

SEC Withdraws 14 Proposed Rules

by David Tang and Michael Schmieder

On June 12, 2025, the SEC formally withdrew 14 rule proposals, all but one of which were introduced during Gary Gensler's tenure as SEC Chair. The SEC did not provide a reason for the withdrawals but stated that if it decides to pursue future regulation action in any of these areas, it will issue a new proposed rule.

Highlighted below are five withdrawn rule proposals that would have applied to investment advisers.

1. **Cybersecurity Risk Management.** The proposed rules focused on enhancing cybersecurity risk management by increasing disclosure and governance obligations related to cybersecurity risks.
2. **Enhanced Disclosures About Environmental, Social and Governance Investment Practices.** The proposed rule amendments, which were intended to enhance transparency around ESG-related disclosures and address concerns about "greenwashing," would have required investment advisers to disclose more detailed information about their ESG investment practices.
3. **Outsourcing by Investment Advisers.** The proposed rule, which was intended to strengthen the oversight of investment advisers that delegate certain responsibilities to third-party service providers, would have required investment advisers to perform due diligence before hiring service providers, and to continuously monitor their performance thereafter.
4. **Safeguarding Advisory-Client Assets.** The proposed rule would have expanded the Custody Rule under the Investment Advisers Act to encompass all client assets, including digital assets and commodities, and revised the definition of "custody" to include discretionary authority—meaning that advisers might be considered to have custody of client assets even when they had no ability to transfer those assets to third parties.
5. **Conflicts of Interest Associated with the Use of Predictive Data Analytics.** The proposed rules were intended to address potential conflicts of interest associated with the use of predicate data analytics, such as artificial intelligence, and similar technologies.

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- David Tang
- Michael Schmieder

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The SEC has not signaled any intention to pursue new rulemaking in these areas.

Should that change, it would initiate new proposals and open the door for public comment. Other new rules applicable to investment advisers, specifically FinCEN's anti-money laundering/countering the financing of terrorism (AML/CFT) rule, and amendments to Regulation S-P, remain in effect with compliance dates approaching.

Dorsey & Whitney will continue to monitor rulemaking developments affecting investment advisers and keep you informed of new initiatives as they emerge.