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Notable Developments:

SEC Publishes Application of CME Securities Clearing, Inc. for Registration as Clearing Agency for Treasury Securities

On January 15, 2025, the SEC published a [notice](#) of filing of an [application](#) by CME Securities Clearing, Inc. (“CMESC”) seeking to register as a clearing agency to provide central counterparty (“CCP”) services for secondary cash market transactions in U.S. Treasury securities, repos and reverse repos in U.S. Treasury securities. CMESC’s application to provide CCP services follows the SEC’s December 2023 [rule](#) that requires eligible secondary market transactions in U.S. Treasury, including certain cash market and repo/reverse repo transactions be cleared via a Covered Clearing Agency.

CMESC's application describes three models to access clearing services: first, Members, who would be able to clear proprietary transactions through CMESC and could authorize Users, which include Independent Users and Supported Users; second, Independent Users, who would be authorized by a Member, obligated to post margin and make variation payments to CMESC and settle cleared transactions directly with CMESC and third, Supported Users, who would be authorized by a Member and settle cleared transactions directly with CMESC but whose obligations to post margin and make variation payments would fall to the authorizing Member.

CMESC’s application also provides information regarding its risk management framework, including its margin and Guaranty Fund requirements, default management and liquidity risk management. The application was published in the Federal Register on January 22, 2025, which starts a 45-day comment period. Pursuant to Section 19(a) of the Exchange Act, the SEC has 90 days from publication of the notice of the application in the Federal Register to grant CMESC’s registration or institute proceedings to determine whether registration should be denied, which proceedings shall be concluded within 180 days of the date of the publication of notice. The SEC may extend the time for conclusion of the proceedings for up to 90 days if it finds good cause.

President Designates Acting Chair of SEC; Acting SEC Chair Names Acting Senior Staff

On January 20, 2025, President Trump [designated](#) SEC Commissioner Mark T. Uyeda as [Acting Chair](#) of the SEC.

On January 24, 2025, Acting SEC Chairman Uyeda [named](#) Jeffrey Finnell as Acting General Counsel, Robert Fisher as Acting Director of the Division of Economic and Risk Analysis, Kathleen Hutchinson as Acting Director of the Office of International Affairs, Samuel Waldon as Acting Director of the Division of Enforcement and Ryan Wolfe as Acting Chief Accountant.

Acting SEC Chairman Uyeda Announces Formation of New Crypto Task Force; White House Issues Executive Order Concerning Digital Assets

On January 21, 2025, Acting SEC Chairman Mark T. Uyeda [launched](#) a crypto task force dedicated to developing a comprehensive and clear regulatory framework for crypto assets to be led by the SEC Commissioner Hester Peirce. Richard Gabbert, Senior Advisor to the Acting Chairman, and Taylor Asher, Senior Policy Advisor to the Acting Chairman, will serve as the task force's Chief of Staff and Chief Policy Advisor, respectively. The Task Force will draw staff across the agency and collaborate with the public to set the SEC "on a sensible regulatory path that respects the bounds of the law" and to replace the "regulate by enforcement" approach. The Task Force's focus will be to help the Commission "draw clear regulatory lines, provide realistic paths to registration, craft sensible disclosure frameworks, and deploy enforcement resources judiciously." The Task Force will coordinate with federal departments and agencies, including the Commodity Futures Trading Commission, and state and international counterparts.

In related news, on January 23, 2025, President Trump signed an [Executive Order](#) to "strengthen[] American Leadership in Digital Financial Technology." The Order established a "Working Group on Digital Assets Markets," which "shall propose a Federal regulatory framework governing the issuance and operation of digital assets, including stablecoins, in the United States."

SEC and CFTC Extend Form PF Amendments Compliance Date

On January 29, 2025, the SEC, together with the CFTC, [announced](#) extension of the compliance date for the amendments to [Form PF](#) that were adopted on February 8, 2024 from February 8, 2025 to June 12, 2025.

SEC Rescinds Staff Accounting Bulletin No. 121 Concerning Accounting Treatment of Custody of Crypto Assets

The SEC [rescinded](#) Staff [Accounting Bulletin No. 121](#), which required firms that provide custody for crypto-assets to include them as liabilities on their balance sheets. The new

Staff Accounting Bulletin 122 clarifies that entities should now assess any liabilities related to safeguarding risks under broader accounting standards, such as FASB ASC Subtopic 450-20 or IAS 37.

SEC Enforcement:

SEC Charges Two Sigma for Failing to Address Known Vulnerabilities in its Investment Models

On January 16, 2025, the SEC [announced settled charges](#) against investment advisers Two Sigma Investments LP and Two Sigma Advisers LP for breaching fiduciary duties by failing to address known vulnerabilities in their investment models.

SEC Charges Wells Fargo Advisory Firms and Merrill Lynch with Compliance Failures Relating to Cash Sweep Programs

On January 17, 2025, the SEC [announced](#) settled charges against [Wells Fargo Clearing Services LLC and Wells Fargo Advisors Financial Network LLC](#) and against [Merrill Lynch](#) for failing to adopt and implement written policies and procedures reasonable designed to prevent violations of the Advisers Act relating to the firms' cash sweep programs.

SEC Charges LPL Financial with Anti-Money Laundering Violations

On January 17, 2025, the SEC [announced charges](#) against LPL Financial LLC for multiple failures related to its anti-money laundering program, namely failing to timely close accounts for which it had not properly verified the customer's identity and also failing to close or restrict thousands of high-risk accounts.

SEC Charges GrubMarket with Overstating Revenue

On January 17, 2025, the SEC [announced settled](#) charges against GrubMarket Inc. for providing investors with financial information that the company should have known was unreliable and that overstated its historical revenues.

