

SEC 2025 Action Plan

Empowering Investors and Unleashing
the Power of Capital Markets

Investor Choice Advocates Network



Introduction

Investor Choice Advocates Network (ICAN) is the only national organization solely dedicated to breaking down barriers to entry to capital markets and pushing back against SEC overreach. As a nonprofit public interest litigation organization we serve as the legal advocate and voice for small investors and entrepreneurs who help fuel the American economy. This ground-up approach offers us a unique and valuable position from which to identify critical SEC reform opportunities.

Informed by the experience and expertise of ICAN's staff and the nationwide ICAN Legal Network, **the ICAN 2025 Action Plan** is a comprehensive roadmap for unleashing the full potential of American markets and the small investors and entrepreneurs whose energy and creativity help to drive a healthy, robust economy.

While some reforms can be implemented swiftly, others will require coordinated action from Congress, the Executive Branch, the SEC, and potentially the courts—yet the growing momentum for market reform suggests that these ambitious but achievable changes can create a fairer, more dynamic financial system for all Americans.

Streamlining Market Access and Capital Formation

1. Expand Accredited Investor Definition

Problem: Current accredited investor rules arbitrarily restrict market access based on wealth and income thresholds, preventing sophisticated investors from accessing private markets solely because they don't meet rigid financial criteria.

Solution: Shift focus from wealth-based qualification to knowledge and risk awareness. Permit investors to self-certify as "accredited" and abolish net worth and income restrictions.

Impact: This reform would democratize access to private markets, enabling sophisticated investors of all income levels to access investment opportunities previously reserved for the wealthy. It would increase market efficiency by expanding the pool of potential investors while maintaining appropriate protections through enhanced disclosure and risk acknowledgment requirements.

2. Abolish Pattern Day Trading Rule

Problem: FINRA's Pattern Day Trading rule imposes an arbitrary \$25,000 minimum equity requirement that creates a two-tiered market where only wealthy investors can actively trade. This particularly impacts young and minority investors building wealth through active trading strategies.

Solution: Eliminate the Pattern Day Trading rule and replace prescriptive requirements with enhanced broker disclosure obligations and automated risk monitoring systems.

Impact: This reform would remove artificial barriers to market participation while maintaining investor protection through modern risk management technology. It would enable smaller investors to pursue sophisticated trading strategies, increase market liquidity, and promote more efficient price discovery through broader market participation.

3. Streamline Division of Corporation Finance Review Processes

Problem: SEC staff currently has unlimited discretion to delay the effectiveness of company filings, creating uncertainty and potentially significant costs for companies seeking to access public markets.

Solution: Mandate timelines for the review and comment process, with 30-day maximum for initial submissions and 15 days for subsequent rounds. Implement automatic effectiveness at timeline expiration for filings requiring staff approval.

Impact: This reform would provide certainty to the capital formation process, reducing costs and delays for companies seeking to access public markets. It would maintain investor protection while creating accountability for timely regulatory review.

4. Implement Tiered Review Standards for Filings

Problem: The current one-size-fits-all approach to filing reviews imposes disproportionate costs on smaller companies, making public markets increasingly inaccessible to emerging businesses.

Solution: Introduce differentiated review processes based on issuer size and risk profile, with expedited reviews for small and emerging issuers.

Impact: This reform would reduce unnecessary regulatory burdens on smaller companies while maintaining appropriate oversight of larger, more complex issuers. It would improve capital formation opportunities for emerging businesses while allowing more efficient allocation of regulatory resources.

5. Expand Use of Exempt Offerings

Problem: Current restrictions on exempt offerings limit the ability of small businesses to access capital markets efficiently, creating unnecessary barriers to entrepreneurial growth.

Solution: Broaden exemptions under Regulation A+ and Regulation Crowdfunding while maintaining core investor protections.

Impact: This reform would increase capital formation opportunities for small businesses while providing investors with more diverse investment options. It would promote economic growth by reducing barriers to entrepreneurial funding while preserving appropriate investor safeguards.

