

Regulatory Update

US, August 2025

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SEC Launches Artificial Intelligence Task Force

On August 1, 2025, the Securities and Exchange Commission (SEC) announced the creation of an Artificial Intelligence (AI) Task Force to advance innovation and operational efficiency through responsible AI adoption. The task force, led by Valerie Szczepanik, the SEC's first Chief AI Officer, will coordinate the agency's AI initiatives and promote collaboration across divisions.

The initiative is designed to equip SEC staff with Al-driven tools that enhance accuracy, speed, and decision-making. Chairman Paul S. Atkins emphasized that embedding innovation into the SEC's culture will strengthen investor protection, market integrity, and capital formation, while maintaining robust governance and ethical safeguards.

Read the press release here.

Executive Order Expands Retirement Access to Alternative Assets

On August 7, 2025, President Trump issued an executive order directing regulators to expand access to alternative investments such as private market funds, real estate, commodities, infrastructure, and digital asset strategies within 401(k) and defined-contribution retirement plans.

Historically, individual retirement savers have had limited access to these asset classes due to regulatory and litigation constraints. The order directs the Department of Labor to reassess fiduciary guidance under ERISA and for the SEC to consider adjustments to investor qualification standards. The goal is to broaden diversification opportunities and help Americans build more resilient retirement portfolios.

Read the executive order here.

What an Executive Order Means:

An executive order sets policy direction for federal agencies but does not itself amend existing laws or regulations. Instead, it instructs agencies to review current rules and issue new guidance or propose amendments through established rulemaking processes (including public notice and comment). As a result, the order signals future regulatory changes, but existing rules remain in place until agencies formally adopt revisions.

Updated Guidance for Closed-End Funds of Private Funds

On August 15, 2025, the SEC's Division of Investment Management issued Accounting and Disclosure Information (ADI) 2025-16, providing updated guidance for registered closed-end funds investing in private funds (CE-FOPFs).

This update eliminates prior staff-imposed limits, including the 15% cap on private fund allocations and the requirement that offerings be limited to accredited investors with a \$25,000 minimum. Instead, the SEC is focusing on plain-English disclosures covering risks, fees, liquidity, valuation, and due diligence.

From a compliance perspective, fund sponsors may need to amend registration statements under Rule 486(a)/(b) or file supplements under Rule 424, depending on materiality. Boards must oversee liquidity, leverage, and conflicts, while advisers should update internal controls and marketing oversight. Although ADIs reflect staff views rather than binding rules, this guidance signals a continued push to broaden retail access to private markets while reinforcing investor protections.

Read the guidance here.



Fifth Circuit Remands SEC Securities Lending and Short Sale Rules

On August 25, 2025, the US Court of Appeals for the Fifth Circuit remanded two SEC rules for further consideration: Rule 10c-1a (Securities Lending Reporting) and Rule 13f-2 (Short Sale Reporting). The court found the SEC failed to adequately analyze their combined economic impact, despite acting within its statutory authority under the Dodd-Frank Act.

Key Compliance Implications

The ruling involves two major SEC rules:

- Rule 10c-1a: Requires reporting of securities lending terms to FINRA (with delayed public release).
- Rule 13f-2: Requires monthly short sale position and activity reporting via EDGAR.

The court made several key findings:

- SEC acted within its Dodd-Frank authority.
- Rules remanded, not vacated, due to insufficient cumulative economic analysis.
- Court stressed the need to assess the rules' combined market impact.

Both rules remain in effect, but deadlines are unsettled:

- Securities Lending Rule: Reports are due September 28, 2026.
- Short Sale Rule: Compliance begins February 17, 2026.

For now, no new reporting obligations are in effect pending further SEC action. Read the court's ruling <u>here</u>.

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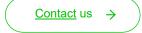


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