

Alert | Financial Regulatory & Compliance



December 2025

SEC Division of Examinations 2026 Priorities

The Securities and Exchange Commission (SEC)'s Division of Examinations (Division) announced its **2026 examination priorities** (Exam Priorities) on Nov. 17, 2025. These priorities address areas of concern based on recent examinations, new or pending rules, or developments in the industry. They often forecast referrals to the Division of Enforcement if material rule violations or deficiencies are uncovered. The announcement for 2026 focuses on six different types of market participants subject to SEC regulation or oversight, as well as four risk areas impacting some market participants.

Market Participants:

1. Investment Advisers
2. Investment Companies
3. Broker-Dealers
4. Self-Regulatory Organizations (SROs)
5. Clearing Agencies
6. Other market participants, including Municipal Advisors, Transfer Agents, Funding Portals, Security-Based Swap Dealers, and Security-Based Swap Execution Facilities

Risk Areas:

1. Information Security and Operational Resiliency
2. Emerging Financial Technology
3. Regulation Systems Compliance and Integrity (SCI)
4. Anti-Money Laundering

This GT Alert discusses the Exam Priorities related to each of these market participants and the four risk areas impacting market participants.

Market Participants

1. Investment Advisers

The Division will continue to prioritize advisers' adherence to their duty of care and duty of loyalty obligations to clients. In examining advisers' adherence to these fiduciary duties, the Division will focus on:

- Investment advice and related disclosures to clients about investment products, investment strategies, and the impact of advisers' financial conflicts of interest with respect to providing impartial advice. The Division will pay particular attention to investment advice with respect to alternative investment strategies, including private credit and private funds with investment lock-up provisions; complex investments such as ETF and less liquid investment strategies, and option-based ETFs; and strategies involving products that have higher costs associated with investing (e.g., high commission strategies or strategies that result in higher investment expenses when compared to similar products);
- Consistency between investment recommendations (and related disclosures) and client's investment objectives, risk tolerance, and client-specific backgrounds – highlighting the Division's anticipated priority with respect to recommendations made to older investors and/or those planning for retirement, advisers to private funds that are also advising separately managed accounts, advisers to newly registered or recently launched private funds, and advisers that have not previously advised private funds (the Division anticipates a focus on advisers' awareness and knowledge with respect to liquidity risks, valuation, fees, differential treatment, and side letters).
- Dual registrants and advisers with affiliated broker-dealers. Among other areas, the Division will be reviewing advisers that have advisory representatives who are also dually licensed as registered representatives of broker-dealers and that receive compensation or other financial incentives that may create a conflict of interest, how the advisers address such conflicts of interest (e.g., account allocation methodologies), and advisers that have merged or consolidated with, or have been acquired by, other advisory firms, which may result in operational conflicts, and how advisers have addressed potential or actual conflicts of interest.
- The impact of conflicts of interest on providing impartial advice and seeking best execution, with a goal of maximizing value for clients under certain circumstances occurring at the time of the transaction.

In addition, the Division will continue evaluating the effectiveness of advisers' compliance programs pursuant to Rule 206(4)-7 under the Investment Advisers Act of 1940 (Advisers Act). Examinations will continue to broadly focus on:

- The implementation of policies and procedures that are reasonably designed to address conflicts of interest for advisers, and best practices to prevent advisers from placing their interests ahead of clients' interests; and
- Whether disclosures adequately address fee-related conflicts, focusing on conflicts that arise from account and product compensation structures.

The Division will continue to prioritize examinations of never-examined advisers and recently registered advisers, as well as advisers that have recently changed their business models and/or are advising new types of assets, clients, or offering new services.

Additionally, the Division has indicated that its focus may shift to advisers with activist engagement practices and whether such are making late or inaccurate filings on Schedule 13D and 13D, Form 13F; Forms 3,4,5; and Form N-PX.

