

Core Regulatory Forum Q1 2024 Updates

The first quarter of 2024 was marked by a measured shift in the SEC's aggressive rulemaking agenda. Following legal challenges filed in 2023 opposing the expansive Private Fund Rulemaking, a three-judge panel of the U.S. Court of Appeals for the Fifth Circuit heard oral arguments in the private fund rule challenge in early February 2024. Subsequently, in June 2024, the court issued its opinion that the SEC exceeded its statutory authority in adopting the Private Fund Rules and the court vacated the entire final rulemaking. This decision followed another setback for the SEC in December 2023 when the Fifth Circuit vacated the SEC's recently adopted rules regarding stock repurchases after agreeing that the SEC acted arbitrarily and capriciously by failing to consider the rule's economic justifications, as noted in our Q4 Regulatory Update. Also as noted in the Q4 update, in December, three hedge fund associations again sued the SEC in the 5th Circuit Court to vacate new rules that would increase the transparency of short selling and securities lending, as described below. The groups argued that the SEC did not consider the interconnected nature of the two rules and adopted contradictory approaches that they assert will harm investors. This trend in legal challenges set the stage for the SEC itself to voluntarily stay its final public company climate disclosure rules which it passed on March 6, 2024. The SEC has experienced significant turnover in staff in its rulemaking divisions as a result of the controversial breakneck speed of rulemaking in prior months, with limited ability to replace such staff given the agency's hiring freeze. As the SEC's will and confidence in new rulemaking endeavors has taken a hit, so has the capacity of the team charged with rulemaking.

While the Examination Division has been similarly impacted by slowed hiring, they nevertheless continued an active examination agenda throughout the first quarter of the year, with numerous ongoing SEC examinations of *Core* clients. New registrant examinations have continued quite predictably for new firms within the first 12-18 months of registrants and more quickly in some cases. In *Core's* experience, the timeline for document production in examinations has been compressed with initial production sometimes requested in one week for shorter request lists or two weeks for longer lists. Examiners have returned to regular onsite examinations in many cases and exams seem to be wrapped up within 90 days in many cases. As always, specific details of examinations vary significantly depending on the office conducting the

examination, whether the Private Fund Unit is involved, and other unique facts and circumstances.

Following are the Q1 2024 updates posted in the [Core Regulatory Forum](#):

Rulemaking Updates

- [Special Purpose Acquisition Companies Final Rulemaking \(01/24/24\)](#)
- [Expanded Definition of Dealer Final Rulemaking \(02/06/24\)](#)
- [Form PF Amendments for Large Hedge Funds & All Filers Final Rulemaking \(02/08/24\)](#)
- [Anti-Money Laundering and Suspicious Activity Reporting Requirements for RIAs and ERAs Proposed Rulemaking \(02/13/24\)](#)
- [Qualifying Venture Capital Funds Inflation Adjustment Proposed Rulemaking \(02/14/24\)](#)
- [Public Company Climate Disclosures Final Rulemaking \(03/06/24\)](#)

Enforcement Cases

- [Global Software Company SAG Charged with FCPA Violations \(01/10/24\)](#)
- [Morgan Stanley Charged with Misusing Information in Block Trading Business \(01/12/24\)](#)
- [Enforcement Sweep for Electronic Communication Recordkeeping Failures \(02/09/24\)](#)
- [Husband of Energy Company Manager Charged with Insider Trading \(02/22/24\)](#)
- [Insider Trading by Former Tallgrass Board Member \(03/12/24\)](#)
- [Investment Adviser False and Misleading Statements About Use of AI \(03/18/24\)](#)
- [Insider Trading by Former Arista Networks Chairman \(03/26/24\)](#)

Risk Alerts & Guidance

- [Shortening Transaction Settlement Cycle Risk Alert \(03/27/24\)](#)

The [Core](#) team continues to track and analyze regulatory developments and their impact to our private fund and other clients. Let us know if you have questions regarding any regulatory developments or their application to your firm.