

SEC Announces FY2024 Enforcement Results, Including Record-Breaking Financial Remedies

December 5, 2024

The Securities and Exchange Commission (SEC) recently announced its [enforcement results for fiscal year 2024](#), during which it obtained the highest amount of financial remedies in history at \$8.2 billion, representing a 66% increase from FY2023. More than half of that amount is attributable to a \$4.5 billion settlement following the SEC's jury trial win against Terraform Labs and Do Kwon. While the financial remedies increased this past year, the number of enforcement actions declined. The total number of actions was down 26% from FY2023, and the number of "stand-alone" actions was down 14%. In addition, the SEC returned \$345 million to investors, down roughly 60% from FY2023. The SEC also obtained orders barring 124 individuals from serving as officers and directors of public companies – the second-highest number of such bars obtained in a decade.

Read on for more highlights from this year's enforcement results.

Record-breaking financial remedies, including from several sweeps

Setting aside the \$4.5 billion Terraform settlement, the SEC obtained \$3.7 billion in financial remedies in FY2024. As highlighted in the SEC's report, a large proportion of that amount resulted from several industry-wide sweeps.

Off-channel communications

Since 2021, the SEC has undertaken a broad sweep focused on whether certain regulated entities (such as broker-dealers and investment advisers) have run afoul of recordkeeping rules that require such firms to preserve electronic communications related to their business. The SEC has specifically focused on whether employees communicated about business matters over text messages or other messaging apps, and whether those messages were preserved. In FY2024, the SEC obtained \$600 million in civil penalties from actions against 70 firms for alleged violations of recordkeeping rules. Overall, this sweep has resulted in charges against more than 100 firms, with more than \$2 billion in penalties imposed.

Whistleblower protection

Consistent with the SEC's emphasis on encouraging whistleblowers to report potential securities violations, the SEC in FY2024 settled eight enforcement actions to address violations of the Dodd-Frank whistleblower protection rule, which prohibits market participants from taking any action to impede would-be whistleblowers from contacting the SEC. The SEC alleged that those firms either purported to limit customers' ability to voluntarily contact the SEC or required their employees to waive the right to a possible whistleblower monetary award. Related settlements totaled \$21 million.

Disclosure of holdings and transactions by insiders

Federal securities laws require certain insiders and market participants to disclose their securities holdings and transactions. In FY2024, the SEC levied more than \$3.8 million in penalties against 23 entities and individuals for failures to timely report information about their holdings and transactions in public company stock or for contributing to filing failures by their officers and directors.

Focus on emerging technologies and emerging risks

In FY2024, the SEC pursued enforcement actions ranging from evergreen investor risks such as material misstatements, internal control deficiencies and major gatekeeping failures to emerging issues related to disclosures concerning artificial intelligence (AI), cybersecurity and crypto.

AI

In FY2024, the SEC charged three firms for alleged false statements regarding their purported use of AI in their investment processes.

Cybersecurity

Consistent with the SEC's recent focus on disclosing cybersecurity incidents (read more in this [June 2024 blog post](#)), the SEC settled charges with key market participants for failing to timely inform the SEC of a cyber intrusion as required by Regulation Systems Compliance and Integrity. The SEC also settled charges against one transfer agent for failure to ensure client securities and funds were protected against theft or misuse, and against one firm for disclosure and internal control failures relating to cybersecurity incidents.

Crypto

The SEC settled charges against one crypto firm for false and misleading disclosures about its compliance program, and against another crypto firm for failing to register its offer and sale of structured crypto-assets offered and sold as securities.

Reward for proactive compliance

SEC officials have continued to emphasize the importance of proactive compliance, including self-policing, self-reporting, remediation and taking other steps to meaningfully cooperate with the SEC's investigations. [According to Gurbir S. Grewal](#), former director of the Division of Enforcement at the SEC, effective cooperation may affect both the charges and the remedies that the SEC may impose:

"On the charging side, we may recommend bringing reduced charges or we may decline to recommend charges altogether. On the remedies side, we may recommend reduced or even zero civil penalties. And where there's been real remediation that addresses the misconduct, that may impact whether we recommend undertakings and, if we do, their scope."

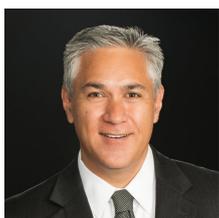
The SEC's report noted that a number of market participants – including public companies, investment advisers and broker-dealers – were credited with cooperation in FY2024. These matters involved a wide range of alleged violations, such as material misstatements, fraud, recordkeeping violations and control failures related to cybersecurity. The SEC noted that cooperation has led to reduced civil penalties or even no civil penalties – including in cases involving very large firms. For example, in the latest round of off-channel communications sweeps, the SEC credited one firm for taking substantial steps to comply, self-report and remediate, which led to the firm receiving a no-penalty resolution.

According to [a recent report by Cornerstone Research](#), a top consulting and expert testimony firm, FY2024 saw the highest percentage of public company defendants being credited with cooperation since FY2019. In FY2024, 77 public company defendants (including individual defendants) were credited with cooperation, representing 75% of 103 public company defendants. This led to a shift in settlement outcomes, with 15% of all public company defendants settling with no monetary penalty – the highest percentage in more than a decade.

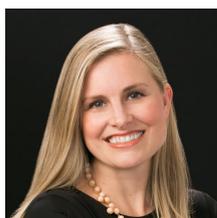
Looking ahead

The SEC's annual reports generally provide helpful guidance for market participants regarding the SEC's enforcement focus. With SEC Chair Gary Gensler [stepping down on January 20, 2025](#), when the administration changes, however, it is unclear whether this past year's enforcement activities shed light on what the next year will bring.

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