2026 SEC Division of Examinations Priorities

November 21, 2025

On November 17, 2025, the U.S. Securities and Exchange Commission's (the "SEC") Division of Examinations (the "Division") released its 2026 Examination Priorities (the "Priorities").[1] The Priorities continue to emphasize long-standing themes such as fiduciary duties for investment advisers, compliance program effectiveness, and retail investor protection, while providing insight into how the Division is approaching certain investment products and risk areas under the new Atkins administration. For example, crypto assets are excluded from the Priorities for the first time since 2018, signaling the current administration's support for innovation in this asset class. Conversely, the Priorities continue to focus on private fund advisers, including a focus on private credit, although the private fund priorities are folded into thematic review areas rather than appearing in a standalone section. The Division has also taken an interest in integration and compliance issues for investment advisers and registered investment companies ("RICs") that are involved in mergers and acquisitions.

The Priorities also place particular emphasis on cybersecurity, artificial intelligence ("AI"), and customer-information safeguards governed by Regulations S-P and S-ID as cross-cutting risk areas for all registrants. The Division highlights escalating cybersecurity and operational-resiliency threats—including those amplified by firms' adoption of AI tools—and underscores the need for robust governance, vendor oversight, access controls, and incident-response programs. At the same time, the Division signals that it will closely examine firms' use of AI and other automated technologies, scrutinizing whether related disclosures, supervisory frameworks, and controls align with actual practices.

While the Priorities are not exhaustive, they provide a roadmap of the likely core areas of focus for 2026. Discussed below are highlights from the Priorities organized by registrant type.

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[1] *2026 Examination Priorities*, Division of Examinations, U.S. Securities and Exchange Commission (Nov. 17, 2025), available here.

Investment Advisers

The 2026 Priorities reinforce the Division's continued focus on investment advisers' compliance with their fiduciary duties and the effectiveness of advisers' compliance programs.

Fiduciary Duties

As is to be expected, the Division will prioritize adherence to advisers' fiduciary duties, with particular emphasis on aspects of their business that serve retail investors.[2] To this end, the Division will review the impact of advisers' conflicts of interest, with a focus on advisers or practices that create additional risk of potential or actual conflicts of interest.[3]

For example, the Priorities highlight the complexities that may arise following mergers or similar transactions, particularly where a registered adviser must integrate a previously exempt adviser into its compliance framework. For firms that have recently completed or are contemplating strategic transactions including changes of control, this priority signals that robust integration planning should be an integral part of routine SEC examination preparation.

Private Funds

For the first time since 2021, the Priorities do not emphasize private fund advisers in a separate, standalone section, but rather incorporate private fund review areas in broader thematic categories. The Division will focus on the following:

- alternative investments (*e.g.*, private credit and private funds with extended lock-up periods);
- side-by-side management and related conflicts: advisers to private funds that are also advising separately managed accounts and/or newly registered funds to assess any preferential treatment of one set of investors over others;
- advisers to newly launched private funds; and
- advisers that have not previously advised private funds to assess topics such as regulatory awareness, liquidity, valuation, fees and expenses, and disclosures.[4]

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2 *2026 Examination Priorities* at 4.

3 *Id.*

4 *Id.*

Compliance Programs

The 2026 Priorities reiterate that assessment of advisers' compliance programs is a fundamental part of the examination process.[5] Specifically, the Division continues to focus on ensuring that the advisers' policies and procedures are reasonably designed to address conflicts of interest, as well as reviewing core compliance areas, including marketing, valuation, trading, portfolio management, disclosure and filings, and custody.[6]

Examinations will focus on whether policies and procedures address fee-related conflicts, particularly those that arise from account and product compensation structures.[7] As with previous years, the Division will also prioritize examinations of recently registered advisers.[8]

Investment Companies

RICs—including mutual funds and ETFs—remain a central focus due to the significant role they play for retail investors.[9] The Division will examine fund fees and expenses and portfolio management practices and disclosures for consistency with filings, marketing materials, and the amended fund "Names Rule."[10]

The 2026 Priorities also highlight certain developing areas of interest, including:

- RICs that use complex strategies and/or hold significantly less liquid or illiquid investments;
- RICs with novel strategies and investments, with an apparent focus on leverage vulnerabilities;[11] and
- RICs that participate in mergers or similar transactions, particularly where there may be associated operational and compliance challenges.

