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Regulatory Update

SEC Withdraws 14 Pending Rule Proposals

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On June 12, the Securities and Exchange Commission (SEC) [formally withdrew 14 proposed rules](#) for investment advisers, broker-dealers and public companies,¹ many of which had been pending for several years. Should the SEC decide to pursue rulemaking in the future with respect to the areas addressed in the withdrawn rules, it must do so by issuing entirely new proposed rules, subject to a new notice-and-comment period.

Key Withdrawn Proposed Rules

Withdrawn proposals affecting private fund sponsors, registered investment advisers and broker-dealers include:

- [Use of Predictive Data Analytics](#): This rule would have required broker-dealers and investment advisers to evaluate conflicts of interest arising from the use of predictive data analytics and to address such conflicts to ensure firms are not putting their own interests ahead of their investors' interests.
- [Safeguarding Advisory Client Assets](#): This proposal aimed to significantly expand the existing custody rule under the Investment Advisers Act of 1940 (the Advisers Act), amending certain recordkeeping and reporting obligations and broadening applicability to all of an investor's assets, including crypto assets and other securities and physical assets that cannot be maintained by a qualified custodian.
- [Cybersecurity Risk Management](#): This rule would have required advisers and funds to adopt and implement written cybersecurity programs, policies, incident reporting and public disclosure requirements. [Another similar rule](#) was also withdrawn that required broker-dealers, clearing agencies, major security-based swap participants, the Municipal Securities Rulemaking Board, national securities associations, national securities exchanges, security-based swap data repositories, security-based swap dealers and transfer agents to address cybersecurity risks.
- [ESG Investment Practices Disclosures](#): This rule would have mandated more specific and detailed disclosures related to ESG strategies, factors and impact for certain registered investment advisers, advisers exempt from registration, registered investment companies and business development companies.

- [Third-Party Outsourcing](#): This proposal under the Advisers Act would have imposed due diligence and monitoring requirements on registered investment advisers that outsource certain of their obligations (such as providing investment guidelines, portfolio management, models related to investment advice, indexes or trading services or software) to third-party service providers.
- [Regulation Best Execution](#): This rule would have required broker-dealers to establish and annually review and report on their written policies and procedures to comply with the best execution standard and determinations related thereto. The rule would have also required more robust policies and procedures for broker-dealers that engage in certain conflicted transactions with respect to retail customer orders.

Implications for Clients

There has been ample speculation regarding the agenda and rulemaking priorities of the SEC under its new leadership. The SEC has delayed publication of its official regulatory agenda (the Spring 2025 version has yet to be released as of the date of this alert), a semi-annual publication that provides a window into future rulemaking and potential timelines. Observers will have to continue to wait for additional insights regarding priorities until the release of the official agenda; however, in the meantime, the SEC's rule withdrawals align with a widely predicted change in direction under new leadership and provide some clarity for industry participants regarding potential near-term compliance obligations.

Please reach out if you want to discuss your ongoing compliance obligations.

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If you have any questions concerning these developing issues, please do not hesitate to contact either of the following Paul Hastings lawyers:

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¹ In addition to the withdrawn rules highlighted here, the SEC also withdrew several rules relating to public markets and public market investors including:

- [Substantial Implementation, Duplication, and Resubmission of Shareholder Proposals Under Exchange Act Rule 14a-8](#)
- [Position Reporting of Large Security-Based Swap Positions](#)
- [Volume-Based Exchange Transaction Pricing for NMS Stocks](#)
- [Order Competition Rule](#)
- [Regulation Systems Compliance and Integrity](#)
- [Amendments Regarding the Definition of "Exchange" and Alternative Trading Systems \(ATSs\) That Trade U.S. Treasury and Agency Securities, National Market System \(NMS\) Stocks, and Other Securities](#)
- [Amendments to the National Market System Plan Governing the Consolidated Audit Trail to Enhance Data Security](#)