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RECENT SEC ACCOUNTING AND FINANCIAL REPORTING ENFORCEMENT ACTIONS AND WHAT TO EXPECT UNDER TRUMP 2.0

The last quarter of 2024 was especially active, with several significant enforcement actions involving accounting and financial reporting including some with significant civil penalties. With the new presidential administration in 2025, the SEC has begun to adjust its regulatory agenda but is expected to continue its enforcement focus on core issues of accounting and financial reporting including internal controls and disclosure controls. What is likely to change, going forward, is the remedy sought for violations, in particular, civil penalties against public companies. Paul Atkins, President Trump's nominee to serve as SEC Chair, during his prior tenure as SEC Commissioner, questioned the appropriateness of civil penalties against public companies the cost of which is largely borne by shareholders, as opposed to wrongdoers involved in the misconduct. A civil penalty may no longer be the default remedy for public companies charged with accounting and reporting violations. Rather, we can expect thorough consideration by the SEC when determining whether a civil penalty is warranted, as well as the appropriate amount of the penalty.

By Jimmy Fokas and Nikita Mistry *

The change in the presidential administration has ushered in changes in the enforcement agenda of the Securities and Exchange Commission ("SEC" or "Commission"). One area that does not appear to be impacted thus far, are SEC enforcement actions involving bread-and-butter issues of accounting, disclosure, and financial reporting. This article examines recent enforcement actions in this area and briefly discusses what to expect under the Trump administration's SEC.

The SEC has historically maintained a vigorous enforcement program targeted at accounting and financial reporting violations. These actions include a variety of different violations that are implicated by the conduct at issue. Enforcement actions involving misrepresentations or omissions typically allege violations of the antifraud provisions under section 17 of the Securities Act of 1933 ("Securities Act"), along with violations of section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 ("Exchange Act"). In

* *JIMMY FOKAS is a partner at Baker Hostetler's New York City office and previously served as Senior Counsel in the SEC's Division of Enforcement. He currently serves as a co-leader of the firm's Financial Investigations, Restatement, and Accounting practice team. NIKITA MISTRY is an associate at the same office. She is a member of the White Collar, Investigations and Securities Enforcement and Litigation team and also represents the court-appointed trustee for the liquidation of Bernie Madoff, who orchestrated the largest-ever Ponzi Scheme. Their e-mail addresses are jfokas@bakerlaw.com and nmistry@bakerlaw.com.*