

SEC Enforcement Highlights for Fiscal Year 2024

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On November 22, 2024, the Securities and Exchange Commission (the “SEC” or “Commission”) announced its enforcement results for the fiscal year (“FY”) 2024. Though the SEC filed only 583 total enforcement actions in FY 2024—a decline of 26% from the 784 enforcement actions filed in FY 2023—the Commission obtained a record-setting \$8.2 billion in financial remedies, which includes civil penalties and disgorgement amounts combined. Notably, 56% of the \$8.2 billion in financial remedies was the result of a monetary judgment awarded in a single matter.

Just the day before announcing its FY 2024 enforcement results, on November 21, 2024, the SEC announced that current SEC Chair Gary Gensler (“Gensler”) will be stepping down from the Commission effective at 12:00 p.m. on January 20, 2025. In connection with releasing the FY 2024 enforcement results, Gensler reiterated his view of the SEC as a “steadfast cop on the beat,” which helps to “promote the integrity of our capital markets to benefit investors and issuers alike.” Sanjay Wadhwa, Acting Director of the Division of Enforcement, praised efforts by market participants to “step-up efforts to self-report, remediate, and meaningfully cooperate with our investigations, answering our call to foster a culture of compliance.” Sam Waldon, Acting Deputy Director of the Division of Enforcement, noted the SEC’s focus on misstatements regarding artificial intelligence, relationship scams conducted over social media, and “evergreen investor risks” like “material misstatements, deficient internal controls and major gatekeeper failures.”

Composition of Actions

The SEC reported 583 enforcement actions in FY 2024, comprised of 431 “stand-alone” actions, 93 “follow-on” actions, and 59 actions against “issuers who were allegedly delinquent in making required filings with the SEC.” The SEC filed fewer actions in FY 2024 than in FY 2023 in each category: 70 fewer “stand-alone” actions; 69 fewer “follow-on” actions; and 62 fewer delinquent filer actions.

Record Penalties

The SEC obtained \$8.2 billion in financial remedies, which consisted of \$6.1 billion in disgorgement and prejudgment interest—the highest on record—and \$2.1 billion in civil penalties—the second-highest amount ever. However, more than \$4.5 billion of the \$8.2 billion total financial remedies was secured from a crypto-entity and its founder after a jury found them liable for securities fraud, which represents the highest recorded remedies obtained by the SEC following a trial. The SEC extracted significant financial remedies from other settling parties as well, including two reported settlements each in excess of \$100 million.

While financial penalties reached record highs, the Commission’s distributions to harmed investors decreased during FY 2024. The SEC stated that it distributed \$345 million to harmed investors in FY 2024, which is \$585 million less than FY 2023 and the first time since FY 2016 that the distributions have fallen below \$500 million.

In addition to financial remedies, the SEC obtained orders barring 124 individuals from serving as officers or directors of public companies.

Increased Whistleblower Activity

The SEC stated that it received more than 24,000 whistleblower tips, breaking the record it set last year by approximately 6,000 tips. However, more than 14,000 of the whistleblower tips received in FY 2024 were submitted by two individuals. The SEC awarded whistleblowers \$255 million in FY 2024, over 50% less than the nearly \$600 million awarded in FY 2023.

Continued Emphasis on Market Sweeps

In FY 2024, the SEC continued its market-wide investigations into areas for which the SEC states there are “issues of widespread noncompliance,” including off-channel communications, non-compliance with the Marketing Rule, violations of the Dodd-Frank whistleblower protection rule, and failure to disclose holdings and transactions by insiders.

The SEC’s market-wide investigation into off-channel communications resulted in total civil penalties in excess of \$600 million collected among more than 70 firms, including 12 municipal advisors. The off-channel communications sweep has generated more than \$2 billion in penalties since December 2021.

The SEC settled charges against more than a dozen investment advisors for allegedly failing to comply with the revised Marketing Rule, which was adopted in December 2020 and required compliance by November 2022.

The SEC also highlighted its settled enforcement actions seeking redress for alleged violations of the Dodd-Frank whistleblower protection rule. Notably, one such action involved a record \$18 million civil penalty assessed against a defendant for a standalone violation of the whistleblower protection rule.

