



12 February 2026

Senate Banking Committee Questions SEC Chair Atkins

Atkins Takes Questions on SEC Enforcement; AI 'Sandbox'; Digital Assets Regulation; Accredited Investor Definition; Consolidated Audit Trail; Proxy Advisor 'Duopoly'

The Senate Banking Committee today (Thursday, February 12) held a hearing on "Oversight of the U.S. Securities and Exchange Commission." The only witness was SEC Chairman Paul Atkins. Materials from the hearing are posted [here](#). Atkins also testified before the House Financial Services Committee on Wednesday.

Summary. Chairman Scott framed the hearing as a pivot from "regulation by enforcement" toward clear rules that keep innovation in the United States, highlighting the Senate's work on the CLARITY Act (crypto market structure bill) and praising the SEC's stated shift back to its statutory mission of investor protection, fair markets and capital formation. Chairman Atkins echoed those themes, citing disclosure "overload" for public companies, a three-pillar plan to "make IPOs great again," close coordination with the CFTC through Project Crypto, and a focus on fraud-first enforcement. Atkins also pointed to efforts to right-size the Consolidated Audit Trail (CAT) on cost and privacy grounds. Senators pressed Atkins on preserving anti-money-laundering (AML/BSA) controls for digital assets, especially for DeFi (decentralized finance), and ensuring that tokenized securities retain full investor protections, while Sen. McCormick focused on SEC-CFTC harmonization for "super apps."

Democrats challenged the agency's enforcement posture and independence, arguing that the SEC has eased oversight and dropped cases involving executives and crypto firms. Sen. Reed cited staffing and penalty figures to question whether enforcement is being "hollowed out." Republicans focused their questions on market infrastructure and governance, such as the CAT's cost and collection of personal information, and criticized the influence and conflicts of what they called the proxy advisor "duopoly," while Sen. Tillis raised concerns about the government's "golden share" stakes distorting competition. Members also probed China-related risks, including broker-dealer data exposure to VIE structures and changes to the Public Company Accounting Oversight Board (PCAOB), while Democrats flagged the need to restore a bipartisan slate of SEC commissioners.

Statements

In his opening [statement](#), Chairman Tim Scott (R-SC) contrasted what he described as instability and regulatory overreach under the previous administration with a renewed focus on clarity, accountability and economic opportunity under President Trump. He emphasized that years of "regulation by enforcement" in digital assets had left innovators unsure of the rules and pushed activity overseas, while providing little real protection for investors. Scott said the SEC under Chairman Atkins represents a needed course correction: returning to statutory basics, helping more companies access U.S. public markets, and partnering with Congress on legislation such as the CLARITY Act to provide clear federal rules for digital asset markets.

Scott then turned to capital formation and household wealth-building, arguing that "it should not take wealth to build wealth." He highlighted the importance of expanding investment access – particularly through a modernized accredited investor definition that better reflects knowledge and qualifications rather than net worth – and previewed continued bipartisan work on the Empowering Main Street in America Act. He framed the Committee's agenda and the SEC's recent policy direction as part of a broader effort to strengthen confidence in U.S. markets, keep innovation in the United States, and ensure that the next generation has greater economic opportunity than the last.

In her statement, Ranking Member Elizabeth Warren (D-MA) argued that under Chairman Atkins, the SEC is “unleashing a golden age of fraud,” replacing investor protection with favoritism toward Wall Street and politically connected market participants. She contended that the Commission has slashed oversight, eased pathways for questionable IPOs, curtailed disclosures that investors rely on, and proposed dismantling surveillance tools that detect insider trading and manipulation. Warren cited enforcement statistics and examples, asserting that the SEC has dropped matters against prominent executives and crypto firms, and pressed Atkins on whether clemency or political ties influenced the SEC’s decisions to withdraw civil actions. She framed these trends as a reprise of pre-crisis deregulation, warning that retreating from enforcement and disclosure invites systemic risk and harms ordinary investors.

