

SEC Withdraws Proposed Rules Affecting Investment Advisors, Funds and Broker-Dealers

Alert

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By Eric Mikkelson & Carissa Occhipinto

On June 12, 2025, the Securities and Exchange Commission (SEC) withdrew 14 outstanding proposed regulations issued during the Biden Administration. These withdrawals underscore a dramatic priority shift away from regulation in many areas under the Trump Administration's new SEC Chair Paul Atkins. In announcing the withdrawals, the SEC noted any regulatory action in these areas would require restarting the rulemaking process.

Below is a summary of the recently withdrawn proposals.

KEY WITHDRAWN PROPOSALS

- **Shareholder Proposals Under Exchange Act Rule 14a-8:** In an effort to provide transparency and facilitate communication, the SEC proposed revising the substantive bases for exclusion of shareholder proposals under Rule 14a-8.
- **Conflicts of Interest Associated with the Use of Predictive Data Analytics by Broker-Dealers and Investment Advisors:** To address conflicts of interest associated with the use of predictive analytics by broker-dealers and investment advisors, this proposal required firms to eliminate or neutralize conflicts of interest.
- **Safeguarding Advisory Client Assets:** These proposed amendments to Rule 206(4)-2 under the Investment Advisers Act of 1940 intended to enhance investor protections relating to advisory client assets. This proposal sought to expand the custody rule to include additional client assets and advisory activities and increase custodial protection for client assets by updating record keeping and reporting requirements.

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- **Cybersecurity Risk Management:** This proposed rule required advisers and funds to adopt and implement written policies and procedures, report significant cybersecurity incidents to the SEC, increase the disclosure of cybersecurity risks and incidents, and maintain books and records related to cybersecurity.
- **Enhanced Disclosures About Environmental, Social, and Governance Investment Practices:** The SEC sought to enhance disclosure by investment companies, business development companies and investment advisors related to environmental, social and governance factors. This proposed rule also compelled environmentally focused funds to disclose greenhouse gas emissions associated with portfolio investments.
- **Outsourcing by Investment Advisors:** This proposal imposed certain requirements on investment advisors seeking to outsource certain functions to third-party service providers by requiring investment advisors to conduct due diligence on service providers prior to outsourcing, periodically monitor performance and make and keep books and records related to the diligence and monitoring requirements. Additionally, this would have amended the adviser registration form to collect information about investment advisers' use of service providers.
- **Prohibition of Fraud with Security-Based Swaps:** To increase transparency and reduce fraud and manipulation, the SEC sought to increase reporting obligations for individuals or companies holding security-based swap positions above a specified threshold.
- **Volume-Based Exchange Transaction Pricing for NMS Stocks:** Rule 6b-1, under the Securities Exchange Act of 1934, was proposed to prohibit volume-based transaction pricing for agency-related orders in national market system stocks. This rule also proposed increased reporting requirements on a monthly basis.
- **Regulation Best Execution:** This proposal required broker-dealers to establish written policies and procedures to comply with the best execution standard, including for firms engaging in conflicted transactions with retail customers.
- **Order Competition Rule:** To enhance competition, the SEC sought to require wholesaler market makers to expose orders to a qualifying order-by-order auction prior to executing individual investors' orders.
- **Regulation Systems Compliance and Integrity:** These proposed amendments expanded the scope of entities subject to Regulation Systems Compliance and Integrity requirements. This included registered security-based swap data repositories, certain broker-dealers registered with the SEC under Section 15 (b), and all clearing agencies formerly exempted from registration.
- **Cybersecurity Risk Management Rule:** To address cybersecurity risks, this proposal required broker-dealers and other financial intermediaries to adopt policies and procedures related to cybersecurity and notify the SEC of significant cybersecurity events.

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- **Changes to Regulation ATS and the Definition of "Exchange":** These proposed amendments expanded Regulation Alternative Trading Systems (ATS) to include government securities ATS and required ATS with a significant market share of United States Treasury securities to provide fair access to trading.
- **Proposed Amendments to the National Market System Plan Governing the Consolidated Audit Trail (CAT) to Enhance Data Security:** This proposal limited the scope of sensitive information that CAT could collect and enhanced the security and protection of CAT data.

For more information, please contact Eric Mikkelson or the Stinson LLP contact with whom you regularly work.

CONTACTS

Eric T. Mikkelson

Carissa Occhipinto

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