

SEC Rulemaking Update Multiple Proposed Rules Withdrawn

On June 12, 2025, the Securities and Exchange Commission (**SEC**) withdrew multiple rule proposals that were previously approved under former Chairman, Gary Gensler, during his tenure, which saw a flurry of rulemaking that was widely criticized as too fast and aggressive.

The withdrawn proposals include the following, which would directly affect investment advisers and private fund managers, as well as others focused on broker-dealers or public companies:

- **Conflicts of Interest Associated with the Use of Predictive Data Analytics** - Would have required advisers to develop policies and procedures regarding their use of predictive data analytics or artificial intelligence (**AI**) and eliminate or neutralize conflicts of interest with respect to such activity.
- **Safeguarding Advisory Client Assets** - Would have materially updated the Custody Rule and related books and records requirements under the Investment Advisers Act of 1940, broadened the definition of custody to include discretionary trading authority, and imposed additional requirements for physical assets and privately offered securities.
- **Cybersecurity Risk Management** - Would have required risk-based cybersecurity risk management programs for registered investment advisers (**RIAs**), including a risk assessments, annual reviews, and other mandatory elements, as well as cybersecurity risk and incident disclosures, and reporting to the SEC within 48 hours of significant cybersecurity incidents.
- **Enhanced Disclosures About Environmental, Social & Governance (ESG) Investment Practices** - Would have required layered disclosures regarding how ESG factors are considered in investment strategies based on the fund's category and additional reporting of ESG metrics and ESG-related proxy voting for certain funds.
- **Outsourcing by Investment Advisers** - Would have required RIAs to conduct initial pre-engagement due diligence assessments on service providers that provide covered functions and ongoing assessments, thereafter, including periodic monitoring of the provider's performance and reassessment of the appropriateness of outsourcing covered functions.

Of the significant rule proposals that Standish Compliance has closely followed for our clients, this leaves only the Customer Identification Program (**CIP**) for RIAs and exempt reporting advisers remaining open. This CIP proposal was intended to go hand-in-hand with the FinCEN AML/CFT Program and Suspicious Activity Reporting rulemaking that was adopted in September 2024 and is currently set to go effective in January 2026. However, the CIP requirements have not been finalized. We are hoping for and expecting additional guidance or updates on these related requirements later this year.

There have not been any new rule proposals since the departure of Chair Gensler and the compliance dates for several new rules that were previously finalized under his tenure have been extended. We are continuing to follow all relevant rulemaking activity.

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