

# Shadow SEC Warns of Dangerous Cuts to SEC Budget and Staff

*The SEC is facing cuts' due to budget reductions, staff cuts, and a new Executive Order requiring all policy decisions to receive prior approval from the OMB.*

NEW YORK, NY, UNITED STATES, April 25, 2025 /EINPresswire.com/ -- In [Deminor's](#) latest article, [Michael Watson](#) (Senior Legal Counsel) examines the Shadow SEC's March 2025 statement and its implications for market oversight and enforcement capacity.

The "Shadow SEC," a group of securities law professors, warns that drastic budget cuts and staff reductions are undermining the SEC's ability to effectively police the markets. Weakened regulatory oversight heightens the risk of securities fraud and underscores the need for vigilant enforcement and litigation to protect investors' interests.

A group of prominent securities law professors, collectively known as the "Shadow SEC," has issued a dire warning about the future of the Securities and Exchange Commission ("SEC") (Shadow SEC Statement No. 2 (March 13, 2025): THE CRISIS DEEPENS AS SEC STAFF AND BUDGET CUTS ARE DIRECTED | CLS Blue Sky Blog).



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Michael Watson, Senior Legal Counsel at Deminor

In their latest statement, dated March 13, 2025, Professors John Coates, John C. Coffee, Jr., James D. Cox, Merritt B. Fox, and Joel Seligman express concern that the SEC is facing a “death by 1,000 cuts” due to severe budget reductions, mandated staff cuts, and a new Executive Order requiring all policy decisions to receive prior approval from the Office of Management and Budget (OMB).

The professors argue that: "diminishing the SEC's staff will lead to chaotic financial markets, longer review times for registration statements, and weakened enforcement capabilities."

They highlight past instances where underfunding contributed to devastating economic crises, such as the 2007-2009 collapse that saw millions of jobs lost and household incomes plummet.

Additionally, the Shadow SEC points out that the agency's shrinking size comes at a time when it oversees an ever-expanding market that includes over 30,000 registered entities and 16,000 funds. Despite generating more revenue than its operational expenses, the SEC is still being downsized.

The professors warn that these cuts may result in higher costs of capital for U.S. issuers and could create a “race to the bottom” in compliance standards, as unscrupulous actors take advantage of weakened enforcement. When regulators lack the resources to effectively police securities markets, the likelihood of fraud increases, particularly in complex or rapidly evolving areas like cryptocurrency. With diminished oversight, bad actors are more likely to exploit regulatory gaps, leaving investors exposed to heightened risk. This troubling trend underscores the importance of vigilant monitoring and, when necessary, litigation to protect investor interests in an increasingly uncertain environment.

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