

# SEC Announces Formation of Cross-Border Task Force to Combat Fraud

*September 9, 2025*

On September 5, 2025, the U.S. Securities and Exchange Commission [announced](#) the formation of a task force “intended to strengthen and enhance the Division of Enforcement’s efforts to identify and combat cross-border fraud harming U.S. investors.” This Cross-Border Task Force will focus on investigating U.S. federal securities law violations related to foreign-based companies.

## Task Force Priorities

According to the SEC’s announcement, the “initial” priority of the Task Force is investigating potential violations of securities law relating to foreign companies, such as market manipulation. The announcement also observes that foreign companies with shares trading in the U.S. are frequently vehicles for “pump and dump” and “ramp and dump” manipulation schemes. Other focal points for the Task Force will include:

- “Gatekeepers,” such as auditors and underwriters, who facilitate access to U.S. markets for foreign companies.
- Schemes involving companies from countries “such as China, where governmental control and other factors pose unique investor risks.”

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This announcement marks the first major enforcement initiative announced by the SEC under the leadership of new Chair Paul Atkins, and caps the first week in office of Judge Margaret Ryan, the new Enforcement Director. The focus of the Task Force delivers on Chair Atkins's prior statements that the Enforcement Division should be "guided by Congress' original intent: enforcing the securities laws, particularly as they relate to fraud and manipulation."<sup>1</sup> By contrast, the first major enforcement initiative of the previous Administration was to announce a Climate and ESG Task Force focused on issuers' disclosure of climate risks,<sup>2</sup> and the SEC under previous Chair Gary Gensler devoted significant resources to regulatory violations where there often was no fraud charge even to investigate, such as securities registration and off-channel communications cases.<sup>3</sup>

While underscoring the Trump Administration's focus on leveling the playing field for U.S. companies and market participants, the Task Force also signals the SEC's intention to devote enforcement resources to investigate and prosecute cross-border enforcement cases, likely

with an emphasis on opaque markets such as China.

## China Focus

The SEC has long focused on China, which was called out by name in the Task Force announcement. A number of significant SEC investigations in past years have centered on fraud by Chinese companies listed in the U.S., as well as manipulative trading in their shares, sometimes by company insiders.<sup>4</sup> The formation of the Task Force comes after Congress and state regulators have called on Atkins to tackle perceived accounting and disclosure fraud by China-based companies that are listed in the U.S.<sup>5</sup> This focus on China is consistent with Trump Administration policy, and it reflects longstanding concerns about a wave of reverse mergers in the early 2000s and 2010s that saw hundreds of Chinese companies obtain U.S. listings.<sup>6</sup> That trend, coupled with China's passage of legislation blocking foreign auditor access to Chinese company records, has created concerns that some Chinese companies were able to access U.S. capital markets while not providing the same quality of financial information that domestic companies must provide.<sup>7</sup>

<sup>1</sup> See Press Release, SEC Names Judge Margaret Ryan as Director of the Division of Enforcement, <https://www.sec.gov/newsroom/press-releases/2025-108-sec-names-judge-margaret-ryan-director-division-enforcement>.

<sup>2</sup> See Press Release, SEC Announces Enforcement Task Force Focused on Climate and ESG Issues, <https://www.sec.gov/newsroom/press-releases/2021-42>.

<sup>3</sup> See, e.g., Press Release, SEC Charges 16 Wall Street Firms with Widespread Recordkeeping Failures, <https://www.sec.gov/newsroom/press-releases/2022-174>.

<sup>4</sup> See, e.g. Press Release, SEC Charges 18 Traders in \$31 Million Stock Manipulation Scheme, <https://www.sec.gov/newsroom/press-releases/2019-216>; Press Release, Luckin Coffee Agrees to Pay \$180 Million Penalty to Settle Accounting Fraud Charges, <https://www.sec.gov/newsroom/press-releases/2020-319>;

Press Release, SEC Charges China-Based Tech Company Cloopen Group with Accounting Fraud, <https://www.sec.gov/newsroom/press-releases/2024-15>.

<sup>5</sup> See, e.g., Letter to Chairman Atkins from State Financial Officers (May 20, 2025) <https://sfof.com/wp-content/uploads/2025/05/Delisting-Letter.pdf>.

<sup>6</sup> See, e.g., Zimmer, Rodgers, and Tripsa, *Shell Games: Chinese Reverse Merger Fraud* Vol. 11, Issue 5, May 2020; Letter to Chairman Atkins from the House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party and the Senate Committee on Aging and Members of Congress (May 2, 2025) <https://www.rickscott.senate.gov/services/files/02D88D51-5867-4948-A006-3BD772BE3FF1>.

