



SEC Rules on Deck for 2024

The Securities and Exchange Commission (SEC) ended 2023 with a bang, with over 780 enforcement actions and nearly \$5 billion in financial remedies. With 25 new SEC rules scheduled to pass this spring and fall, those in the investment advisory space are well-advised to approach 2024 with a renewed commitment to optimizing their compliance program.

Here are some of the new SEC rules poised for adoption this spring.

Climate Risk Disclosure: The SEC hopes to pass the Climate Risk Disclosure, a regulation that will require public companies to provide comprehensive and thorough information on their environmental activities, including greenhouse gas emissions, financial statements, and more. This rule is designed to stop companies from falsifying their ESG efforts to attract investors and consumers.

Enhanced Disclosures by Certain Investment Advisers and Investment Companies About ESG

Investment Practices Rule: Investment advisers and investment companies will be required to provide additional disclosures on Environmental, Social, and Governance (ESG) investments, including strategies, brochures, and annual reports of said ESG investments. This rule is based on the premise that the more prominent ESG plays in the objectives of the investment, the more disclosures are required.

Special Purpose Acquisition Companies (SPAC)

If passed, this rule will strengthen regulations on SPAC investments in an effort to protect investors. SPACs will be required to provide comprehensive information on merging transactions, or dilution, information on the structure of SPAC transactions, disclosures to address conflicts of interest, and, in some cases, information on SPAC sponsors.

The Safeguarding Rule

This rule will provide additional protection to clients under the same requirement that assets in the control of the investment adviser must be placed under a Qualified Custodian. In addition, the new Safeguarding rule will extend the types of assets to include funds, securities, artwork, real estate, and crypto assets.

Conflicts of Interest in Predictive Analytics Rule: This proposed rule will require advisers and broker-dealers to evaluate and address potential conflicts of interest in using predictive data analytics or other similar technologies to service or engage with their investors.

Cybersecurity Risk Management Rule: This rule will make it a requirement for Investment Advisers and Investment Companies to disclose their cybersecurity risk management process and protocol and provide disclosure on the significant risks that may affect the integral parts of the business, including operations and business finance.

Privacy of Consumer Financial Information and Safeguarding Customer Information: This rule, if adopted, attempts to put stronger safeguards in place to protect client data and will require IAs and others in the securities sector to enhance their cybersecurity response by establishing adequate



procedures and notifying the SEC of any cybersecurity incident within four days. Although this rule holds public companies directly responsible for failure to report accordingly, the SEC is focused on widespread adoption of tighter cyber rules, which can be evident in recent enforcement actions against private companies.

Cybersecurity Governance: Finally, the third cybersecurity rule proposed will require detailed disclosures on the governance of cybersecurity protocols, including board oversight and roles in managing cybersecurity risks.

The legal team at [Jacko Law Group](#) is keeping an eye on events as they progress and will continue to advise our clients on best practices. If you have questions on how these new rules may affect your compliance program, please contact us at 619.298.2880 or email info@jacklg.com to speak to a member of our team.