

SEC Creates Cross-Border Task Force to Combat Fraud

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On September 5, 2025, the U.S. Securities and Exchange Commission (SEC) [announced](#) the formation of a Cross-Border Task Force that will “strengthen and enhance the Division of Enforcement’s efforts to identify and combat cross-border fraud harming U.S. investors.” According to the SEC, the task force will “focus initially on investigating potential U.S. federal securities law violations related to foreign-based companies,” including potential market manipulation, and on “gatekeepers,” such as auditors and underwriters, who help foreign-based companies access U.S. capital markets. The task force also will “examine potential securities law violations related to companies from foreign jurisdictions ... where governmental control and other factors pose unique investor risks.” In announcing the task force, SEC Chair Paul S. Atkins explained that this initiative will “consolidate SEC investigative efforts and allow the SEC to use every available tool to combat transnational fraud.”

This announcement – the first major enforcement initiative announced under Atkins – follows a similar action by the U.S. Department of Justice (DOJ), which recently [announced](#) the formation of a cross-agency Trade Fraud Task Force to “identify and combat trade fraud that threatens economic and national security interests,” discussed in [our September 12 blog post](#). As noted in our [April 7](#), [May 8](#) and [June 11](#) blog posts, cross-border fraud enforcement has become one of DOJ’s, and now the SEC’s, top priorities. Companies with global supply chains should consider strengthening their compliance programs to mitigate criminal and civil enforcement risks.

Task force continues SEC’s focus on China

In its press release, the SEC emphasized that the task force will focus on companies from foreign jurisdictions where “governmental control and other factors pose unique investor risks,” specifically mentioning China. This focus is in line with the [May 12, 2025, memorandum](#) issued by Acting Assistant Attorney General Matthew R. Galeotti, announcing that DOJ’s Criminal Division will focus on alleged fraud perpetrated by Chinese-affiliated companies listed on U.S. exchanges.

The task force announcement comes on the tail of recent SEC investigations and enforcement actions involving Chinese companies listed on U.S. markets. For example, Didi Chuxing, a Chinese ride-hailing company, was the subject of an SEC investigation following its initial public offering (IPO). Two days after the IPO, Chinese regulators announced a cybersecurity investigation into Didi, leading U.S. regulators to question Didi’s disclosures surrounding the IPO. In May 2022, Didi stated that it was cooperating with the SEC’s investigation and making plans to delist from the New York Stock Exchange (NYSE).

More recently, on February 6, 2024, the SEC announced it had settled accounting fraud charges against Cloopen Group Holding Limited, a China-based provider of cloud communications products and services whose American depositary shares formerly traded on the NYSE. After its external auditor identified potential accounting errors in the company’s year-end audit, Cloopen promptly conducted an internal investigation and determined that two senior managers had orchestrated a fraudulent scheme to prematurely recognize revenue on contracts for which Cloopen either had not completed or not started work. Cloopen self-reported its accounting issues within a few days of starting its internal investigation, cooperated “extensively” with the SEC’s investigation and took prompt remedial measures, and the SEC ultimately decided not to impose civil penalties.

These recent investigations and settlements emphasize the importance of fulsome and accurate disclosures, as well as robust internal compliance structures and processes to help companies detect and address misconduct. Our [April 2024](#), [August 2024](#) and [October 2024](#) blog posts provide additional guidance on creating strong internal compliance controls.

Task force emphasizes auditors and underwriters

The task force also will focus on “gatekeepers,” including auditors and underwriters, who facilitate foreign companies’ access to U.S. capital markets. This again follows the SEC’s long-running focus on audit quality in foreign countries. On August 26, 2022, former SEC Chair Gary Gensler [announced](#) that the Public Company Accounting Oversight Board (PCAOB) had signed a Statement of Protocol with the China Securities Regulatory Commission and the Ministry of Finance of the People’s Republic of China “governing inspections and investigations of audit firms based in China and

Hong Kong.” The agreement provided “standards against which to judge whether auditors of Chinese issuers have complied with the requirements of U.S. law, including PCAOB accounting standards.”

Given this continued emphasis on gatekeepers, U.S.-based auditors and underwriters doing business with foreign companies, as well as foreign companies seeking access to U.S. markets, should continue to ensure compliance with all relevant U.S. accounting standards.

Task force consolidates SEC investigative and enforcement resources

In announcing the task force, the SEC emphasized the collaboration of several divisions across the Commission, including the Division of Enforcement, Division of Corporate Finance, Division of Examinations, Division of Economic and Risk Analysis, Division of Trading and Markets, and Office of International Affairs, “to consider and recommend other actions that would better protect U.S. investors, including new disclosure guidance and any necessary rule changes.” Companies should expect further guidance and regulatory action resulting from this cross-agency cooperation.

Key takeaways

- The SEC has made cross-border fraud a top investigative and enforcement priority. Its new Cross-Border Task Force will consolidate SEC investigative efforts to combat transnational fraud.
- The task force is placing a strong emphasis on foreign-based companies, auditors and underwriters who facilitate foreign access to U.S. capital markets, and companies from foreign countries where “governmental control and other factors pose unique investor risks.”
- As such, foreign companies seeking access to U.S. capital markets, or U.S.-based companies facilitating that access, should consider evaluating and updating their compliance programs to mitigate the heightened government investigation and enforcement risk. In addition, companies should consider reviewing their internal reporting systems to ensure that whistleblower complaints will be heard and investigated.

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