6. Reform SEC Custody Rule Authority

Problem: Current and proposed SEC custody regulations restrict investor choice and inhibit innovation in custodial arrangements by imposing rigid requirements that may not align with investors' needs or preferences. These restrictions particularly impact the adoption of new technologies, integration of platforms, and development of more efficient custody solutions. The regulatory framework creates artificial barriers to operational efficiency and technological advancement while limiting investors' ability to choose custody arrangements that best serve their interests.

Solution: Replace prescriptive custody requirements with a principles-based framework that: (1) allows investors and advisers to mutually agree on appropriate custodial arrangements based on their specific needs, (2) enables innovation in custody solutions including new technological platforms and data delivery systems, and (3) permits flexible operational models that can adapt to evolving market practices. Require clear disclosure of custody arrangements and risks rather than mandating specific solutions.

Impact: This reform would foster innovation in custody services while maintaining appropriate investor protections through disclosure and informed choice. It would enable the development of more efficient custody platforms, better data integration solutions, and improved operational models that could reduce costs and improve service quality. Investors would benefit from being able to select from a wider range of custody options that match their specific needs, risk tolerance, and technological preferences. The reform would also enable custodians to more rapidly adapt to changing technology and market practices while preserving transparency about custody arrangements.

Enhancing Regulatory Clarity and Guidance

7. Reform Maximum Duration of Investigations

Problem: SEC investigations can continue indefinitely without clear scope or updates, creating ongoing uncertainty and costs for investigation subjects.

Solution: Limit pre-Wells Notice investigations to 12 months, require clear scope definitions and periodic updates, and mandate notice for investigation extensions beyond 180 days post-Wells Notice.

Impact: This reform would reduce regulatory uncertainty while maintaining robust enforcement capabilities. It would create clearer timelines for investigations, reducing costs for businesses while preserving the SEC's ability to conduct thorough investigations.

8. Require Unanimous Commission Votes to Pursue Legal Theories Rejected by Courts

Problem: SEC staff sometimes pursues enforcement actions based on legal theories previously rejected by federal courts, creating uncertainty and inconsistency in securities law enforcement.

Solution: Require unanimous Commission approval to pursue enforcement actions based on legal theories rejected by federal district or appellate courts.

Impact: This reform would enhance legal certainty for market participants and prevent forum shopping by SEC staff. It would promote consistent application of securities laws while preserving the Commission's ability to pursue novel legal theories when appropriate.

9. Increase Use of 21(a) Reports

Problem: The SEC underutilizes Section 21(a) reports as a tool for providing market guidance, leading to unnecessary enforcement actions and regulatory uncertainty.

Solution: Significantly increase use of Section 21(a) reports to provide detailed analyses of securities law violations without requiring enforcement actions.

Impact: This reform would provide clearer guidance to market participants while reducing enforcement costs. It would enable firms to proactively adjust practices based on detailed case studies rather than reactive enforcement.

10. Reform "No-Action Letter" Process

Problem: The current no-action letter process lacks clear timelines and binding effect, creating uncertainty for market participants seeking regulatory guidance.

Solution: Create a 45-day statutory timeline for responses and give no-action letters binding effect.

Impact: This reform would provide market participants with timely, reliable guidance on novel practices. It would reduce regulatory uncertainty while promoting innovation in securities markets

Improving Institutional Accountability

11. Reform Internal Performance Metrics

Problem: Current SEC performance metrics incentivize staff to prioritize quantity over quality of enforcement actions, leading to excessive focus on minor violations and weak cases.

Solution: Reform internal metrics to:

1. Reward closing investigations without enforcement,
2. Weight credit by case complexity and severity, and
3. Assign negative credit for court-rejected cases.