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5 *Id.*

6 *Id.*

7 *Id.*

8 *Id.*

9 *Id.*

10 *Id.* at 6, n.1 (citing to SEC, Final Rule: Investment Company Names, Release No. IC-35000 (Sept. 20, 2023) (broadening the scope of Investment Company Act of 1940 rule 35d-1 (the "Names Rule"), which requires certain funds to adopt a policy to invest at least 80% of the value of their assets in accordance with the investment focus that the fund's name suggests, among other requirements)).

11 *Id.* at 7.

Broker-Dealers

The 2026 Priorities underscore the Division's broad review of broker-dealer practices, including compliance with financial responsibility rules, Regulation Best Interest, and Form CRS.[12]

Financial Responsibility Rules

The 2026 Priorities continue to emphasize compliance with the net capital rule and the customer protection rule, including reviewing the timeliness of financial notifications and other required filings.[13] Examinations will also evaluate operational resiliency programs, particularly third-party vendor management for financial reporting information, credit, market, and liquidity risk management controls, cash sweep programs, and prime brokerage activities, including issues of concentration, liquidity, and counterparty credit risks.[14]

Trading-Related Practices and Services

The Division continues to prioritize scrutiny of broker-dealer equity and fixed income trading practices, emphasizing those associated with extended hours trading, municipal securities, order priority, and mark-ups disclosure.[15] The examinations will review broker-dealers' activity for best execution, pricing, and valuation of illiquid instruments, as well as disclosures regarding routing and order execution.[16] The Division will evaluate whether broker-dealers are appropriately relying on the bona fide market making exception under Regulation SHO, including whether quoting activity is away from the inside bid/offer.[17] The examinations will also include a review of alternative trading systems and their compliance with Rule 301(b)(1) under Regulation ATS to have written safeguards to protect subscriber confidential information.[18]

Retail Sales Practice

As in the 2025 cycle, the 2026 Priorities will evaluate broker-dealer sales practices relating to retail products and Regulation Best Interest.[19] The examinations will continue to focus on areas such as product and investment strategy recommendations (including account and rollover recommendations), conflict identification and

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12 *Id.* at 7–9.

13 *Id.* at 7.

14 *Id.*

15 *Id.*

16 *Id.*

17 *Id.* at 8.

18 *Id.*

19 *Id.* at 8; 2025 *Examination Priorities*, Division of Examinations, U.S. Securities and Exchange Commission (Oct. 21, 2024), available here.

mitigation practices, processes for reviewing reasonably available alternatives, and processes for satisfying the Care Obligation, including consideration of customer investment profiles.[20] Other areas of focus include complex or tax-advantaged products, ETFs that invest in illiquid assets, municipal securities, private placements, structured products, alternative investments, products with complex fee structures or return calculations, and recommendations that move an investment to a substantially similar product, relate to opening different account types, or are made to older investors.[21] Similar to the priorities with respect to investment advisers, examinations of broker-dealers will also focus on dual registrants and the firms' processes for identifying and mitigating conflicts of interest.[22]

Self-Regulatory Organizations and Clearing Agencies

As in prior years, the Division will examine national securities exchanges, the Financial Industry Regulatory Authority ("FINRA"), and the Municipal Securities Rulemaking Board ("MSRB"), with an emphasis on regulatory programs, market integrity, and participation in National Market System Plans.[23] The Division also remains focused on clearing agency risk-management frameworks.[24]

Other Market Participants

Municipal Advisors

The Division will continue to assess compliance with MSRB Rule G-42, particularly as it relates to conflicts disclosures and documentation of advisory engagements.[25] The Division will also evaluate municipal advisors' compliance with fiduciary obligations, filing requirements, and other professional requirements.[26]

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20 *Id.*

21 *2026 Examination Priorities* at 8.

22 *Id.*

23 *Id.* at 9–10.

24 *Id.* at 10.

25 *Id.* at 11.

26 *Id.* at 10–11.