Warren further contended that multiple crypto cases were dropped after firms made sizable contributions, linking these concerns to broader questions about staffing cuts and the agency’s independence. Warren also sent a [letter](#) to Atkins before the hearing, asking questions related to the president’s [executive order](#) on proxy advisors and warning that the directive could be used to weaken shareholders’ ability to influence corporate governance; she requested written responses by February 25.

SEC Chairman Paul Atkins gave the same prepared [statement](#) he offered yesterday on the House side, where he framed his testimony as a continuation of a course correction at the SEC, emphasizing a return to the agency’s core mission of protecting investors, maintaining fair and orderly markets, and facilitating capital formation. Atkins argued that years of “regulatory creep” had driven compliance burdens to unsustainable levels – citing the cost and length of mandatory corporate filings – and reiterated his three-pillar plan to “make IPOs great again,” centered on materiality-based disclosures, depoliticized shareholder meetings, and litigation alternatives for public companies. Atkins highlighted coordination with the CFTC on digital-asset market structure, support for congressional action on the CLARITY Act, and early work under “Project Crypto” to build a token taxonomy and allow certain on-chain activity. Atkins also highlighted efforts to modernize the Consolidated Audit Trail, reduce costs, address privacy concerns and pivot enforcement back to “first principles” focused on fraud, insider trading and cross-border manipulation.

= QUESTIONS =

Digital Asset Market Structure

Chairman Scott argued that legislative clarity for digital assets is essential to U.S. competitiveness and investor protection, asking why a statutory framework would “future-proof” the rules compared with agency improvisation. Chairman Atkins endorsed Congress’ efforts, saying durable clarity requires a statute to end the decades-long SEC–CFTC “no-man’s-land,” and noted the agencies are providing technical assistance as the Senate negotiates the CLARITY Act. Atkins said the SEC had historically failed to adapt its forms and processes to crypto, and he wants firm statutory grounding to prevent backsliding. Bernie Moreno (R-OH) criticized “regulation by enforcement” and urged Congress to pass a crypto market structure bill so the SEC can enforce clear guardrails while allowing innovation, including self-custody options for individuals. Atkins agreed on the need for a law to pass and affirmed support for self-custody rights, balanced against market-liquidity concerns. Dave McCormick (R-PA) also asked how SEC–CFTC harmonization would enable “super apps” offering side-by-side trading of crypto and traditional assets; Atkins said weekly coordination with new CFTC Chairman Mike Selig aims to close such gaps (e.g., cross-portfolio margining) so U.S. firms can compete globally.

Among the Democrats, Angela Alsobrooks (D-MD) focused on tokenization and investor rights, seeking assurance from Atkins that tokenized securities will retain the same protections as traditional securities. Atkins agreed that “tokenized securities are securities” under current law and will be treated as such; he also backed preserving state-level investor-protection regimes. Mark Warner (D-VA) pressed for a crypto framework that does not carve out illicit-finance controls, flagging DeFi risks and asking for technical engagement on “front ends.” Atkins replied that AML/BSA obligations are “vital” and pointed to regulators’ work embedding controls via smart-contract standards while Congress finalizes legislation.

Accredited Investor Definition

Chairman Scott reiterated that “it should not take wealth to build wealth,” asking Atkins how the SEC is evaluating updates to its accredited investor definition so that individuals with relevant knowledge or qualifications, rather than only certain levels of net worth, can participate in private market opportunities. Atkins agreed the definition warrants reconsideration and said the Commission is exploring alternatives that recognize sophistication while maintaining appropriate safeguards.

