

SEI Trust Company Quarterly Update First Quarter 2026



LEGAL/REGULATORY UPDATE

In an effort to keep you updated on changing regulations, requirements and/or litigation that may affect our industry, we are providing you with a summary of recent legislation, legal decisions and/or regulatory guidance that may impact collective investment trusts (“CITs”) and their service providers, such as banks and investment managers.

LEGISLATIVE UPDATE

Congress Takes on ERISA Litigation Reform Debate

The House Committee on Education and Workforce has progressed the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) Litigation Reform Act¹, which aims to change how certain lawsuits under the ERISA are brought and handled in court. The bill was originally introduced in the House of Representatives in November of 2025 by Rep Randy Fine (R-Fla.). Representative Fine maintains that fiduciaries have recently “faced a growing wave of frivolous class action lawsuits targeting ERISA benefit plans”.² He further believes that these class action lawsuits have resulted in unnecessary time and expense, ultimately borne by plan participants.

The proposed bill would raise the bar for what is required of plaintiffs. In excessive-fee lawsuits, plaintiffs would be required to allege that fees were unreasonable, and in addition, discovery would be postponed or delayed until after a motion to dismiss is resolved. Representative Fine continues to receive support from his Republican colleagues including Committee Chairman Rep. Tim Wahlberg (R-Mich.). Representative Wahlberg spoke out in support of this bill claiming, “over the last ten years, frivolous class action lawsuits against employer-sponsored benefit plans, governed by ERISA, have grown, draining time and resources.”³

While House Republicans continue to support the proposed bill, Democratic lawmakers have expressed opposition. Representative Robert Scott (D-Va.) maintains that the proposed bill would impose limitations to plan participants’ capacity to “fight back against excessive fees that steal their retirement savings.”⁴ Additionally, he expressed greater concern surrounding the Trump administration’s continued promotion of certain types of asset classes such as cryptocurrency. Democratic lawmakers broadly contend that the bill would impose additional restrictions and procedural burdens on plan participants seeking to enforce their rights in court, and that the proposed discovery hold could delay participants’ ability to recover potential losses. Rep Susan Bonamici (D-Ore.) alleges that there is no significant evidence to support a widespread litigation issue.

¹ See [Congress Takes on ERISA Litigation Reform Debate](#)

² See [Congress Takes on ERISA Litigation Reform Debate](#)

³ See [Congress Takes on ERISA Litigation Reform Debate](#)

⁴ See [Congress Takes on ERISA Litigation Reform Debate](#)

Former officials of the Department of Labor (“[DOL](#)”) have executed an open letter sharing their concerns regarding the adoption of the Bill. The authors cautioned that the Bill could restrict access to judicial remedies for ERISA violations, especially as budget cuts to the Employee Benefits Security Administration (“[EBSA](#)”) have reduced government enforcement capacity. Additionally, the open letter asserts that the bill “erode[s] one of the few tools available to protect participants from losses caused by prohibited transactions and fiduciary misconduct. It will inevitably lead to more plan mismanagement and self-dealing.”⁵ An amendment proposed by Democrats included the exemption of health plans from the proposed bill, but ultimately did not receive sufficient support.

House of Representatives Approves Legislation Restricting Fiduciary Consideration of Environmental, Social and Governance Factors

On January 15th, the House of Representatives approved an amended version of the Protecting Prudent Investment of Retirement Savings Act (H.R. 2988), once again targeting an ERISA fiduciary’s ability to consider environmental, social, and governance ([ESG](#)) factors when making investment decisions for retirement plans.⁶

This Bill repeals the previous guidance issued by the Biden administration in November of 2022, which expressly allowed “plan fiduciaries to consider climate change and other environmental, social and governance factors when they select retirement investments and exercise shareholder rights, such as proxy voting.”⁷ While the previous rule made it clear that fiduciaries may take participants’ ESG preferences into account when selecting a menu of prudent investment options for participant-directed individual retirement plans, H.R. 2988 would codify the “pecuniary-only” standard that President Trump’s first administration backed, requiring that plan fiduciaries make investment decisions based solely on pecuniary factors. While nonpecuniary factors may be considered in narrow circumstances, H.R. 2988 demands that plan fiduciaries put return on investment first.

