of investors' principal as ordinary income or capital gains. The plaintiffs, investors in two of the Firm's equity funds, seek class status for all investors in such equity funds since June 22, 2023.

OTHER INDUSTRY HIGHLIGHTS

SEC Announces Enforcement Results for Fiscal Year 2025

The SEC announced enforcement results on April 7, 2026, for the fiscal year ended September 30, 2025. During fiscal year 2025, the Commission filed 456 enforcement actions, including 303 standalone actions and 69 follow-on administrative proceedings, and obtained orders for monetary relief totaling $17.9 billion, of which approximately $10.8 billion was in disgorgement of ill-gotten gains and prejudgment interest and approximately $7.2 billion was in civil penalties. The enforcement actions addressed a broad range of misconduct, including offering frauds, market manipulation, insider trading, issuer disclosure violations, and breaches of fiduciary duty by investment advisers. In fiscal year 2025, the Commission returned approximately $262 million to harmed investors and awarded approximately $60 million to 48 individual whistleblowers.

The Commission characterized fiscal year 2025 as a period of significant course correction in its enforcement program, emphasizing a refocus on cases of fraud and misconduct that inflict the greatest harm to investors rather than approaches that prioritized volume and record-setting penalties. Of the standalone actions filed, approximately two-thirds involved charges against one or more individual bad actors, a 27 percent year-over-year increase, and the Commission obtained orders barring 119 individuals from serving as officers and directors of public companies. The Commission also noted that its course correction extended to crypto assets, citing the launch of the Cyber and Emerging Technologies Unit to complement the work of the Crypto Task Force.

> *"Over the past year, the Commission has put a stop to regulation by enforcement and recentered its enforcement program on the Commission's core mission by prioritizing cases that provide meaningful investor protection and strengthen market integrity," said SEC Chairman Paul S. Atkins. "We have redirected resources toward the types of misconduct that inflict the greatest harm—particularly fraud, market manipulation, and abuses of trust—and away from approaches that prioritized volume and record-setting penalties over true investor protection. A key part of this course correction is a renewed emphasis on holding individual wrongdoers accountable, which promotes stronger deterrence and better safeguards investors. I am proud of the staff's work in advancing an enforcement program grounded in sound judgment, clear legal authority, and the real-world needs of the investing public."*

Texas Attorney General Sues Proxy Advisory Firm Over ESG-Driven Proxy Recommendations

The Texas Attorney General filed suit against the world's largest proxy advisory firm (the "Firm") on May 20, 2026, alleging that the Firm has prioritized its own environmental, social, and governance ("ESG")-based agenda over the fiscal well-being of its clients. The complaint, brought under the Texas Deceptive Trade Practices Act ("DTPA"), alleges that the Firm made misrepresentations to its shareholder clients by providing advice based on ideological considerations instead of on the best financial interests of its clients. The complaint points to the Firm's attempt to block an oil company's planned reincorporation from New Jersey to Texas as an example of the Firm leveraging its market influence to impose a political agenda. The complaint seeks a finding that the Firm violated the Texas DTPA, penalties of up to $10,000 per violation, and an injunction prohibiting the Firm from providing advisory services unless it provides a clear and conspicuous representation to consumers that its advisory services focus on ESG initiatives.

U.S. Supreme Court Limits Private Lawsuits Under the Investment Company Act

The U.S. Supreme Court ruled in *FS Credit Opportunities Corp. et al. v. Saba Capital Master Fund Ltd. et al.* on June 11, 2026, that private parties do not have the right to bring actions to void contracts that allegedly violate the 1940 Act absent some other legal dispute. In a 6-3 decision, the Court ruled in favor of FS Credit Opportunities Corp. and other funds, holding that Section 47(b) of the 1940 Act—which allows for the rescission of a contract that violates the ICA "at the instance of any party"—does not create an implied private right of action for private parties to sue for rescission of contracts that allegedly violate the 1940 Act. Rather, the Court held that courts may consider rescission if the dispute ends up before the court in another way, such as through allegations that a party violated state law or that corporate officers violated their fiduciary duty. The Court emphasized that the SEC "is the ICA's main enforcer" and that "Congress's decision to create a comprehensive agency enforcement scheme supports the conclusion that private parties generally cannot enforce the ICA."

U.S. Supreme Court Rules President May Fire Independent Agency Heads

The U.S. Supreme Court ruled 6-3 on June 29, 2026, that the President has the power to fire at will the heads of independent agencies, overturning a 1935 precedent. The decision affirmed President Donald Trump's right to fire Democratic Federal Trade Commission ("FTC") member Rebecca Kelly Slaughter. Chief Justice John Roberts, writing for the majority, stated that the FTC "unquestionably exercises executive power, and must therefore be controlled by the chief executive, in whom such power is vested." The ruling overturns the "Humphrey's Executor" precedent set following President Franklin D. Roosevelt's 1933 dismissal of a commissioner of the FTC, which had barred the president from dismissing commissioners at will and limited dismissal only to specified reasons. The decision has implications for independent agencies run by multimember boards, including the SEC, the CFTC, and the Federal Deposit Insurance Corporation. However, the opinion does not cover the Federal Reserve, in line with a June 2026 "carveout" by the Court aimed at preserving the independence of that agency.

SEC Chairman Atkins Announces Sweeping Review of Enforcement Processes

SEC Chairman Paul Atkins announced on June 30, 2026, at the Economic Club of New York that the SEC intends to conduct a sweeping review of its enforcement processes. The Chairman stated that the SEC has "ended the regulation by enforcement approach of the past and recentered [its] enforcement program on the commission's core mission by prioritizing cases that provide meaningful investor protection and strengthen market integrity." The announcement follows SEC Chairman Paul Atkins' four-year strategic blueprint released last month, which highlighted his intentions to shift regulatory practices and enforcement as well as improve operational efficiency, with the enforcement division focusing on fraud and manipulation. Enforcement Director David Woodcock, who became the SEC's Enforcement Director on May 4, 2026, has stated that he plans to bring the enforcement program's principles "back to basics" and noted that the division has shifted its focus toward case quality over volume.

For additional information or assistance, contact Thomas R. Westle, Stacy H. Louizos, or another member of Blank Rome's Investment Management Group.

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