7 Predictions for the SEC in 2025

FAIRVIEW

On January 20, a new administration takes office. This will inevitably bring regulatory change. Under SEC Chair Gary Gensler's leadership, the SEC issued numerous penalties and several proposed rules. Under incoming SEC Chair Paul Atkins' leadership, the SEC will likely have a softer approach. However, Atkins is not anti-regulation, nor will the SEC turn from its mission to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.

So, what does this mean for advisers? Will certain proposed rules be finalized? Will artificial intelligence ("AI") still be a priority? Will advisers *really* have to comply with heightened vendor due diligence requirements?

While we do not have a crystal ball, we have broken down our top 2025 SEC predictions, including what we believe will change, what will remain consistent, and how you can prepare.

1. **Compliance programs will remain a priority.** SEC Chair nominee Paul Atkins has an extensive background supporting compliance. He was a commissioner at the SEC from 2002-2008, and before his appointment as commissioner, he assisted financial services firms with improving their compliance with SEC regulations and worked with law enforcement agencies to investigate and rectify situations where investors had been harmed.[1] While we do anticipate a shift in focus areas, we still expect compliance programs to remain a top priority.

2. **2025 EXAM priorities will likely remain unchanged.** Unlike some of the proposed rules, the 2025 Examination Priorities [2] published by the SEC's Division of Examinations ("EXAMS") are unlikely to change. Priorities tend to stay consistent, even when there is a change in administration. For example, cybersecurity has been a priority since 2014[3], and we expect that to remain, given the heightened cybersecurity risks posed by new and different forms of technology. Nevertheless, new guidance and focus areas may emerge. For more details on 2025 exam priorities, click here.

3. **Regardless of whether the proposed Cybersecurity Risk Management Rule or the proposed Outsourcing by Investment Advisers Rule are adopted, components of these proposals will be viewed as best practices.** Of the remaining proposed rules, we think the Cybersecurity Risk Management Rule, or an iteration thereof, is most likely to be adopted. Many components of the rule are already seen as best practice, as evidenced by recent SEC examinations. Several components of the proposed Outsourcing by Investment Advisers Rule are already addressed in Amended Regulation S-P, so we think this proposal is less likely to be adopted as a final rule.

4. **Amended Regulation S-P will remain intact.** Given the threat cybersecurity poses to the financial services industry, we do not expect any changes to Amended Regulation S-P, which requires covered entities to adopt policies and procedures to: 1) govern disposal of customer information; 2) conduct due diligence and monitor service providers; 3) establish an incident response program; 4) meet certain customer notification requirements; and 5) comply with the expansion of the safeguards and disposal rules to cover nonpublic personal information that a covered institution obtains about its own clients and nonpublic personal information received from other financial institutions about clients. Covered institutions (except funding portals) must also maintain written records evidencing compliance with the safeguards and disposal rules. Advisers would be wise to start preparing to fulfill these requirements, particularly the vendor due diligence requirement, which will require a significant amount of time and resources for many firms to implement.

1. https://www.sec.gov/about/sec-commissioners/sec-historical-summary-chairmen-commissioners/paul-s-atkins
2. https://www.sec.gov/files/2025-exam-priorities.pdf
3. https://www.sec.gov/files/national-examination-program-priorities-2014.pdf

5. **We expect a softer approach to AI under Atkins.** The proposed Predictive Data Analytics Rule (the "AI Rule") could be scrapped or overhauled. Atkins will likely share President-elect Donald Trump's view of AI, which supports AI innovation and advancement.[4] Accordingly, we expect a business and technology-friendly approach to regulation. This could mean more attention to data protection as well as perennial focus areas such as material nonpublic information (MNPI).

6. **Speaking of crypto, cryptocurrency could take center stage.** While Gensler viewed cryptocurrency as a risk, Atkins is widely viewed as crypto-friendly (as evidenced by his position on the Board of Advisors of Token Alliance, also known as the Chamber of Digital Commerce)[5]. Since 2017, Atkins has been a member of Token Alliance, whose mission is to promote the acceptance and use of digital assets and blockchain-based technologies. President-elect Trump said in July 2024 that he promised to make America the "crypto capital of the planet" if he returned to the White House.[6]

   Atkins has been involved in the development of regulatory frameworks and best practices with regards to the use of digital assets and cryptocurrencies. With several crypto-related bills already under consideration in Congress, such as the FIT 21 Act[7] and stablecoin legislation[8], crypto may be moving towards the main stream. Atkins has also voiced support for Commissioner Hester Peirce's Token Safe Harbor Proposal, which proposes a grace period for crypto developers before requiring SEC registration. Peirce released an updated version of the Token Safe Harbor Proposal in 2021 when Gensler came into the chairmanship. Now may be the perfect time to try again under a new chairman.

7. **MNPI, client protection, and investor protection will be key priorities under incoming Chair Atkins.** Atkins has a long track record of enhancing client protection and investor protection. When he was an SEC commissioner under Chairman Arthur Levitt, he was responsible for organizing the SEC's individual investor program, including the first investor town hall meetings, an SEC consumer affairs advisory committee, and other investor education efforts, including the original *Invest Wisely* brochures regarding the fundamentals of the retail brokerage relationship and mutual fund investment. Under SEC Chairman Richard Breeden, he assisted in efforts to enhance shareholder communications and to strengthen management accountability through proxy reform. We can expect to see investor protection and protection of MNPI to be consistent themes of the SEC under Atkins' leadership.[9]

What does this mean for me?

While Atkins will have a different approach to leading the SEC, he will not totally reform it or its current priorities. Firms would be wise to continue strengthening their compliance programs, preparing for new rules that have been finalized, such as Amended Regulation S-P, and addressing the 2025 Examination Priorities published by the Division of Examinations.

4. https://apnews.com/article/ai-artificial-intelligence-kamala-harris-trump-vance-1c94ba2ee6a1410e61d980faa51b19e4
5. https://digitalchamber.336.thegrove.co/about/
6. https://apnews.com/article/donald-trump-bitcoin-cryptocurrency-stockpile-6f1314f5e99bbf47cc3ee6fc6178588d
7. https://www.congress.gov/bill/118th-congress/house-bill/4763/text?s=1&r=1&q=%7B%22search%22%3A%5B%22Financial+Innovation+and+Technology+for+the+21st+Century+Act.%22%5D%7D
8. https://www.congress.gov/bill/118th-congress/house-bill/4766/text
9. https://www.sec.gov/about/sec-commissioners/sec-historical-summary-chairmen-commissioners/paul-s-atkins

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