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SEC More Than Doubles Muni Enforcement Filings in FY 2024.

The Securities and Exchange Commission more than doubled the number of municipal market enforcement filings in fiscal year 2024 from fiscal 2023, in a year that saw 583 total enforcement actions and a record-breaking $8.2 billion in financial remedies ordered.

Despite the great sum of financial remedies, the 583 enforcement actions represent a 26% decline in total enforcement actions compared to 2023. In each type of case, whether "stand-alone," "follow-on" or against issuers allegedly delinquent in making required filings to the SEC, 2024 marks a notable decline in actions compared to the previous year.

"The Division of Enforcement is a steadfast cop on the beat, following the facts and the law wherever they lead to hold wrongdoers accountable," said SEC Chair Gary Gensler. "As demonstrated by this year's results, the Division helps promote the integrity of our capital markets to benefit investors and issuers alike."

The Public Finance Abuse Unit, which handles municipal market cases, brought 14 cases in FY 2024, up sharply from six the prior year.

The $8.2 billion in financial remedies ordered by the Commission consists of $6.1 billion in disgorgement, again the highest amount on record, and $2.1 billion in prejudgment interest, the second highest amount on record. Notably, 56% of all financial remedies ordered are attributable to Terraform Labs and Do Kwon, who were charged with one of the largest securities frauds in U.S. history. In the case, defendants were ordered to pay more than $4.5 billion, the highest remedies ever obtained by the SEC following a trial.

Outside of the Terraform Labs and Do Kwon trial, it appears the SEC credits the number of filings this year to the willing participation of market participants. "Market participants across the spectrum – from public companies to major broker-dealers and advisory firms – stepped up efforts to self-report, remediate, and meaningfully cooperate with our investigations, answering our call to foster a culture of compliance," said Sanjay Wadhwa, Acting Director of the SEC's Division of Enforcement.

Fiscal 2024 additionally marks the Commission's first cases charging recordkeeping violations against municipal advisors. As of September, the SEC announced that the parties found in violation include Acacia Financial Group Inc., Caine Mitter and Associates Inc., Kaufman Hall and Associates LLC, Montague DeRose and Associates LLC, PFM Financial Advisors LLC, Phoenix Advisors LLC, Public Resources Advisory Group Inc., and Zions Public Finance Inc.

Each firm was charged with supervision failures and with violating certain recordkeeping provisions of both the Securities Exchange Act and the rules of the Municipal Securities Rulemaking Board. Each firm was censured and ordered to cease and desist from future violations of the relevant recordkeeping provisions, along with being ordered to pay civil penalties.

“The books and records requirements are critical to facilitating Commission inspections and examinations of municipal advisors and in evaluating a municipal advisor’s compliance with the applicable federal securities laws,” said Rebecca Olsen, Deputy Chief of the SEC’s Division of Enforcement Public Finance Abuse Unit.

Apart from financial remedies and recordkeeping violations, 2024 marks a significant year for the Commission in terms of enforcement. This year, the SEC obtained orders barring 124 individuals from serving as officers and directors of public companies, the second-highest number of such bars obtained in a decade. The Commission also received 45,130 tips, complaints, and referrals in fiscal year 2024, the most ever received in one year, including more than 24,000 whistleblower tips, more than 14,000 of which were submitted by two individuals.

“The varied enforcement actions recommended in fiscal year 2024 demonstrate the Division keeping pace with emerging threats,” said Sam Waldon, Acting Deputy Director of the Division of Enforcement. “I could not be prouder of the dedicated and talented staff of the Division of Enforcement who work tirelessly to hold wrongdoers accountable, promote compliance, and help promote investor trust in the markets.”

By Layla Kennington

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