H.R. 2988 also prohibits discrimination in a plan fiduciary’s selection of services providers to the plan, requires a plan fiduciary to act solely and prudently in accordance with the interests of the plan’s participants and beneficiaries when exercising a shareholder right (which includes voting proxies), and requires that plan fiduciaries provide notice to pension plans with respect to a pension plan that provides a participant or beneficiary the opportunity to select from designated investment alternatives.⁸

H.R. 2988 will undergo U.S. Senate review next, and the likelihood of passage is not necessarily clear as it currently stands.

REGULATORY UPDATE

U.S. District Court Judge Officially Puts and End to the DOL Fiduciary Rule, and DOL ‘Restores Long-Standing Investment Advice Rule’

On Thursday, March 12, Judge Jeremy D. Kernodle of the US District Court for the Eastern District of Texas approved a motion to vacate the Retirement Security Rule finalized by the Biden administration.⁹ The finalization of the Retirement Security Rule marked just one effort in a long line of attempts by the DOL to expand the definition of “investment advice fiduciary.” The Retirement Security Rule, first scheduled to go into effect on September 23, 2024, was stayed pending judiciary review of numerous challenges to the rule.

⁵ See [Congress Takes on ERISA Litigation Reform Debate](#)

⁶ See [BREAKING NEWS: Fiduciaries May, But Not Must Consider ESG: DOL](#)

⁷ See [BREAKING NEWS: Fiduciaries May, But Not Must Consider ESG: DOL](#)

⁸ See [H.R.2988 - 119th Congress \(2025-2026\): Protecting Prudent Investment of Retirement Savings Act | Congress.gov | Library of Congress](#)

⁹ See [RIP Fiduciary Rule: Judge Officially Strikes Down DOL Regulation](#)

Among other revisions, the Retirement Security Rule as finalized expanded the definition of an “investment advice fiduciary” to include recommendations to roll over assets from a workplace retirement plan to an IRA, so long as every element of the fiduciary definition is satisfied.¹⁰

In line with the vacatur, the DOL has now rescinded the Biden-era 2024 final rule from the Code of Federal Regulations, and on March 20, amended the 2024 amendments to PTE 2020-02 and reinstated the long-standing “five-part test” for determining fiduciary status.

Assistant Secretary of Labor for EBSA Daniel Aronowitz maintains the position that “the challenged regulation wrongly sought to impose ERISA fiduciary status on securities brokers and insurance agents when there was not a relationship of trust and confidence.”¹¹

David Chavern, the President and CEO of the American Council of Life Insurers, which challenged the final rule along with other petitioners, has spoken out in favor of the DOL’s decision to reinstate the five-part test, stating “[t]oday’s swift and sure action by the Department of Labor protects consumers and their access to information about financial protection. ACLI applauds the strong leadership of Secretary DeRemer, Deputy Secretary Sonderling, and EBSA Assistant Secretary Aronowitz to make a positive difference for Americans working to build greater financial certainty through retirement.”¹²

The DOL has received additional support from House Education and Workforce Committee Chairman Tim Walberg (R-Mich.). Chairman Walberg has stated that rescinding the Retirement Security Rule was appropriate, citing concerns that it repeated deficiencies found in prior versions invalidated by the courts and exceeded the DOL’s statutory authority. He further asserted that the 2024 rule could have limited retirement savers’ access to appropriate investment products and advice.

