Impact of the SEC's Withdrawal of Proposed Rules on Investment Management Clients

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PRACTICES Investment Management

On June 12, 2025, the Securities and Exchange Commission (***SEC***) formally withdrew 14 proposed rules that were issued between March 2022 and November 2023. In its withdrawal, the SEC stated that, should it decide to pursue future regulatory action in any of the withdrawn rule proposal areas, it would issue a new proposed rule on the matter. The majority of the proposed rules, if adopted, would have affected private funds, investment advisers, investment companies and broker-dealers—many of whom have already begun preparing for rule implementation. The withdrawn rule proposals that would have had the largest impact on the investment management community included the following:

Conflicts of Interest and Predictive Data Analytics

Rules to address conflicts of interest present in predictive data analytics used by broker-dealers and investment advisers. If adopted, the rules would have required that firms:

- Eliminate conflicts of interest present when their technologies put the firm's interests ahead of investor's interests; and
- Have written policies and procedures in place to avoid conflicts when using technology to interact with investors.

Proposed Safeguarding Rule

Rules to further protect advisory clients' assets by amending Rule 206(4)-2 under the Investment Advisers Act of 1940. If adopted, the rules would have:

- Broadened the client assets subject to the custody rule and the protections afforded to those assets and activities; and
- Updated recordkeeping and reporting requirements accordingly.

Cybersecurity Risk Management

Rules to improve the cybersecurity efforts and disclosure practices for investment advisers and investment companies. If adopted, the rules would have required:

- Advisers and funds to implement written policies and procedures to address cybersecurity risks, disclose cybersecurity risks or incidents, and maintain cybersecurity-related records; and
- Advisers to disclose significant cybersecurity incidents to the SEC on Form ADV-C.

ESG Disclosures for Investment Advisers and Investment Companies

Rules to ensure consistent and comprehensive disclosure of environmental, social and governance (***ESG***) factors in investment decisions by investment advisers and funds. If adopted, the rules would have required:

- Disclosure of ESG strategies in fund offering documents and annual reports in a layered, tabular format; and
- Certain funds to disclose the greenhouse gas emissions associated with their portfolio investments.

Outsourcing by Investment Advisers

Rules to prohibit SEC-registered investment advisers from outsourcing certain functions without meeting specific requirements first. If adopted, the rules would have required that SEC-registered investment advisers:

- Conduct due diligence on service providers and other third parties and continuously monitor their performance;
- Retain records of service providers; and
- Disclose newly required information related to the adviser's use of service providers on Form ADV.

The Investment Management Group of Haynes Boone will continue to provide updates on the regulatory landscape that impacts investment managers, investment funds, and broker-dealers.