Securities Regulation Daily Wrap Up, EXCHANGES AND MARKET REGULATION—Government shutdown will curtail many SEC functions, (Oct 1, 2025)

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Questions can arise about the status and effectiveness of pending registration statements and the SEC has provided guidance on this, and other, topics.

The failure of federal lawmakers to agree on either an omni- or mini-bus appropriations bill or to agree on the terms of a continuing resolution to keep the government open has resulted in a partial federal government shutdown. The Senate will likely take several votes in the near term to attempt to resolve the matter, but the ultimate length of the shutdown remains uncertain. Also, it has been widely reported that the Trump administration may bypass the now familiar employee furloughs during the shutdown and instead move directly to eliminate some jobs. As a result, if the shutdown lasts for an extended period of time, it may become difficult to predict how some agencies will function once the government reopens.

The SEC, like all federal agencies, must follow certain federal statues and guidance from the Department of Justice when dealing with the immediate and long-term effects of a government shutdown. Generally, the Antideficiency Act applies broadly to federal agencies and bars them from taking actions that exceed appropriations, involve the spending of funds that are required to be sequestered by law, would result in accepting voluntary services, or taking other actions except to protect human life or property.

Some additional “excepted” functions identified in long-standing guidance issued by the U.S. Attorney General may continue, some of them for short periods of time and others for much longer. Functions in this category include functions with a continuing source of funding, functions authorized by Congress to continue without funding, functions necessary to prevent imminent and significant threat to the safety of human life or the protection of property, functions necessary to discharge the president's constitutional duties, and functions necessary for short periods to ensure an orderly shutdown.

The SEC’s latest operational plan in the event of a government shutdown was issued August 7, 2025. The plan cautions that: “In the event the SEC shuts down, the Commission will have only an extremely limited number of staff members available to respond to emergency situations involving the safety of human life or the protection of property, including law enforcement. Certain Commission systems will be operating under modified conditions.”

According to estimates provided in the SEC’s operational plan, the agency expects to have approximately 4,289 employees in advance of any shutdown (it is unclear if that estimate reflects jobs eliminated earlier this year under the cost-cutting initiative undertaken by the Department of Government Efficiency (DOGE)). The SEC estimated that it will have approximately 393 employees available to protect life or property and to handle law enforcement activities.

Some of the SEC’s divisions have issued their own more specific guidance. These divisions include:

- Corporation Finance
- Investment Management
- Trading and Markets

CorpFin has issued additional guidance as of October 1, 2025. Much of the division’s guidance centers on initial

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public offerings and the mechanics of acceleration requests and post-effective amendments regarding registration statements. For example, the division cautions that there may be legal risks if a company were to remove the delaying amendment from its registration statement in order for the registration statement to go effective within 20 days. A company electing to take that option also may have to amend its registration statement later at the request of SEC staff.

The Division of Examinations posted a note on its webpage indicating that most of its functions will stop during a shutdown, but the division provided contact information for emergency situations.

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