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SEC Videos

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What's New

Home / Newsroom / Press Releases / SEC Updates Ethics Rules Governing Securities Trading by Agency Personnel

PRESS RELEASE

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SEC Updates Ethics Rules Governing Securities Trading by Agency Personnel

FOR IMMEDIATE RELEASE | 2024-25

Washington D.C., Feb. 22, 2024 – The Securities and Exchange Commission today adopted amendments to its ethics rules to strengthen and modernize its ethics compliance program. The amendments update the SEC’s existing, robust ethics requirements that govern the securities holdings and transactions of all agency employees, their spouses, and minor children. The rule was adopted jointly with the Office of Government Ethics.

“I was pleased to support today’s adoption of rules to strengthen the SEC’s ethics requirements,” said SEC Chair Gary Gensler. “These amendments modernize our compliance program and will help ensure the SEC honors the trust the public has placed in our agency.”

For many years, SEC employees have been required to preclear securities transactions and comply with minimum holding periods. All employees are prohibited from, among other things, transacting in securities of companies the agency is investigating, engaging in short selling, transacting in derivatives, participating in initial public offerings for seven calendar days after the offerings, or purchasing or carrying securities on margin.

The amendments update the SEC’s Supplemental Ethics Rules, 5 CFR Part 4401.102, Supplemental Standards of Conduct for Members and Employees Securities and Exchange Commission.

Prohibitions Against Financial Industry Sector Funds

While the Commission has long prohibited employees from investing in stocks of entities directly regulated by the Commission, such as broker-dealers and investment advisers, the rule amendments expand the prohibited holdings restrictions to ban employees from investing in financial industry sector funds, as employee ownership of financial industry sector funds poses similar risks of conflicts of interest and appearance concerns.

Enhancements to Data Collection

The amendments permit employees to comply with existing reporting requirements by authorizing financial institutions to transmit data on their covered securities transactions and holdings directly to the SEC through an automated electronic system. This amendment is expected to enhance internal compliance controls by facilitating the detection and remediation of violations in real time, reducing burdensome manual processes for transaction confirmations and reporting, and providing an independently verifiable source for compliance monitoring and testing.

Optimizing Efficient and Effective Use of Agency Resources

Finally, the amendments facilitate the efficient and effective use of agency resources to monitor compliance of securities investments and transactions that involve significant ethics risks. Specifically, because diversified mutual funds generally pose a low risk of conflicts of interest, misuse of nonpublic information for personal gain, or appearance problems as compared to other types of securities, the rule amendments exempt diversified mutual funds from the Supplemental Ethics Rule’s requirements. However, mutual funds that concentrate investments in a particular sector, industry, business, state, or country other than the United States remain subject to the rules.

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[Return to top](#)

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