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CLIENT ALERT

SEC Enforcement 2025 Year-End Round Up

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The SEC Enforcement Division closed out the last half of the year with a number of notable actions.[1] After several months of slower—and briefly halted—enforcement activity following the change in administration and federal government shutdown, the U.S. Securities and Exchange Commission's ("SEC" or "Commission") enforcement docket has continued to pick up steam. Many actions filed before the turn of the government's fiscal year align with the enforcement priorities championed by Chairman Paul Atkins, including a reemphasis on the SEC's "traditional" enforcement areas: insider trading; accounting and disclosure fraud; market manipulation; and breaches of fiduciary duties by investment advisors. Several of these actions also touch on another pillar of Chairman Atkins' enforcement agenda: policing harm to investors, particularly retail investors. The SEC also recently announced its new Enforcement Director with a press release that heavily emphasized its commitment to pursuing fraud and manipulation.[2]

Despite this return to bread-and-butter enforcement, the SEC has also recently brought a non-fraud action based on the Marketing Rule, as well as a negligence-based fraud action for conflicts of interest. These actions, and what insights market participants and observers might glean from them, are discussed below.

1 Please see our previous client alert reviewing the first half of the new administration's first year here.

2 The SEC's Press Release appointing Judge Margaret Ryan as Director of the Division of Enforcement is available here.

1. SEC Returns From Gov. Shutdown With Six Investment Adviser Actions

On November 17, just five days after the conclusion of the longest federal government shutdown to date, the SEC marked its return to regular activity with six enforcement actions brought against investment advisers.[3] The SEC's complaints, which are filed in the Southern District of New York and the District of Colorado, allege that each investment adviser made misrepresentations on their respective Forms ADV. The complaints reference a variety of alleged misrepresentations, including the addresses of the advisers' offices, the identities of certain of the advisers' officers, the amount of assets under management, whether certain of the advisers provide advisory services to private funds, and, in the case of two of the six advisers, that they are publicly traded. Each of the advisers also face charges under Section 204(a) of the Investment Advisers Act of 1940 ("Advisers Act") for failing to make their books and records available to Commission attorneys for examination.

The actions signal that not only was the SEC continuing to press ahead during the 43-day government shutdown, but that coordinated, disclosure-based actions filed against multiple investment advisers are not a thing of the past. Additionally, the actions signal a willingness to pursue smaller investment advisers, as none of the defendants claimed assets-under-management in excess of $10 million.

2. Chairman Atkins's Speech Regarding the Wells Process

In October, Chairman Atkins gave a speech that highlighted the importance of due process, fairness, and transparency in the Enforcement Division's Wells process.[4] Specifically, Chairman Atkins expressed his expectations that Enforcement staff will provide potential respondents or defendants with information such that they may sufficiently understand the key evidence that forms the basis of potential charges. This includes giving them access to testimony transcripts and key documents. He also indicated that going forward staff will give parties at least four weeks to make a Wells Submission and that senior leadership will meet with defense counsel before making a recommendation to the Commission.

3. Harm to Retail Investors

On August 29, 2025, the SEC filed settled actions against two investment advisers for their failure to disclose conflicts of interest to potential and existing customers when recommending these customers enroll in the advisers' fee-based advisory services. The actions, which likely originated during the previous administration, are nevertheless a prompt demonstration of the SEC's commitment to protecting retail investors.

Through its orders, the SEC alleges that the advisers, at various points, incentivized their agents and registered representatives with bonuses, salary increases, and promotions to recommend clients enroll in the fee-based advisory programs. These compensation arrangements were not disclosed to prospective and existing customers, and the advisers and their registered representatives made various statements elsewhere that the advice they provided was disinterested or otherwise not the product of financial incentives.

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[3] The SEC's Press Release regarding the six actions against investment advisers is available here.

[4] Chairman Atkins' speech is available here.

Per the SEC, the non-disclosure of the advisers' compensation structures and conflicting statements created the impression that the advisers were making financially disinterested recommendations to these clients to enroll in the fee-based advisory services plans. The orders found that both advisers violated Section 206(2) of the Advisers Act. One adviser was additionally charged with a violation of Section 206(4) and Rule 206(4)-7 thereunder. The advisers agreed to civil penalties of $750,000 and $19.5 million, with the adviser who paid the $750,000 penalty also agreeing to pay approximately $4.4 million in disgorgement and prejudgment interest.