In addition, the SEC announced settled charges against 36 individuals and entities for alleged failure to disclose their securities holdings and transactions.

The Commission’s Focus on Fraud

The Commission reiterated its continued focus on combatting fraudsters who prey on investors. The SEC highlighted four matters charged in FY 2024 involving combined assets of more than \$3 billion, including one alleged pyramid scheme involving crypto assets that raised more than \$1.7 billion from investors worldwide, and another alleged crypto scheme that raised more than \$650 million from more than 200,000 investors worldwide. The SEC highlighted charges against five unregistered brokers and their companies for raising at least \$528 million from more than 4,000 investors worldwide in connection with an alleged pre-IPO fraud scheme. In addition, the SEC charged the founder of a privately held social media startup that raised approximately \$170 million from investors by allegedly fraudulently inflating its success and the amount of its purported users.

Scrutiny into Statements of Emerging Technologies and Risks

The Commission noted its focus on disclosures it found to constitute false or misleading statements regarding the use of artificial intelligence to secure promised returns. The SEC highlighted two matters it brought involving allegedly false statements to investors regarding proprietary AI technology and use of AI in the investment process.

In the first enforcement action of its kind, in a term coined “relationship investment scams,” the SEC charged two crypto asset trading platforms and associated individuals for allegedly soliciting investors through social media apps, gaining their confidence and stealing their money.

The SEC also settled charges against companies for alleged failure to provide timely disclosures of cyber intrusions and internal control failures related to cybersecurity incidents. The SEC stated that it employed advanced data analytics, crypto asset tracing and technology to uncover cyber fraud domestically and internationally.

Similarly, in the crypto space, the SEC settled charges for alleged false and misleading investor disclosures regarding the strength of compliance programs and monitoring of crypto customers, as well as alleged failure to register the offer and sale of structured crypto assets offered and sold as securities.

Individual and Gatekeeper Accountability

The SEC continued its efforts to charge individuals and gatekeepers for securities law violations where it deemed appropriate in FY 2024. The Commission noted settled charges against the former CEO and former Chief Risk Officer of a company in connection with alleged misstatements to investors about the strength of the firm’s compliance program and monitoring of crypto customers, settled charges against the CEO of a former registered investment adviser in connection with alleged false

and misleading statements about the adviser's flagship fund, and settled charges against the former head of an equity syndicate desk in connection with alleged disclosure of confidential information regarding block trades. In each of these examples, the individuals agreed to certain industry or officer-and-director bars, as well as civil penalties of \$250,000 or more.

In what it alleged was "one of the largest ever wholesale failures by a gatekeeper," the SEC charged an audit firm and permanently suspended its managing partner, imposing a \$2 million individual civil penalty, to resolve an alleged fraud affecting more than 1,500 SEC filings. The SEC also highlighted settled charges against a different audit firm for hundreds of alleged auditor independence violations.

Public Company Misstatements and Failure to Safeguard Material Nonpublic Information

The SEC charged several public companies for alleged misleading statements that inflated their financial performance and business performance metrics, including settled charges arising from misleading statements about the results of a clinical trial for treatment of Alzheimer's disease and charges arising from an alleged scheme to overstate and misrepresent revenue in connection with public stock offerings.

The Commission continued to utilize advanced data analytics and technology in its investigations, resulting in settled charges with companies and individuals that allegedly disclosed confidential information about block trades or failed to establish, maintain or enforce written policies and procedures designed to safeguard material nonpublic information. The SEC also highlighted its settled insider trading charges against a founder and former chair of a public company.

Trial and Litigation Activity

The SEC had five trials in federal district court and obtained favorable verdicts in all five. The SEC prevailed in its first ever crypto-related trial, in which the defendants—a crypto-currency company and its founder—were found liable for securities fraud related to the offer and sale of crypto assets.

The SEC's full enforcement statistics can be found [here](#). If you have any questions about this article, please contact **Brooke E. Conner** at bconner@vedderprice.com, **Rachel T. Copenhaver** at rcopenhaver@vedderprice.com, **Junaid A. Zubairi** at jzubairi@vedderprice.com, **Eric Hyla** at ehyla@vedderprice.com, **Nitya Bhardwaj** at nbhardwaj@vedderprice.com or any other Vedder Price attorney with whom you have worked.

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