2. Investment Companies

The Division will focus on evaluating registered investment companies or registered funds, including mutual funds and ETFs, given their importance to retail investors, older investors, and investors that are saving for retirement. Specific examination focus areas include:

- Assessment of fees and expenses, and any associated waivers and reimbursements;
- Portfolio management practices and disclosures, consistency with claims about investment strategies, fund filings, marketing materials, and the amended fund "Names Rule" (extended compliance date from Dec. 11, 2025, to June 11, 2026, for larger fund groups; and from June 11, 2026, to Dec. 11, 2026, for smaller fund groups); and
- Issues associated with novel strategies, including market volatility and funds with leverage vulnerabilities.

3. Broker-Dealers

Broker-dealer equity and fixed income trading practices will remain a Division priority in 2026, including whether broker-dealers have established, maintained, and enforced written policies and procedures that are reasonably designed to achieve compliance with Regulation Best Interest (Regulation BI), pricing and valuation methods with respect to illiquid investments, disclosures regarding order and routing execution, and disclosures required by Rule 605 of Regulation NMS. The Division will also continue to focus on:

- Recommendations to retail customers and compliance with Regulation BI, including:
 - Recommendations regarding products and investment strategies, including account and rollover recommendations;
 - Conflicts of interest disclosures and conflict identification, mitigation, and elimination practices;
 - Processes for reviewing reasonably available alternatives;
 - Satisfying the Care Obligation, including factors relating to clients' investment profiles (e.g., investment goals and profile, product and account type characteristics);
 - Broker-dealers that recommend complex or tax advantageous products, such as variable and registered index-linked annuities, ETFs (including those that are invested in illiquid or private equity assets), municipal securities (e.g., 529 Plans), private placements and other alternative

- investment opportunities, and/or products that have complex fee structures or return calculations, are based on exotic benchmarks, or growth areas for retail investments, etc.; and
- Recommendations that use automated tools or other digital engagement practices, are related to opening different account types (e.g., option, margin, self-directed IRA accounts), and made to older investors and those saving for retirement or college.
- The content of relationship summaries and delivery obligations under Form CRS, including how a broker-dealer describes the relationship and services that it offers to retail investors, its fees and costs, potential or actual conflicts of interest, and whether the broker-dealer accurately disclosed its disciplinary history or the disciplinary history of its financial professionals; and
- Assessment of dual registrants and their processes for identifying, mitigating, and eliminating conflicts of interest, including with respect to compensation or other financial incentives that may create a conflict.

4. Self-Regulatory Organizations (SROs)

The Division will scrutinize SRO compliance with rules governing operations, enforcement activities, and fulfillment of regulatory duties. Focus areas include:

- Exchange governance and regulatory programs;
- Risk assessment of FINRA's operations that are important to protecting investors and market integrity, including implementing investor-focused initiatives; and
- Compliance assessment with MSRB rules and applicable federal securities laws.

5. Clearing Agencies

The Division will examine at least once annually each clearing agency designated as systemically important and for which the Division serves as the supervisory agency. Examination will focus on clearing agencies' compliance with the Division's Standards for Covered Clearing Agencies, which include policies and procedures addressing core-risk management functions, mitigating operational and financial risks, and protecting against credit risks, among other policies. As in 2025, examinations of registered clearing agencies may continue and include both risk-based examinations and Corrective Action Reviews.

6. Other Market Participants

The Division's focus areas for other market participants include:

- Municipal advisors' adherence to their fiduciary duty obligations and compliance with core standards of conduct and duties, including requirements to disclose conflicts of interest and documentation of municipal advisory relationships;
- Security-based swap dealers' compliance with obligations under Regulation SBSR to accurately report security-based swaps, compliance with risk management practices with respect capital, margin, and segregation requirements;
- Transfer agent processing, recordkeeping and record retention measures, safeguarding of funds and securities, and compliance with amendments to Regulation S-P following its effectiveness (effective Aug. 2, 2024); and

- Funding portals' arrangements with third parties to maintain and transmit investor funds, as well as compliance with recordkeeping requirements and written policies and procedures that are reasonably designed to achieve compliance with federal securities laws.

Additionally, Security-Based Swap Execution Facilities (SBSEFs) may be a focus for the Division in 2026, including the establishment of risk-minimizing programs and compliance with rules and internal procedures addressing trade monitoring, trade processing, and participation.