‘Disappearing’ SEC Enforcement

Ranking Member Warren pressed Atkins on what she described as a pullback in enforcement, citing declines in the SEC’s actions and penalties and asserting that the SEC had withdrawn cases against convicted executives and several crypto firms. Warren asked whether pardons or political contributions influenced the Commission’s decisions to drop civil matters. Atkins disputed her premise, saying some withdrawals predated his arrival and emphasized that several crypto dismissals involved registration issues; when asked to name any active cases against Trump-linked firms, he did not identify specific examples. Later, Jack Reed (D-RI) argued that SEC enforcement had “begun to disappear,” pointing to staff reductions, a lower enforcement budget, and sharp drops in monetary settlements and disgorgement. He asked Atkins to commit to restoring resources and to explain the delay in the FY2025 enforcement report. Atkins attributed process delays in part to last fall’s 43-day government shutdown, saying penalties are often “assessed but not collected,” and maintained that the agency continues to pursue fraud and market-abuse cases.

Lisa Blunt Rochester (D-DE) focused on insider trading and self-dealing, walking through a recent insider-trading case and asking whether similar principles apply when insiders in crypto markets control release schedules or governance decisions. Atkins affirmed the Commission proceeds case-by-case but emphasized that jurisdiction depends on whether the instrument is a security, noting that the CFTC has analogous authority for futures.

Several members also tied enforcement posture to broader market integrity concerns. Chris Van Hollen (D-MD) questioned the SEC’s independence and urged a full, bipartisan slate of commissioners; Atkins said he supports having a full complement. Mark Warner (D-VA) warned against carving out enforcement in DeFi digital assets and stressed the need to preserve anti-money-laundering (AML/BSA) controls; Atkins agreed that AML obligations are “vital.” Throughout, Atkins reiterated that the enforcement program is returning to “first principles” focused on fraud and investor harm, and pointed to cross-border actions suspending trading in Asia-based issuers upon signs of manipulation.

CAT & Data Security

Questions on the Consolidated Audit Trail (CAT) centered on scope, cost, and privacy. Katie Britt (R-AL) highlighted serious privacy and constitutional concerns and pressed Atkins on steps taken to curb costs and halt the collection of personally identifiable information; Atkins said he has directed a comprehensive review to “right-size” CAT, bring its annual operating costs below \$100 million, and address constitutional issues, while moving toward rulemaking to lock in structural changes. Separately, Bill Hagerty (R-TN) asked Atkins to quantify the operational impact of the recent 43-day government shutdown on SEC workstreams, including enforcement reporting and rulemaking cadence. Atkins told him the shutdown significantly delayed processes such as the FY25 enforcement data report and contributed to timing slippage in CAT-related work.

Several Democrats tied CAT to broader data-security obligations. Sens. Warner and Van Hollen raised concerns about safeguarding sensitive regulatory data as the SEC modernizes surveillance tools. Atkins agreed that data security is a priority and reiterated that any CAT redesign must “comport with the Constitution” while preserving essential market surveillance capabilities.

Proxy Advisors

Sen. Hagerty argued that a “foreign-owned duopoly” of proxy advisory firms has amassed outsized influence over U.S. corporate voting and is effectively back-dooring policy beyond what the SEC or Congress requires. Hagerty cited

examples such as annual pressure to hold “say on pay” votes and potential conflicts of interest when an advisor’s consulting arm solicits fees from the issuers it rates. Hagerty warned that this dynamic raises compliance costs, diminishes capital formation and discourages companies from going public. Atkins replied that the SEC is actively reviewing the area pursuant to a presidential executive order and is coordinating with the Department of Labor and the Federal Trade Commission. He characterized proxy advisors as a symptom of broader problems in the shareholder proposal process and said the Commission is examining the issue from “all different aspects.”

Sen. Van Hollen countered that investors should be free to contract for advice from proxy firms, questioning why policymakers would interfere with that market choice. Atkins responded that concerns arise from anomalies in SEC rules that have “weaponized” shareholder proposals, not from the mere existence of advisory services, and reiterated that the agency is reviewing the full governance ecosystem in light of the president’s executive order.

