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SIDLEY UPDATE

SEC Division of Enforcement Reports Overall Decrease in Enforcement Actions in 2024 Fiscal Year

December 2, 2024

On November 22, 2024, the Enforcement Division of the SEC published its annual report, which detailed the agency's enforcement efforts during its 2024 fiscal year (October 2023 through September 2024).

At a high level, the Division reported a 26% decline in total enforcement actions compared with fiscal year 2023, reversing a postpandemic trend of increases. This trend was consistent across each category of enforcement action: a 14% decline in "stand-alone" actions; a 43% decline in "follow-on" administrative proceedings arising from other civil, criminal, or administrative events; and a 51% decline in actions against delinquent filers. More than 200 of the Division's 2024 cases (over 35%) were brought in September, the last month of the fiscal year, an even greater backloading of the SEC's annual case docket than has been normal in recent years.

Enforcement Actions Filed in Fiscal Years 2020 to 2024

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020
Standalone Enforcement Actions	**431**	501	463	434	405
Follow-On Admin. Proceedings	**93**	162	169	143	180
Delinquent Filings	**59**	121	129	120	130
Total Actions	**583**	**784**	**761**	**697**	**715**

Standalone Enforcement Actions is a combined count of Civil Actions and Standalone Aps.

The Division reported that it secured orders for $8.2 billion in financial remedies, which it described as the highest single-year total in its history. However, as the Division itself noted, more than half of this total came from a single $4.5 billion post-trial settlement with Terraform Labs and Do Kwon — a judgment that the insolvent crypto asset platform and its founder likely will never satisfy. Excluding that single judgment, the total financial remedies for 2024 would have been approximately $3.7 billion — a 25% decline from 2023 and the lowest disgorgement total in at least five years.

Total Money Ordered (in millions)

	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020
Penalties	**$2,102**	$1,580	$4,194	$1,456	$1,091
Disgorgement	**$6,092**	$3,369	$2,245	$2,395	$3,588
Total	**$8,194**	**$4,949**	**$6,439**	**$3,852**	**$4,680**

In a statement included in the report, Acting Director of the Division Sanjay Wadhwa suggested that this decline might be the result of better compliance in the industry; he stated that "market participants ... stepped up efforts to self-report, remediate, and meaningfully cooperate with [the Division's] investigations, answering [the Division's] call to foster a culture of compliance." He also noted that many investigations not reported in the statistics nonetheless uncovered and corrected "potentially problematic conduct" even if no enforcement action was filed.

The report separately discussed that many settled actions included in the statistics involved significantly lower penalties because of cooperation by market participants.

Other possible explanations for this broad trend include the fact that Congress has held the SEC's budget flat in the last two years, resulting in a net decline in the SEC's hiring power (accounting for salary, benefit, and rent increases). The Division may not have replaced the activity created by certain sweeps (such as one targeting delinquent filers) that wound down in 2023 or early 2024, although the Division's off-channel communications sweep accounted for more than 70 cases in 2024, more than in any prior year. Some investigation targets may have intentionally delayed agreeing to resolutions during 2024 in light of political uncertainty. Historically, the first year of any new SEC administration (of either party) sees some decline in enforcement activity as a new SEC chair and (usually) new Division leadership establish new priorities. As a result, the trends in 2024 may continue in 2025 despite Acting Director Wadhwa's observation that October and November 2024 have seen a substantial number of new cases.

The overall decline was driven by sharp declines in certain categories of actions. Delinquent filing actions dropped from 121 in 2023 to 59 in 2024 (the lowest total in that category in at least the past five years); issuer reporting, audit, and accounting actions dropped from 107 to 60; securities offering actions (a category that includes actions targeting crypto asset companies for selling unregistered securities) dropped from 167 to 97; and Foreign Corrupt Practices Act (FCPA) actions dropped from 11 to just two (not including the recently filed charges against Gautam Adani and related individuals and companies, which will be part of fiscal year 2025).

Indeed, the only categories of actions that increased in 2024 relative to 2023 were insider trading (from 32 to 35), NRSRO (rating agency actions) (from four to six — all part of an off-channel communication sweep), public finance abuse (from six to 14), and "miscellaneous" (from 23 to 56). The overall mix of major categories was similar to those in 2023, although investment adviser and investment company actions (23% in 2024, 18% in 2023) overtook securities offering actions (17% in 2024, 21% in 2023) as the largest single category, returning to the leading position that this area held in 2022 and 2021.

Enforcement Categories[1]

	2024	2023	2022[2]	2021	2020
Broker-Dealer	**98**	**140**	**132**	**110**	**142**
Delinquent Filings	**59**	**121**	**129**	**120**	**130**
FCPA	**2**	**11**	**6**	**5**	**10**
Insider Trading	**35**	**32**	**43**	**28**	**33**
Investment Adviser/Companies	**135**	**139**	**174**	**159**	**137**
Issuer Reporting/Audit & Accounting	**60**	**107**	**91**	**70**	**74**
Market Manipulation	**19**	**24**	**35**	**31**	**28**
Miscellaneous	**56**	**23**	**6**	**7**	**6**
NRSRO	**6**	**4**	**1**	**2**	**4**
Public Finance Abuse	**14**	**6**	**20**	**12**	**12**
Securities Offering	**97**	**167**	**113**	**150**	**138**
SRO/Exchange	**1**	**5**	**1**	**1**	**-**
Transfer Agent	**1**	**5**	**9**	**2**	**1**
Total	**583**	**784**	**760**	**697**	**715**

[1] The SEC's report includes each action initiated in only one category, even though many actions may fall under more than one category.
[2] Statistics based on original data in the Division's report for fiscal year 2022. Please note that fiscal year 2022 is now reported as 761 total actions due to a separate action resulting from a change of venue for one of the parties in the originally filed action.

Consistent with the overall decline in enforcement actions, the Division obtained slightly fewer orders barring individuals from serving as officers and directors of public companies than in 2023 — 124, down from 133.

The Division noted a continued increase in activity in one area: tips and whistleblower reports. There were over 45,000 tips, complaints, and referrals in 2024, which was the most ever in one year. This included over 24,000 whistleblower tips, a significant increase over the 18,000 received in 2023. The Division noted, however, that just two individuals submitted over 14,000 tips in 2024 — suggesting that these bulk tips may have hindered rather than helped the SEC's efforts. The total amount of whistleblower awards issued in 2024 was $255 million, a decline from the nearly $600 million awarded in 2023 (albeit only a modest decline if one excludes a single — and exceptional — $279 million award made in 2023).

The report also highlights the Division's achievements in particular areas of focus, including off-channel communications, the investment adviser marketing rule, whistleblower protection, protection of material nonpublic information, and delinquent filers. The report also notes the Division's successes in achieving "robust financial remedies" and charging individuals where appropriate.

Finally, the report describes several areas of "emerging technologies and emerging risks" that are likely to remain areas of focus: fraud related to the use of artificial intelligence; relationship investment scams involving social media solicitation; disclosure issues related to cybersecurity; and disclosure and registration issues involving crypto businesses.

The full 2024 report is available here.

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