SEC Charges Nova Labs, Inc. with Fraud and Registration Violations

On January 17, 2025, the SEC filed a [complaint](#) in the U.S. District Court, Southern District of New York, against Nova Labs, Inc. The complaint alleges that Nova Labs conducted unregistered offerings of crypto assets as securities and defrauded investors. According to the complaint, Nova Labs made unregistered offers and sales of securities when it offered and sold electronic devices called "Hotspots" that mined Nova Labs' crypto assets and "Discovery Mapping," a program that allows users to exchange their private data for Nova Labs' crypto assets. Nova Labs also allegedly made materially false and misleading statements to prospective investors about prominent companies using, being current users

of, or relying on the Nova Labs' wireless network when those companies were not in fact using the network.

SEC Charges Vanguard for Misleading Statements Related to Target Date Retirement Funds

On January 17, 2025, the SEC [announced](#) settled [charges](#) against Vanguard Group, Inc. with respect to misleading statements related to capital gains distributions and tax consequences for retail investors who held Vanguard Investor Target Retirement Funds (Investor TRFs) in taxable accounts.

SEC Charges Digital Currency Group and Former CEO of Genesis Global Capital for Misleading Investors

On January 17, 2025, the SEC [announced](#) settled charges against [Digital Currency Group, Inc.](#) ("DCG") and the [former CEO](#) of DCG's defunct subsidiary, Genesis Global Capital LLC, for misleading investors about Genesis Global Capital's financial condition.

In Case You Missed It:

President Trump Signs Executive Orders on Inauguration Day

On January 20, 2025, President Trump signed a number of Executive Orders, including:

[Restoring Accountability to Policy-Influencing Positions Within the Federal Workforce](#) intended to "restore accountability to the career civil service, beginning with positions of a confidential, policy-determining, policy-making, or policy-advocating character," providing for greater scrutiny by the Executive Office on these roles.

[Regulatory Freeze Pending Review](#): intended to pause or stop to the adoption of proposed rules.

[Ending the Weaponization of the Federal Government](#): Requires that there be a review of enforcement actions taken by the DOJ and by other US Government Agencies and to identify and take appropriate action to correct past misconduct by law enforcement and the Intelligence Community.

[Initial Rescissions of Harmful Executive Orders and Actions](#): Rescinded 78 Executive Orders issued by President Biden, including:

- [Climate-Related Financial Risk](#): This EO required that climate change considerations be central to financial rulemaking.

- [Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence](#): This EO stated that AI was an important development and that it should be facilitated, subject to a raft of ESG considerations.
- [Reducing Regulation and Controlling Regulatory Costs](#)
- [Enforcing the Regulatory Reform Agenda](#)
- [Evaluating and Improving the Utility of Federal Advisory Committees](#)
- [Promoting the Rule of Law Through Improved Agency Guidance Documents](#)
- [Promoting the Rule of Law Through Transparency and Fairness in Civil Administrative Enforcement and Adjudication](#)
- [Increasing Government Accountability for Administrative Actions by Reinventing Administrative PAYGO](#)

CFTC announces Acting Chairman

On January 20, 2025, CFTC [announced](#) the members of the CFTC unanimously elected Commissioner Caroline D. Pham as Acting Chairman.

FINRA Publishes Annual Regulatory Oversight Report

On January 28, 2025, FINRA published its annual Regulatory Oversight Report. This year's [report](#) covers 24 different topics, including content dedicated to the third-party risk landscape, extended hours trading, and sales practice and Reg BI compliance in connection with complex products, as well as AI and more. FINRA's goal for the publication is "to provide insight into [its] observations around systemic risk and raise awareness of common challenges and compliance gaps."

Third Circuit Finds SEC's Denial of Coinbase Rulemaking Petition "Arbitrary and Capricious"

On January 13, 2025, the US Third Circuit Court of Appeals [found](#) that the SEC's denial of a Coinbase petition for rulemaking on the regulatory treatment of digital assets was "arbitrary and capricious."

The Third Circuit addressed the issue of whether the Administrative Procedure Act or other principles "require the SEC to engage in notice-and-comment rulemaking and, if not, whether the SEC's explanation for its decision was sufficiently reasoned." The Court held that the SEC's denial letter was "insufficiently reasoned, and thus arbitrary and capricious." The Court granted Coinbase's petition in part and remanded to the SEC "for a more complete explanation." The Court declined to order the agency to institute rulemaking proceedings.

BCBS and CPMI-IOSCO Publish Policy Proposal Regarding Initial Margin in Centrally Cleared Markets

BCBS and CPMI-IOSCO [published](#) final policy proposals aimed at improving transparency and responsiveness in centrally cleared markets in a report released January 2025. The report detailed policy proposals aimed at improving risk management and transparency for initial margin ("IM") models.

Court Rules Against American Airlines for Allowing ESG to Influence Retirement Plan Decision-Making

On January 10, 2025, the US District Court for the Northern District of Texas [ruled](#) that American Airlines and its Employee Benefits Committee breached their fiduciary duty of loyalty under ERISA by allowing non-financial environmental, social and governance ("ESG") considerations to influence retirement plan management.

The Court's decision found that the defendants (i) allowed corporate ESG objectives to improperly influence fiduciary decisions and (ii) failed to properly investigate or address the investment manager's ESG-focused proxy voting and investment practices. The Court found that the defendants breached their fiduciary duty of loyalty under ERISA Section 404(a)(1)).

FINRA Fines Berkshire Global Advisors LP for Supervisory Failures Over Outside Brokerage Accounts

On December 27, 2024, Berkshire Global Advisors LP [settled](#) FINRA charges for failing to establish adequate supervisory procedures to monitor its registered representatives' outside brokerage accounts.