The SEC generally measures the performance of its Enforcement Division and staff internally by two metrics: the number of investigations opened annually, and number of enforcement actions filed annually. But as the GAO noted in a report to Congress, such tallies do not indicate the relative significance or magnitude of cases, and are vulnerable to manipulation by, for example, incentivizing the staff to bring a higher quantity of simple cases involving insignificant violations.

One critic observed that these measurements create “an incentive to bring cases that are more easily brought: delinquent filing actions where targeted firms put up no resistance, strict liability offenses, and actions that do not allege violations of the antifraud provisions of securities laws.”

Impact: This reform would better align staff incentives with the SEC's mission, leading to more efficient allocation of enforcement resources and reduced burden on market participants for minor violations.

12. Abolish Disgorgement for Non-Fraud Violations

Problem: SEC and private plaintiff pursuit of full disgorgement for non-fraud violations creates disproportionate penalties and chilling effects on market participation.

Solution: Eliminate disgorgement claims for non-fraud violations while maintaining disgorgement authority for fraud cases.

Impact: This reform would reduce disproportionate financial penalties for unintentional violations while preserving appropriate remedies for fraud. It would encourage market participation by reducing fear of ruinous consequences for technical violations.

13. Establish Equal Access to Justice Act Thresholds

Problem: The SEC rarely pays attorneys' fees even when losing cases, encouraging aggressive enforcement claims and imposing ruinous costs on prevailing defendants.

Solution: Establish clear policies for SEC payment of attorneys' fees under EAJA, particularly for dismissed or substantially narrowed cases.

Impact: This reform would create appropriate incentives for the SEC to bring strong cases while providing relief to prevailing defendants. It would reduce the financial burden of defending against unsuccessful SEC claims.

14. Return Formal Order Authority to Commission Level

Problem: The 2009 delegation of formal order authority to staff reduced Commission oversight of investigations at crucial early stages.

Solution: Return formal order authority exclusively to the Commission, requiring detailed staff memoranda and Commission questioning about investigation progress.

Impact: This reform would restore appropriate oversight of broad investigative powers while maintaining efficient investigation processes. It would better balance investigative needs with appropriate limitations on staff authority.

Modernizing Regulatory Structure

15. Establish SRO Alternative to FINRA

Problem: FINRA exercises government-like power without constitutional limits or accountability, while providing inefficient dispute resolution requiring SEC appeals.

Solution: Replace FINRA with a true private self-regulatory body and consolidate regulatory functions within SEC.

Impact: This reform would improve accountability in broker oversight while streamlining dispute resolution. It would maintain appropriate regulation while reducing unnecessary bureaucratic layers.

16. Abolish the Public Company Accounting Oversight Board

Problem: Overlapping jurisdiction between PCAOB and SEC creates unnecessary costs and complexity in public company auditor oversight.

Solution: Eliminate PCAOB and consolidate oversight responsibilities under SEC.

Impact: This reform would reduce regulatory costs while maintaining audit quality. It would create a more efficient oversight framework without compromising investor protection.

17. Merge CFTC and SEC

Problem: The current bifurcated regulatory structure between the SEC and CFTC creates inefficient overlap, jurisdictional rivalry, and coordination failures. This has led to regulatory gaps, inconsistent rules, ineffective oversight of firms operating in both securities and futures markets, and difficulty coordinating with foreign regulators. The MF Global failure highlighted how poor coordination between these agencies can harm investors and market participants.

Solution: Merge the SEC and CFTC into a single financial markets regulator, consolidating oversight of securities and futures markets under one agency. Create unified rulebooks, enforcement protocols, and market supervision approaches that draw on the strengths of both agencies.

Impact: This reform would conserve regulatory resources, simplify compliance for market participants, and improve investor protection through coordinated oversight. It would eliminate jurisdictional conflicts, create clearer accountability for regulatory failures, and enable more effective coordination with international regulators. While the merged agency would need careful design to avoid combining potential weaknesses of both agencies, the benefits of unified oversight would outweigh the loss of regulatory competition between agencies

**For more information, please email
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