The SEC has also brought both litigated and settled actions against operators of Ponzi schemes, offering frauds, and other fraudulent schemes which targeted retail investors. The Commission's commitment to policing such fraud remains robust, with more than twenty similar actions being either filed or settled in the month of September.[5] We expect that such actions will remain a hallmark of SEC enforcement efforts for the foreseeable future.

4. Rules-Based Action

Although the SEC's enforcement priorities have pivoted back towards fraud and manipulation, the SEC has demonstrated some willingness to bring actions for rules-based violations, including those which lack clear investor harm.

On September 4, 2025, the SEC announced charges against Meridian Financial, LLC ("Meridian"), a Massachusetts-based registered investment adviser with various violations of the Advisers Act, including the Marketing Rule,[6] relating to Meridian's marketing, record-keeping, and compliance efforts.[7] The SEC's order focuses on Meridian's dissemination of a website advertisement claiming Meridian "refuse[d] all conflicts of interest," despite the fact Meridian disclosed various conflicts of interest on its Form ADV Part 2A brochure. The SEC found that, in light of its Form ADV Part 2A disclosure, Meridian "lacked a reasonable basis" to believe it could substantiate the claim in its website advertisement.[8] Meridian was also charged with failing to maintain copies of advertisements which appears on its website, failing to implement policies and procedures regarding reliance on third parties for recordkeeping, and failing to conduct annual reviews of its compliance policies and procedures. To settle the action, Meridian was censured and agreed to pay a civil penalty of $75,000. The SEC did not allege any investors were harmed as a result of Meridian's conduct.

Unlike Meridian, TZP Management Associates, LLC ("TZP") was charged with a rules-based violation which the SEC alleges *did* result in investor harm.[9] TZP, a New York-based investment adviser, allegedly breached its fiduciary duty to certain private funds by failing to adequately disclose and offset interest TZP received on deferred transaction fees, and by improperly duplicating certain transaction fee reductions when calculating fee offsets.[10] These practices allegedly resulted in TZP charging more than $500,000 in excess management fees, and were

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5 *See, e.g.*, Daryl F. Heller; Stock Purse Trading LLC; Wendy Swenson; Austin D. Ellison-Meade; Arsalan Rawjani; Agridime LLC; Taino Lopez; Justin R. Kimbrough; and Pathyam Patel.

6 Advisers Act Rule 206(4)-1.

7 The SEC's Press Release is available here.

8 *Id.*

9 The SEC's announcement is available here.

10 *Id.*

allegedly assessed in violation of the limited partnership agreements governing TZP's relationships with the relevant private funds. TZP was charged with violating Section 206(2) of the Advisers Act and agreed to pay $508,887 in disgorgement and a civil penalty of $175,000.[11]

5. Harm to Sophisticated Investors

While policing harm to retail investors is at or near the top of the SEC's current enforcement priorities, the Commission remains committed to protecting larger, sophisticated investors and private funds as well.

On September 9, 2024, the SEC filed settled charges against Vukota Capital Management, LLC ("VCM"), VCM Global Asset Management Ltd. ("VGAM") and its controlling party, Tomislav Vukota.[12] Vukota and his entities were engaged in providing advisory services to a number of private funds, including over a dozen which held multifamily residential properties. The SEC alleged that Vukota and his entities engaged in three distinct acts of negligent conduct:

(1) Causing various private funds VCM and VGAM advised to make short term, below-market-rate loans to VCM to cover cash shortfalls, in violation of the private fund's partnership agreements and without disclosing these loans to investors;

(2) Sending misleading letters to investors in four private funds Vukota and VCM advised, where Vukota attempted to buy the investors' interests without disclosing the fact he was the buyer and his attendant conflicts of interest; and

(3) Making material misstatements in marketing and offering materials for the Vukota Multi-Strategy Fund, including by inflating AUM, misrepresenting that the fund was audited, and the fund's filing status as an exempt reporting adviser.[13]

The SEC charged Vukota, VGAM, and VCM with violation Section 17(a)(2) and (a)(3) of the Securities Act of 1933. Vukota and VCM were charged with violating Section 206(2) of the Advisers Act, and Vukota and VGAM were also charged with violations of Section 206(4) of the Advisers Act. Vukota, VGAM, and VCM agreed to settle the SEC's charges without admitting fault, paying $6,943,212 in disgorgement, $1,766,582 in prejudgment interest, and $1,000,000 in penalties.[14]

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11 *Id.*

12 The SEC's announcement is available here.

13 *Id.*

14 *Id.*

If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.

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