Transfer Agents

The Division's examinations of transfer agents will remain focused on the same areas outlined in the 2025 Priorities, with the addition of evaluating compliance with the 2024 amendments to Regulation S-P.[27]

Funding Portals

The 2026 Priorities continue the 2025 Priorities' emphasis on examinations of funding portals.[28] The Division will focus on funding portal arrangements with third parties regarding the maintenance and transmission of investor funds, compliance with federal securities laws, and evaluating compliance with the 2024 amendments to Regulation S-P.[29]

Security-Based Swap Dealers ("SBSDs")

The Division reiterates its focus on security-based swap dealers' ("SBSDs") compliance with Regulation SBSR's reporting requirements to accurately report security-based swap transactions to security-based swap data repositories.[30] The Division will also evaluate SBSDs' risk management, compliance with capital, margin, and segregation requirements, and corrections of previously identified issues.[31]

Security-Based Swap Execution Facilities ("SBSEFs")

The Division expects to begin conducting examinations of registered security-based swap execution facilities ("SBSEFs"), with a focus on risk analysis and trade monitoring.[32]

Risk Areas Impacting Various Market Participants

Cybersecurity

Cybersecurity remains a perennial priority.[33] The Division will review registrants' governance structures, incident-response processes, and data protection practices.[34] The Division notes that dispersed operations, escalating cyber threats, weather-related

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[27] *Id.* at 11 (citing SEC, Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer Information, Exchange Act Release No. 100155 (May 16, 2024)); *2025 Examinations Priorities* at 11.

[28] *2026 Examinations Priorities* at 11; 2025 *Examinations Priorities* at 11–12.

[29] *2026 Examinations Priorities* at 11.

[30] *Id.* at 12.

[31] *Id.*

[32] *Id.*

[33] *Id.*

[34] *Id.*

events and geopolitical concerns continue to pose systemic risks across market participants.[35] The Division will also be focused on the identification and mitigation of new risks associated with artificial intelligence ("AI") and polymorphic malware attacks.[36]

Regulation S-ID

Identity-theft red flag programs remain an important area of review.[37] Examiners will assess whether registrants have adopted written programs reasonably designed to detect, prevent, and mitigate identity theft, including by designing controls for account takeover risks, and providing firm training on identity theft prevention.[38]

Regulation S-P

In anticipation of the 2025 and 2026 compliance dates for the Commission's amendments to Regulation S-P, the Division will evaluate firms' preparedness, including their progress in preparing incident response programs.[39] After the compliance dates, the Division will evaluate whether firms have implemented procedures in accordance with the rule's new provisions that address administrative, technical, and physical safeguards to protect customer information.[40]

Artificial Intelligence and Emerging Financial Technologies

The 2026 Priorities expand the Division's focus on the use of AI in registrant operations, particularly in connection with automated investment advisory services, recommendations, and related tools. The Division will examine whether representations regarding AI capabilities are fair and accurate, operations and controls are consistent with regulatory obligations and disclosures made to investors, and algorithms produce advice or recommendations consistent with investors' stated strategies.[41] The Priorities also emphasize the evaluation of procedures to monitor and/or supervise AI technologies, including for tasks related to automation of internal processes, fraud prevention and detection, back-office operations, anti-money laundering ("AML"), and trading functions.[42]

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35 *Id.*

36 *Id.*

37 *Id.*

38 *Id.*

39 *Id.* at 13.

40 *Id.*

41 *Id.* at 13–14.

42 *Id.* at 14.

Regulation Systems Compliance and Integrity ("SCI")

The Division will continue to examine SCI entities, focusing on policies and procedures related to incident response and third-party vendor risk management.[43]

Anti-Money Laundering

The 2026 Priorities reiterate the focus from previous years on AML programs to ensure compliance with the Bank Secrecy Act. The Division will evaluate AML programs to determine if they are adequately: (1) tailored to the firms' business models and associated AML risks, (2) conducting independent testing, (3) establishing a customer identification program, and (4) meeting Suspicious Activity Report ("SAR") filing obligations.[44] Firms should also be prepared for evaluations of their compliance with the Department of Treasury's sanctions.[45]

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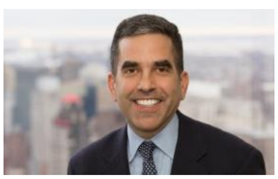
Please do not hesitate to contact us with any questions.



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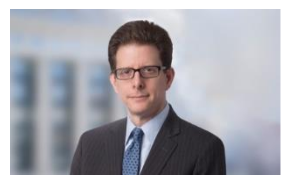

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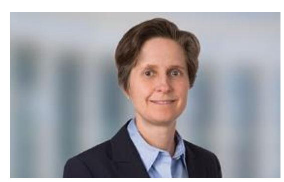

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43 *Id.*

44 *Id.*

45 *Id.* at 15.

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