

White Collar Defense and Investigations



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SEC Launches Cross-Border Task Force To Combat Fraud, Increasing Scrutiny on Foreign Issuers and Gatekeepers

Executive Summary

- **What is new:** The SEC has announced the formation of a cross-border task force to strengthen enforcement efforts against fraud involving foreign-based companies accessing U.S. capital markets, with a focus on China and jurisdictions perceived as high risk.
- **Why it matters:** The task force will increase scrutiny of foreign private issuers and gatekeepers such as auditors and underwriters, particularly those facilitating access to U.S. markets from certain jurisdictions.
- **What to do next:** Foreign private issuers and gatekeepers may want to review and bolster their accounting and disclosure controls and due diligence protocols, and prepare for potential new disclosure guidance and rulemaking from the SEC.

On September 5, 2025, the Securities and Exchange Commission (SEC) announced the formation within its Division of Enforcement of a Cross-Border Task Force To Combat Fraud. The new task force is designed to strengthen enforcement efforts against suspected fraud involving foreign-based companies accessing U.S. capital markets.

While the task force will continue to pursue traditional alleged securities law violations such as market manipulation and insider trading, it will apply a cross-border lens, with particular attention to companies based in China and other jurisdictions that may be perceived as posing higher regulatory risks.

Gatekeepers, such as auditors and underwriters, who facilitate access to U.S. capital markets will also face heightened scrutiny.

Key Takeaways From the SEC Announcement

Focus on Traditional Enforcement Priorities

The new task force is in line with the SEC's stated focus under the leadership of Chairman Paul Atkins and new Enforcement Director Margaret Ryan on core enforcement areas that impact retail investors — including market manipulation, insider trading, accounting fraud, and materially false or misleading disclosures — with an emphasis on cross-border activity, alongside conduct that impacts retail markets and results in demonstrable investor harm.

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The task force's initial priority will be to investigate potential violations of securities laws relating to foreign companies, such as market manipulation. The announcement asserted that foreign issuers with shares trading in the United States are frequently suspected of being used for "pump and dump" and "ramp and dump" manipulation schemes.

Heightened Scrutiny of China and Other High-Risk Jurisdictions

The task force will prioritize cases involving companies operating in China and other jurisdictions where government influence and other factors are perceived by the SEC as posing increased investor risk.

The formation of the task force follows recent actions by the SEC and U.S. securities exchanges regarding the access of foreign private issuers, most notably those based in China, to the U.S. markets.

- In June 2025, the SEC issued a concept release soliciting public comment on whether the definition of foreign private issuer should be amended in light of significant changes in the population of foreign private issuers, citing the increase of Chinese-affiliated variable interest entities (VIEs) listed on U.S. exchanges.¹
- In early September 2025, Nasdaq announced proposed enhancements to its listing standards to ensure investor protection and uphold market integrity. These enhanced standards include requirements for minimum company public float and capital raised during initial public offerings (IPOs) for companies principally operating in China, as well as stricter suspension and delisting procedures for companies failing to meet Nasdaq's continued listings standards.

Although the SEC is expected to face challenges in accessing evidence in China-based investigations due to data-blocking statutes, the task force could attempt to use other potential tools to gather evidence, including compelling information from U.S.-based parties such as the national offices of audit firms and/or issuing subpoenas to individuals while on travel in the United States.

Focus on Gatekeepers

Auditors, underwriters and other professionals that assist in facilitating foreign issuers' access to U.S. markets or registration of securities with the SEC may face increased scrutiny regarding their due diligence and review processes.

¹ Foreign private issuers benefit from certain accommodation, and the concept release identified possible approaches to amending the foreign private issuer (FPI) definition: (1) updating the existing FPI eligibility criteria, (2) adding a foreign trading volume requirement, (3) adding a major foreign exchange listing requirement, (4) incorporating an SEC assessment of foreign regulation applicable to the FPI, (5) establishing new mutual recognition systems, or (6) adding an international cooperation arrangement requirement.

The SEC's emphasis on auditor conduct, in particular, is a continuation of the agency's focus on the quality of audits of companies in China and other foreign jurisdictions where the SEC has encountered obstacles to conducting oversight, including difficulty in obtaining documents and information, such as audit work papers, in enforcement investigations.

Despite the oversight challenges, the SEC is expected to increase its focus and explore the use of additional investigative tools to determine whether U.S. auditors adhere to professional standards with respect to their affiliates' audit work in those jurisdictions.

SEC Cross-Divisional Review

Chairman Atkins directed other SEC divisions — including Corporation Finance, Examinations, Economic and Risk Analysis, Trading and Markets, and the Office of International Affairs — to recommend additional measures to protect investors. These measures may include updated disclosure guidance for foreign issuers and potential rulemaking to address evolving cross-border threats. There is also a risk that the Public Company Accounting Oversight Board (PCAOB) will increase its examination and enforcement efforts for auditors of China-based issuers.

Recommendations and Next Steps

Foreign private issuers and gatekeepers should consider taking the following steps to mitigate potential risks from the SEC's heightened scrutiny.

Foreign Private Issuers

Companies listed on U.S. exchanges may want to take steps to ensure the accuracy of their disclosures in SEC filings and other public communications to investors. These steps would include:

- Reviewing accounting and disclosure controls.
- Assessing the accuracy of disclosures related to governmental influence and ownership risks.

Companies also will need to stay tuned for potential new disclosure guidance and rulemaking from the SEC in the coming months and be prepared to revise their policies, procedures and disclosures accordingly.

Gatekeepers

Auditors, underwriters and other advisers should consider bolstering their due diligence protocols, including implementing enhanced risk assessments for jurisdictions perceived as high risk. Their processes should be clearly documented to demonstrate adherence to SEC requirements and to minimize potential enforcement risk.

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