RISK & COMPLIANCE JOURNAL

SEC En orcement Director Who Pushed for Big F1nes Steps Down

Gurbir Grewal took a tough stance on the fast-growing cryptocurrency industry and pushed for big fines against Wall Street firms

By Dylan Tokar (Follow)

Updated Oct. 2,2024 6:34 pm ET

Gurbir Grewal will depart the SEC on Oct.11. PHOTO: DAVID DEE DELGADO/REUTERS

Gurbir Grewal, who oversaw a stepped-up period of enforcement against Wall Street and the fast-growing cryptocurrencyindustry, is departing the U.S. Securities and Exchange Commission, the agency said Wednesday.

Grewal, a former New Jersey attorney general, was little-known on Wall Street when he was appointed in 2021to serve as director of the agency's enforcement division. There, he became known for advocating for bigger fines against secu1·ities law violato1·s a11d for· taking a tough stance on cryptocurrency, whjch lte cast as a 11ew fo1·m of the same activity the SEC had regulated for decades.

"The technology is actttally beside the point. We have to regulate markets and protect investors based on current realities and existing risks," Grewal said, at a law scl1ool syn1posium in July.

Grewal freque11tly said he sought to restore trust in Wall Street and in the government. Past enforcement efforts didn't effectively deter wrongdoing and led many Americans to feel that regulators and law enforcers didn't punish big firms with the same force they applied to smaller *ones,* he said.

Under Grewal, the SEC brought more than 2,400 enforcement actions and imposed more than $20 billion in fines and disgorgement, the SEC said. It also barred more than 340 people from Wall Street, and awarded more than $1billion to whistleblowers.

Grewal will depart the SEC on Oct. 11. The division's deputy director, Sanjay Wadhwa, will serve as acting director, the SEC said Wednesday. Grewal plans to enter private practice, a person familiar with the matter said.

"We have been incredibly fortunate that such an accomplished public servant, Gurbir Grewal, came to the SEC to lead the Division of Enforcement for the last three years," SEC Chair Gary Gensler said in a statement.

One area of focus under Grewal was Wall Street's record-keeping practices. The SEC has levied billions of dollars in fines against institutions ranging from the U.S.'s biggest banks to private-equity firms, credit-ratings firms and a mix of smaller Wall Street players.

The actions targeted traders' useof messaging apps such as WhatsApp and iMessage. Securities laws require firms to preserve and monitor their employees' written communications. Failing to oversee the growing use of so-called off-channel communications methods by traders undermined the SEC's own oversight, regulators said.

Grewal was also tasked with implementing the position that hisboss, Gensler, took on regulating the cryptocurrency industry, which has experienced both booms and intense turmoil under the SEC chair's watch.

u.s.sect1rities laws can be applied to regula·te the sale and exchange of c1·yptocurrencies in many cases, Gensler has argued.

The SEC in 2023 sued Binance, the cryptocurrency trading giant that came under fire for serving U.S. customers without complying with rules for businesses that transmit money or offer securities. It has continued to pursue its securities law claims, long after federal prosecutors last year struck a deal under which Binance pleaded guilty toanti-money-laundering violations, paid $4.3 billion in fines, and agreed to have its founder, Changpeng Zhao, step down.

The SEC has also brought actions against a range of other cryptocurrencyfirms, including Coinbase, the largest U.S. exchange, and Ripple Labs, issuer of the digital coin XRP. The agency suffered a setback when a judge last year shot down a significant part of the SEC's case against Ripple. The SEC this year appealed the ruling.

Gensler's aggressive stance on cryptocurrency has made him a pariah of the industry, which has accused the SEC under his leadership of quashing innovation and inappropriatelyusing the nation's securities laws in the absence of bespoke regulation.

"SEC Director of Enforcement Grewal encouraged lawlessness and chaos at @GaryGensler's SEC...Good to see him packing his bags," House Majority Whip Tom Emmer (R., Minn.), a critic of the SEC's stance on crypto, tweeted on Wednesday.

Inspeeches, Grewal has defended his boss's approach. "It often seems critics are upset because we're not giving crypto a pass from the application of well-established regulations and precedents," he said in 2022, at an SEC conference.

-Dave Michaels and Mengqi Sun contributed to this article.

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