<sup>7</sup> See e.g., Letter to Chairman Atkins from State Financial Officers (May 20, 2025) <https://sfof.com/wp->

## Emphasis on Gatekeepers

The SEC's emphasis on auditors is a continuation of the agency's longstanding focus on audit quality in foreign jurisdictions, especially China, where the SEC's view has long been that government control and roadblocks to robust SEC oversight pose unique risks.<sup>8</sup> By including underwriters and other gatekeepers in its announcement, the SEC has indicated a willingness to take on other financial professionals who facilitate U.S. market access for foreign companies. For underwriters, diligence will become even more critical given the possibility of liability under Exchange Act Rule 10b-5. But the SEC's focus on the need for U.S. auditors to scrupulously adhere to professional standards despite the challenges their affiliates face conducting audit work in China is nothing new.<sup>9</sup>

## Involvement of Other Divisions at the SEC

Chair Atkins also announced that he was directing other SEC divisions and offices to support the Task Force and recommend additional actions to better protect U.S. investors in foreign companies, further signaling a willingness to take on sophisticated cases involving entities, and not just individual scammers. Among the SEC units enlisted in the cross-border effort are:

- The Division of Corporation Finance, which may consider updating disclosure guidelines for public companies;
- The Division of Trading and Markets, which regulates broker-dealers and market integrity; and
- The Division of Examinations, which examines registered broker-dealers and investment advisers.

## Foreign Private Issuers

The SEC will likely keep its focus on foreign companies with securities issued in the U.S. This will allow the Task Force to pursue its stated goals of protecting investors from foreign companies' potential violations of securities laws, where there is little question of clear and plain jurisdiction. It will be especially important for foreign private issuers to evaluate the effectiveness of their accounting and disclosure controls. This is particularly true in light of the fact that the Task Force may be examining audit quality by foreign-based auditors, which may in turn lead it to evaluate their foreign private issuer clients.

## Jurisdictional Reach

The work of the Task Force will still be subject to restrictions on the SEC's territorial reach imposed by statute, regulation, and case law.<sup>10</sup> However,

[content/uploads/2025/05/Delisting-Letter.pdf](https://www.sec.gov/content/uploads/2025/05/Delisting-Letter.pdf) ("While China has ostensibly granted the PCAOB access to Chinese audit firms, it is questionable whether these inspections are sufficient when the government is acting so exhaustively to obscure accurate information about Chinese companies").

<sup>8</sup> See e.g., Gary Gensler, Statement on Agreement Governing Inspections and Investigations of Audit Firms Based in China and Hong Kong (Aug. 26, 2020) <https://www.sec.gov/newsroom/speeches-statements/gensler-audit-firms-china-hong-kong-20220826>; Jim Tyson, *PCAOB sanctions four audit firms in enforcement 'sweep'*, CFO Dive (Oct. 5, 2022) <https://www.cfodive.com/news/pcaob-enforcement-sweep-sanctions-audit-firms/633450/> (noting former chair Gary

Gensler's warning that if "China obstructed efforts by the PCAOB to review the work of audit firms, roughly 200 China-based companies could be de-listed from U.S. stock exchanges").

<sup>9</sup> See Press Release, SEC Imposes Sanctions Against China-Based Members of Big Four Accounting Networks for Refusing to Produce Documents, <https://www.sec.gov/newsroom/press-releases/2015-25> (order imposing sanctions on four audit firms for failure to produce audit work papers of Chinese issuer clients).

<sup>10</sup> See, e.g., 15 U.S.C. § 77v(c); 15 U.S.C. § 78aa(b); 17 C.F.R. § 230.903; *Morrison v. Nat'l Australia Bank Ltd.*, 561 U.S. 247, 265 (2010); *SEC v. Scoville*, 913 F.3d 1204 (10th Cir. 2019) (holding that SEC has authority under

companies should keep in mind that the SEC can, and frequently does, assert jurisdiction over actors in foreign countries that engage in conduct in the U.S. or whose conduct has effects in U.S. markets.<sup>11</sup> When investigating such conduct, the SEC relies on memoranda of understanding and other agreements with dozens of foreign regulators that allow it access to records and even the ability to compel the production of records or testimony of witnesses in foreign jurisdictions.

### Steps for Companies

We expect this to be one of several enforcement initiatives announced in the coming weeks, now that there is a permanent Enforcement Director. While this is but one initiative, it has and will generate new enforcement investigations of foreign companies. Given this focus on overseas investigations, foreign private issuers with U.S. listed equity shares should redouble their efforts to ensure the material accuracy of their Forms 20-F, offering materials and other required U.S. filings that could serve as the basis for misstatement or disclosure investigations. They should also take stock of their compliance programs and records retention practices and be mindful of data privacy and attorney-client privilege considerations (and differences across jurisdictions in these areas) in order to be prepared in the event they are subject to an SEC inquiry.

Companies that do not engage in such activities also should consider updated assessments of whether they have adequately structured their

activities to remain outside the jurisdiction of the SEC – particularly in light of recent case law that sheds light on how courts view the SEC’s jurisdictional limitations.<sup>12</sup>

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Dodd-Frank to bring enforcement actions for securities fraud even where such transaction occurred outside of the U.S.).

<sup>11</sup> See, e.g., *SEC v. Emma Safi and Zhi Ge a/k/a Josh Ge*, Litigation Release No. 26268 (Mar. 14, 2025) <https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26268> (announcing insider trading charges against German and Singaporean nationals for alleged involvement in international insider trading scheme).

<sup>12</sup> See e.g., *SEC v. Scoville*, 913 F.3d 1204 (10th Cir. 2019). But see *SEC v. Schueler*, No. 1:23-cv-5749 (E.D.N.Y. Feb. 28, 2025) (dismissing suit against online entrepreneur from Finland where statements at issue were directed to a global audience, not clearly targeting U.S. investors, and the SEC failed to allege defendant engaged in transactions with U.S. based investors).