The removal of the Retirement Security Rule along with the updates made to the 2024 amendments to PTE 2020-02 has sparked some backlash from critics. Lisa Gomez, the leader of the EBSA under the Biden Administration, has taken a strong opposing stance. She maintains the position that the “five-part test” is a dated framework which no longer serves the existing marketplace.¹³

However, at least for the time being, the DOL’s five-part test is restored, whereby a person will be a fiduciary if they: (1) render advice as to the value of securities or other property, or make recommendations as to the advisability of investing in, purchasing, or selling securities or other property (2) on a regular basis (3) pursuant to a mutual agreement, arrangement, or understanding with the plan or a plan fiduciary that (4) the advice will serve as a primary basis for investment decisions with respect to plan assets, and that (5) the advice will be individualized based on the particular needs of the plan.¹⁴

The Department of Labor has indicated that it does not currently intend to pursue notice-and-comment rulemaking on this issue and continues to focus on its core objectives, including strengthening and modernizing employer-sponsored retirement plans in the United States. The Department noted that it will

¹⁰ See [Fact Sheet: Retirement Security Rule and Amendments to Class Prohibited Transaction Exemptions for Investment Advice Fiduciaries | U.S. Department of Labor](#)

¹¹ See [US Department of Labor restores long-standing investment advice rule after pair of court decisions vacate 2024 retirement security rule | U.S. Department of Labor](#)

¹² See [DOL Restores ERISA 5-Part Test After Fiduciary Rule Is Vacated](#)

¹³ [DOL Restores ERISA 5-Part Test After Fiduciary Rule Is Vacated](#)

¹⁴ [Fifth Circuit Dismissed Advice-Fiduciary Delay Appeal | October Three](#)

evaluate whether further guidance, including transitional or non-enforcement relief, may be warranted.¹⁵

SEC Issues Landmark Crypto Asset Guidance

The Securities and Exchange Commission (“SEC”) joined by the Commodity Futures Trading Commission has released comprehensive guidance on federal securities laws applicable to crypto assets. This comes after almost a decade of regulatory uncertainty. The SEC has introduced a five-category classification system for crypto assets which are essential in determining regulatory obligations.¹⁶

Digital Commodities: Not Securities

Digital commodities are crypto-based assets whose economic value arises from their participation in an operational blockchain or distributed ledger system and prevailing market forces, rather than from an expectation of profits driven by the managerial or entrepreneurial efforts of a third party. The SEC has identified a range of established digital assets as meeting this definition, including Bitcoin, Ether, Solana, Cardano, XRP, Dogecoin, Avalanche, Polkadot, Chainlink, Litecoin, Hedera, Shiba Inu, Stellar, Tezos, Aptos, and Bitcoin Cash. The SEC has additionally clarified that Algorand and LBRY Credits fall within this category, notwithstanding the absence of associated futures contracts traded on designated contract markets.

Digital Collectibles: Not Securities

Digital collectibles, including non-fungible tokens (or NFTs) and meme coins, are crypto assets intended for collection, personal use, or engagement. They may represent digital art, media, in-game items, or other cultural content, with value driven primarily by artistic, entertainment, social, or cultural appeal and market supply and demand. Regulatory guidance notes that meme coins are typically acquired for similar purposes and identifies examples such as CryptoPunks, Chromie Squiggles, Fan Tokens, WIF, and VCOIN. The guidance also cautions that fractionalized digital collectibles may be treated as securities where they involve managerial efforts and give rise to an expectation of profit.

Digital Tools: Not Securities

The value of digital tools is derived from functional utility and are likely to be non-transferable. These digital tools are classified as crypto assets that conduct practical functions including memberships, credentials, tickets, title instruments or identity badges.

Stablecoins: Dependant on Structure

In July 2025, the GENIUS Act was established with broad bipartisan support. It excludes "payment stablecoins issued by permitted payment stablecoin issuers" from the definition of "security."¹⁷ Permitted issuers are barred from paying interest, yield, or similar compensation to stablecoin holders solely for holding, using, or maintaining a payment stablecoin. Other stablecoins that are not payment stablecoins, even if issued by permitted issuers, may be classified as securities depending on the specific facts and circumstances.

