

SEC Rule-Proposal Withdrawal Signals Regulatory Reset

By **Anna Lyudvig** - June 24, 2025

In a decisive shift away from the expansive regulatory agenda of former Chair Gary Gensler, the U.S. Securities and Exchange Commission (SEC) announced on June 12 its withdrawal of 14 proposed rulemakings. The rescinded proposals—originally issued between March 2022 and November 2023—touched on a wide range of complex issues, including predictive data analytics, custody of client assets, cybersecurity, ESG disclosures, trading practices and broker-dealer regulations.

Industry experts and legal practitioners view the move as a clear signal of the SEC’s new direction under Chair Paul S. Atkins, with an emphasis on more pragmatic, less prescriptive regulation.

The list of proposals withdrawn includes:

- Shareholder Proposals
- Predictive Data Analytics
- Safeguarding Advisory Client Assets
- Cybersecurity Risk Management for Investment Advisers, Investment Companies, and Business Development Companies (BDCs)
- ESG Disclosures for Investment Advisers and Investment Companies
- Outsourcing by Investment Advisers
- Prohibition Against Fraud in Connection with Security-Based Swaps; Undue Influence Over Chief Compliance Officers (CCOs)
- Regulation Best Execution
- Volume-Based Exchange Transaction Pricing
- Order Competition Rule
- Regulation Systems Compliance and Integrity (SCI)
- Cybersecurity Risk Management for Broker-Dealers, Clearing Firms, and Other Market Participants
- Amendments to Exchange Act Rule Regarding Definition of “Exchange”
- Proposed Amendments to the National Market System (NMS) Plan Governing the Consolidated Audit Trail (CAT) to Enhance Data Security

Natalia Gindler Corsini, founder and managing director of corporate compliance consulting firm Prae Venire, explained that the withdrawn proposals originally aimed to boost transparency, fairness, and risk management in trading and broker-dealer operations. She noted that proposals like Regulation Best Execution and the Order Competition Rule intended to establish enforceable best-execution standards, enhance market transparency by exposing certain retail orders to open auctions, and prohibit volume-based pricing that could disadvantage retail investors. Additionally, rules addressing brokers and advisers sought to manage emerging risks related to predictive analytics and digital security vulnerabilities.



Natalia Gindler Corsini



potentially hindering innovation—particularly in areas like AI, ESG, and digital assets. Finally, some proposals appeared “redundant or poorly suited” to rapidly evolving market and technological conditions.

Corsini said that the withdrawal is expected to be welcomed by proprietary trading firms, hedge funds, and digital asset market participants. “Trading firms avoid new constraints on execution strategies; hedge funds gain relief from enhanced reporting; and digital asset advisers and custodians no longer face stricter custody rules that could have limited their crypto operations. However, some uncertainty remains as new proposals are expected in the future.”

Regarding whether new regulatory frameworks will replace the withdrawn rules, Corsini said the SEC has not introduced any immediate substitutes. However, the Commission indicated that any future regulations would be proposed through a new public comment process. She noted that some commissioners have suggested more narrowly tailored rules might eventually emerge, especially around digital asset custody and AI. Meanwhile, existing regulations such as Reg NMS and the current Custody Rule will continue to apply, and collaboration with other agencies may influence future oversight mechanisms.



Jim Toes

According to Jim Toes, President & CEO, STA, the SEC has freed up agency resources for more targeted, practical regulatory efforts.

“It also has restored an environment that historically provided for meaningful engagement with the financial industry, fostering dialogue over dictation,” he wrote in a blog.

“For firms, the proposals also demanded significant attention, diverting their legal and technology teams from core operations like improving client services or streamlining workflows,” he said.

Toes added that the SEC’s actions recognize that industry regulation, while necessary, must be purposeful and proportionate. “Overreaching rules don’t just strain resources; they erode trust between regulators and the regulated,” he noted.

“By stepping away from these proposals, the Commission is choosing to allocate its resources more sensibly, paving the way for regulations that balance oversight with practicality,” he said.

“For the industry, it’s a chance to refocus on: building robust, client-focused systems within a framework that respects the scarcity of time and money,” he added.

Coy Garrison, partner at Steptoe LLP, remarked that the withdrawals reflect the discontinuation of former Chair Gensler’s unfinished rulemaking agenda, a move unsurprising under the new SEC leadership. “Many market participants were concerned about the scope of those rules, and Chairman Atkins has emphasized a more rational, economically rigorous approach to rulemaking.”



Coy Garrison

Jonathan Groth, partner at DGIM Law and a seasoned crypto litigation attorney, framed the withdrawals as consistent with the current



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stricter requirements on fund advisers regarding recordkeeping, asset safeguarding, and ESG disclosures.

Groth emphasized the significance of the SEC's decision for the crypto industry, noting that one withdrawn proposal sought to broaden the definition of "exchange" to include decentralized finance protocols, potentially tightening custody rules for crypto advisers. He further predicted continued deregulation of crypto markets, citing recent case dismissals against major exchanges and the Commission's anticipated development of more industry-friendly frameworks.



Jonathan Groth

Groth cautioned that while these proposals are withdrawn, the principles behind them remain partially enforced through existing SEC regulations, particularly concerning conflicts of interest. He added that while future reconsideration is possible, the current regulatory climate suggests any return to these issues will involve less stringent rules and a reduced focus on consumer protection.

"Given its current regulatory agenda, it is unlikely that the SEC will revisit these proposals any time soon and even if they do, expect a less restrictive regulatory application and minimized focus on consumer protection measures," he noted.

The SEC's move to withdraw these proposals reflects a broader shift in its regulatory approach—away from expansive, often controversial measures and toward more targeted, practical oversight. While many in the industry have welcomed the change, there is continued interest in how the agency will strike a balance between encouraging innovation and ensuring strong investor protections moving forward.

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