

## FinTech, Crypto, Trading & Markets White Collar Defense

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### **SEC Enforcement Director's First Public Remarks Signal Greater Emphasis on Due Process and Timely Remediation**

By [Ethan L. Silver](#), [Matthew M. Oliver](#), and [C. Patrick Thomas](#)

On February 11, SEC Division of Enforcement (Enforcement Division) Director Margaret Ryan delivered her first public **remarks** since assuming leadership of the Enforcement Division. In doing so, the Director gave a glimpse into the “principles, process, and priorities” that will guide the Enforcement Division under Director Ryan.

As discussed below, the Director’s words offer a clear framework for industry participants subject to Enforcement Division investigations. In the case of compliance-based failures, timely remediation may well be an off-ramp to avoid an enforcement action. In addition, those subject to Enforcement Division scrutiny must take advantage of the available procedural safeguards—the Wells process and meetings with senior enforcement staff—which are now the subject of renewed emphasis under Director Ryan.

#### **A Calibrated Approach to Compliance and Technical Violations: Remediation Matters**

Aside from the significant nuance around compliance-based violations discussed below, many of Director Ryan’s priorities should surprise no one: The Enforcement Division is laser-focused on rooting out fraud, market manipulation, insider trading, and other schemes. And with a reduced emphasis on technical violations (discussed below), the Enforcement Division will have more staff available to pursue such investigations.

But most notable from the speech was Director Ryan’s treatment of what we will refer to as compliance-based or technical violations. Director Ryan gave examples of such rules, including “books and records” requirements and “a broker-dealer or investment adviser’s obligation to adhere to its fiduciary duties and financial responsibility rules.”

While the Director acknowledged that enforcement of these provisions remains important to the integrity of the capital markets, she drew an important distinction:

“Are violations of these provisions on par with fraud? No, not necessarily. In fact, I am confident that many violations of these provisions ***should not*** – and do not – ***result in enforcement cases by the Commission.***”

In other words, the division does not intend to reflexively pursue enforcement actions for stand-alone technical compliance failures absent other considerations.

Instead, Director Ryan identified a “middle ground” for such cases, where enforcement may be appropriate in any of the following circumstances:

- Compliance failures pose risks to investors.
- They threaten the integrity of the market.
- They provide a benefit to the market participant.

But even there, the Director emphasized flexibility and thoughtful resolution:

“[This] may warrant enforcement action but may also present opportunity. Opportunity for both the Division and those who might be subject to an enforcement action to craft thoughtful resolutions in an appropriate case – resolutions that recognize wrongdoing while rectifying the violation or charting a firmer path toward compliance.”

Whereas prior administrations have pursued significant penalties for compliance-based violations, it appears that the Enforcement Division under Director Ryan will be open to considering other remedies, including monitored remediation:

“Where other divisions can identify, educate, and help people and entities remediate the problem or deficiency, fantastic.”

Does this mean securities-industry participants should throw caution to the wind? Quite the opposite. We have little doubt that the Enforcement Division will continue to pursue enforcement actions to remedy reckless compliance failures. Look no further than the staff’s recent **settlement** regarding hedge-clause violations for an example. Instead, compliance monitoring followed by quick and thoughtful remediation may be the key to avoiding an enforcement action in 2026 and beyond.

### **Renewed Emphasis on Due Process in Enforcement Investigations**

Dovetailing with **statements** made by Chairman Paul Atkins in the fall, Director Ryan’s remarks also emphasized a renewed focus on procedural fairness for those involved in Enforcement Division investigations. Naturally, Director Ryan reaffirmed the Enforcement Division’s commitment to the Wells process. This is the process through which the Enforcement Division staff notify the subject of an investigation of the potential charges against them and invite a submission from the subject to explain why an enforcement action should not be authorized.

Beyond the Wells process itself, Director Ryan offered several concrete commitments:

- The subject of the investigation now has a four-week window to make a submission explaining why the SEC should not authorize an enforcement action, stating their position on the merits.
- Typically, those subject to investigation will be granted the opportunity to meet with Enforcement Division leadership to explain why the division should not recommend charges.
- A member of the Enforcement Division’s senior leadership team will attend every meeting to review a Wells submission.

### **Conclusion**

Director Ryan’s first public remarks establish an important tone for 2026: The SEC will continue to pursue fraud aggressively, but it is signaling a more measured approach to technical rule violations—particularly where no clear harm, market risk, or improper benefit is present. Do not sit on a compliance violation. Timely remediation may be the key to avoiding enforcement scrutiny in 2026 and beyond.

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