Risk Areas

1. Information Security and Operational Resiliency

The Division will continue to review registrants' information security practices to prevent interruptions to mission critical services and to protect investor information, records, and assets. The Division believes that operational disruption risks remain elevated and will examine registrants' procedures and practices to assess whether they are reasonably managing information security and operational risks.

The Division will also pay particular attention to firms' policies and procedures pertaining to governance practices, data loss prevention, access controls, account management, and responses and recovery to cyber-related incidents, including those related to ransomware attacks. Additionally, the Division will focus on training and security tools that firms are employing to identify and mitigate new risks associated with AI and polymorphic malware attacks, including how they are operationalizing information from threat intelligence sources. Lastly, they will focus on firms' operation resiliency.

The other Division focus on information security will include assessing compliance with Regulations S-ID and S-P, as applicable. Examinations will focus on firms' policies and procedures, internal controls, oversight of third-party vendors, and governance practices. Regarding Regulation S-ID, the Division will focus on firms' development and implementation of a written identity theft prevention program (Program) that is designed to detect, prevent, and mitigate identity theft in connection with covered accounts. Specifically, the Division will assess the reasonableness of firms' policies and procedures included within their Programs, including whether they:

- Are reasonably designed to identify and detect red flags, particularly during customer account takeovers and fraudulent transfers; and
- Include firm training on identify theft prevention.

In preparation for the compliance dates for the Commission's amendments to Regulation S-P (Dec. 3, 2025, for larger firms and June 3, 2026, for smaller firms), the Division will engage firms during examinations about their progress in preparing incident response programs reasonably designed to detect, respond to, and recover from unauthorized access to or use of customer information. After the applicable compliance dates, the Division will examine whether firms have developed, implemented, and maintained policies and procedures in accordance with the rule's new provisions that address administrative, technical, and physical safeguards for the protection of customer information.

2. Emerging Financial Technologies

The Division will focus on companies' use of emerging technologies and alternative sources of data (e.g., automated investment tools, AI, and trading algorithms and platforms) and the associated risks. The

Division will examine firms that use automated investment advisory services, recommendations, and related tools and methods. Specifically, the Division will assess:

- Fairness and accuracy of representations, including those regarding AI capabilities;
- Consistency of operations and controls with disclosures made to investors;
- Whether advice or recommendations produced by algorithms are consistent with investors' profiles or stated strategies;
- Whether controls to confirm that advice resulting from automated tools are consistent with regulatory obligations to investors;
- Adequacy of policies and procedures to monitor and/or supervise companies' use of AI technologies, including for tasks related to:
 - Fraud prevention and detection;
 - Back-office operations;
 - Anti-money laundering; and
 - Trading functions; and
- Firm integration of regulatory technology to automate internal processes and optimize efficiencies.

3. Regulation SCI

The Division will evaluate whether SCI entities (e.g., exchanges and clearinghouses) have implemented policies and procedures related to incident response and how SCI entities review the effectiveness of these policies and procedures. Exams will also evaluate management of third-party vendor risk and properly identifying vendor systems that qualify as SCI systems or indirect SCI systems.

4. Anti-Money Laundering (AML)

Similar to 2025, the Division will examine whether broker-dealers and certain registered investment companies:

- appropriately tailor and update their AML program to their business model and associated AML risks;
- Conduct independent testing;
- Establish adequate customer identification programs;
- Meet Suspicious Activity Report filing obligations; and
- Monitor Office of Foreign Assets Control sanctions.

Conclusion

The 2026 Exam Priorities are the first Exam Priorities the SEC has issued under its new administration. Some of the **Exam Priorities from 2025** remain while others, such as focuses on Private Fund Advisors and crypto, have been discarded. Firms registered with the SEC should be aware that the Exam Priorities list is not exhaustive, and examinations may cover issues not stated in this list. The current Exam Priorities align with recent SEC announcements and activity, such as recent, recently amended, or pending rules and regulations. Accordingly, registered firms should take note of these priorities when reviewing compliance programs to enhance their compliance programs and address the Division's focus if

such priorities relate to their programs and practices. Firms should pay close attention to the 2026 Exam Priorities, as they may signal future enforcement priorities in the form of sweep examination programs and other actions.

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