Artificial Intelligence

Mike Rounds (R-SD) cited the Administration’s “[AI Action Plan](#)” and his own bipartisan “sandbox” legislation (with Sens. Heinrich and Tillis), asking whether sandbox-style exemptions at independent agencies could safely foster AI innovation by broker-dealers and advisers under structured oversight. Atkins agreed the premise is useful, said he would review the language, and described the kind of sandbox he envisions as time-limited, transparent, flexible and focused on investor protection – an “innovation exemption” the SEC could tailor while preserving guardrails.

Sen. Warner raised the issue of agentic AI executing trades without human input, and asked whether firms today have adequate guardrails. He stressed that retail fair-dealing and conflict-of-interest standards should apply equally when an AI agent acts on a customer’s behalf. Atkins shared his concern, saying the SEC has a special task force (headed by Valerie Szczepanik) exploring AI tools for enforcement and CorpFin reviews, and agreed those retail standards should continue to apply as technology evolves. Warner urged Atkins to get “ahead of it” rather than chasing harms after the fact.

Chinese Issuers

In his questions, Jim Banks (R-IN) pressed Atkins on risks tied to China-linked brokers and issuers, asking what steps the SEC has taken to delist noncompliant companies and rescind the licenses of Chinese-owned broker-dealers handling U.S. data. Atkins outlined the Commission’s limited delisting authority (e.g., for non-current filings), noted recent trading suspensions where manipulation was suspected (13 on NASDAQ, one on NYSE), and described a cross-border task force monitoring trading. Sen. Banks also questioned the reliability of audits by firms answerable to the Chinese Communist Party; Atkins pointed to newly sworn Public Company Accounting Oversight Board (PCAOB) leadership expected to prioritize this issue.

Pete Ricketts (R-NE) focused on Variable Interest Entity (VIE) structures and foreign private issuers, arguing that U.S. investors may not grasp that they own stakes in an offshore entity tied by contracts, not equity in the China-based operating company. He asked whether this creates an uneven playing field and urged delisting noncompliant firms. Atkins said the SEC has issued a concept release questioning whether foreign-private-issuer accommodations remain appropriate where home-country oversight is weak, again pledging that the new PCAOB leadership will examine Chinese audit deficiencies. Atkins acknowledged many retail investors may not understand the VIE distinction and said disclosures around such structures are under review.

Prediction Markets

Sen. McCormick asked how the SEC is coordinating with the CFTC on rapidly growing prediction markets and whether rulemaking or legislation is imminent. Atkins called the area a “huge issue” with potential overlapping jurisdiction, said the SEC and CFTC now meet weekly under Chairs Atkins and Mike Selig, and emphasized that a security is a security regardless of packaging, while nuances depend on product wording and market structure. He left the door open on timing for rulemaking and stressed the need to keep markets onshore with appropriate protections.

Commission Makeup

Sen. Van Hollen said the SEC currently has three Republican commissioners and no Democrats, asking Atkins to urge the White House to restore a full, bipartisan slate, and tied commissioner balance to the durability of rules. Atkins said he supports having a full complement of commissioners and has stated so publicly and privately. Raphael Warnock (D-GA) whether current SEC initiatives are meant to endure beyond this administration; Atkins said he seeks durable policy, emphasizing in particular that forthcoming crypto-market-structure work will “set the pace for a generation,” while again noting support for a full commission.

Government's 'Golden Share'

Thom Tillis (R-NC) mentioned recent episodes in which the U.S. has taken an equity share (“golden share”) in certain companies, questioning the implications for competition and board governance. Tillis asked how startups could realistically challenge incumbents if a regulator-owner is the “800-pound gorilla” in the room. Atkins avoided opining on national-security judgments behind such stakes but emphasized that entrepreneurship and competition drive U.S. markets, and that government ownership does not guarantee success. Tillis asked for further reflections for the record.

If you have questions, please contact [Will Heyniger](#) or [Bill Rys](#) at Washington Council Ernst & Young.

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