Digital Securities: Securities

Digital or “tokenized” securities are traditional securities that are issued or recorded using blockchain technology, with ownership tracked through crypto networks, and are subject to federal securities laws

¹⁵ [US Department of Labor restores long-standing investment advice rule after pair of court decisions vacate 2024 retirement security rule | U.S. Department of Labor](#)

¹⁶ [SEC Issues Landmark Crypto Asset Guidance](#)

¹⁷ See [SEC Issues Landmark Crypto Asset Guidance](#)

notwithstanding their digital structure.

Investment Contracts

Certain crypto assets that are not categorized as securities can still be beholden to investment contracts which ultimately makes them subject to securities regulations based upon how they are marketed and sold. A non-security crypto asset may constitute an investment contract when it is offered through an investment in a common enterprise accompanied by promises of managerial efforts creating a reasonable expectation of profit.

The SEC has outlined additional guidance on the specific types of representations that can develop investment contracts. All representations are required to come from the issuer or its affiliates and be disclosed to purchasers before or at the time of the transaction. The SEC advises that appropriate means of communication may include written or oral agreements, publicly available statements made through established channels such as websites or official social media platforms, direct communications with purchasers, regulatory filings, or materials clearly issued by the issuer, including whitepapers. Representations are more likely to give rise to an investment contract when they are clear and specific, provide meaningful detail regarding the issuer's capacity to carry out the project, and describe how the issuer's efforts are expected to generate profits. Additionally, general or nonspecific representations that omit milestones, funding details, or resource planning are less likely to support a reasonable expectation of profit.

The SEC has confirmed that an investment contract may terminate, meaning a crypto asset that was previously subject to the federal securities laws may no longer be treated as a security. This may occur where the issuer has fully satisfied its commitments to undertake essential managerial efforts, even if non-essential activities continue, or where such efforts are not carried out for a sufficiently extended period or are expressly abandoned. The SEC emphasized, however, that issuers remain liable for any securities law violations that occurred while the investment contract was in effect, including registration failures and material misstatements or omissions.

Non-Securities Transactions

The SEC further clarified that protocol mining and protocol staking activities fall outside the scope of securities offerings. Both solo mining and mining through pools are considered ministerial activities rather than investments in a common enterprise, as miners supply their own computing power and receive protocol-based rewards rather than returns generated by others' managerial efforts. Pool operators' coordination and reward-distribution functions are likewise administrative in nature.

The SEC guidance clarifies that protocol staking—whether performed individually, through custodial or self-custodial arrangements, or via liquid staking structures—does not constitute a securities transaction when conducted as described. Tokens issued solely to evidence a staker's ownership of deposited digital commodities and earned rewards are likewise not treated as securities. Related features, such as slashing protection, early unbonding, alternative reward schedules, or asset aggregation for staking thresholds, are considered operational services and do not change this conclusion. Additionally, wrapping non-security crypto assets does not constitute the offer or sale of securities. Wrapped tokens function as receipts that reflect ownership of underlying crypto assets, and the wrapping process is a ministerial activity generally used to enable interoperability across different blockchain networks.

Certain airdrops of crypto assets that are not securities do not constitute securities transactions because recipients do not make an investment of money. This conclusion applies where the airdropped assets are provided without requiring recipients to give money, goods, services, or other consideration. By contrast, airdrops conditioned on the performance of services—such as promotional activities—are outside this framework and may be treated differently.

The SEC described this interpretation as an initial step and noted that it may be refined, revised, or

expanded in response to public feedback.

This information is for educational purposes only and should not be considered investment or legal advice.

About SEI Trust Company

SEI Trust Company (STC) is a non-depository trust company chartered under the laws of the Commonwealth of Pennsylvania that provides trust and administrative services for various collective investment trusts. SEI Trust Company is a wholly-owned subsidiary of SEI Investments Company (SEI). For more information, visit www.seic.com/stc.

About SEI

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