SEC's 2027 Exam Priorities: What Registrants Should Know

October 26, 2026

Promptly on the heels of its new exam handbook,[1] on October 23, 2026, the SEC's Division of Examinations ("Exams") released its exam priorities for the 2027 fiscal year (the "2027 Priorities").[2] The 2027 Priorities retain the seven principal examination categories from the 2026 Exams priorities,[3] but reflect several shifts in emphasis, with introduction and expansion of some focus areas and the omission of certain ones from 2026. Below we summarize the key changes in the 2027 Priorities as compared to the 2026 Priorities in a table format, including our thoughts on the significance of those changes.[4]

The 2027 Priorities largely maintain the same high-level areas of interest as last year, while placing increased emphasis on several emerging and evolving risks. Most notably, the new priorities reflect heightened scrutiny of (i) advanced technology and related cybersecurity risks; (ii) broker-dealer AML compliance involving foreign accounts and cross-border market manipulation; (iii) supervisory controls and compensation arrangements; (iv) complex and illiquid investment products and investment adviser economic conflicts; and (v) recent developments in securities markets, including expanded Treasury clearing and tokenization.

Taken together, these changes reflect a shift toward examining the operational, technological and market risks associated with evolving financial products and business practices.

For a detailed analysis of the recent exam handbook update, please see our Debevoise in Depth review.

2 SEC Announces Fiscal Year 2027 Examination Priorities (Oct. 23, 2026).

3 Fiscal Year 2026 Examination Priorities (Nov. 18, 2025).

4 It is important to note that the 2027 Priorities are not exhaustive, and any omissions do not preclude SEC examination of those areas. In the accompanying press release, Exams expressly states that while the 2027 Priorities "identify areas warranting heightened attention based on current risk assessment," Exams Staff "will continue to examine compliance with federal securities laws and regulations across the full spectrum of registrant activities and expects firms to maintain strong, risk-based compliance programs tailored to their businesses."

Topic	2026 Exam Priorities	2027 Exam Priorities	Difference & Significance
Modified Areas of Focus			
I. Investment Advisers A. *Fiduciary Standards of Conduct*	• Focuses on fiduciary obligations, including financial conflicts, investment recommendations, disclosure and best execution. • Prioritizes advisers to private credit, private funds with extended lockups, ETFs holding less-liquid strategies, option-based ETFs, leveraged or inverse ETFs and higher-cost investments. Also highlights a focus on advisers that are dual registrants. • Focuses on allocation conflicts, transfers between funds and accounts, newly	• Expressly prioritizes economic conflicts involving fee rebates, fee and expense calculations, cash management, quid pro quo arrangements, deposits and withdrawals. Also highlights due diligence and valuation methodologies. • Reiterates prioritization of advisers to products that are difficult to trade, have unusual features or are illiquid. Expressly states that these alternative investment products include loans by private funds and BDCs, private-company investments through SPVs, single-stock ETFs, zero-days-to-expiration ("0DTE") options, inverse ETFs and other complex or illiquid products. • Emphasizes investment-related risk disclosures and controls addressing	• Citing Exams' Risk Alert on Economic Conflicts from earlier this year,[5] the 2027 Priorities highlight particular economic conflicts for examination. Advisers that have not previously reviewed this risk alert should do so for further guidance. Although best execution is no longer highlighted, we view this as part of the general fiduciary duty focus, and it remains a perennial focus in Exams. • The 2027 Priorities include additional specificity concerning the types of alternative investments that would make an adviser a higher priority for examination, with a focus on higher concentration and shorter duration products. Although dual registrants are no longer highlighted in the investment

[5] Examinations Observations of Investment Adviser Obligations Related to Economic Conflicts of Interest (Jun. 9, 2026).

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	launched private funds, and advisers entering private fund management for the first time. Also highlights liquidity, valuation, fees, side letters and differential investor treatment. • Focuses on advisers using third parties to access client accounts, particularly where safeguards protecting assets and data may be inadequate.	risks at both the fund and investment levels, including allocations, debt and fund-level credit lines, affiliated service providers, and fee and expense calculations. • Retains the third-party account-access focus and adds examination of advisers' reliance on proxy advisory firms, including evaluation of recommendations, underlying analyses, conflicts and legal obligations.	adviser section, they are still identified as a priority for examination in the broker-dealer section. Note that these references to illiquid or difficult-to-trade assets signal that representations related to private credit valuation may be a particular risk area for investment advisers.[6] • The 2027 Priorities focus more on fund-level and investment-level risk management, financing arrangements, affiliated service providers and expense allocation. • New express emphasis on advisers' oversight of external proxy advisory firms. • The focus on fiduciary duty reiterates the long-standing concern with respect to protecting investors, and it has been highlighted by this administration

[6] "The valuation of and disclosures regarding complex and illiquid investments in the private credit space were also recently the subject of a joint statement by the SEC's Chief Accountant and the Director of the SEC's Division of Investment Management." SEC Staff Reiterates Focus on Private Asset Valuation and Disclosure (Sep. 30, 2026).

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			as an area of particular focus for Enforcement Staff.
I. Investment Advisers B. *Compliance Programs*	• Reviews effectiveness of compliance programs, annual reviews, implementation and enforcement, compensation conflicts and compliance when business models change. Identifies activist-investor reporting obligations.	• Retains these priorities and expressly focuses on firms that have grown through mergers, acquisitions or other means; geographically dispersed branch offices; and compliance adaptations following business changes. Adds Form 13H to the list of activist-related filings.	• The 2027 Priorities emphasize the importance of compliance infrastructure keeping pace with firm growth and operational complexity.[7]
II. Investment Companies	• Prioritizes fund fees, portfolio practices, complex strategies, less-liquid or illiquid investments, valuation, conflicts and leverage vulnerabilities. Also discusses fund mergers. • Expressly identifies compliance with the amended Investment	• Specifically highlights as areas of interest: RICs that invest in private credit (and the associated issues regarding valuation, redemptions and disclosures of conflicts of interest and risks); RICs that use novel or complex investment strategies (including those with leverage vulnerabilities, such as BDCs and inverse and leveraged ETFs); and RICs that operate in reliance on	• Expanded private credit and exemptive-order focus. Fund mergers are no longer separately identified. • Although the Investment Company Act Names Rule is not referenced in the 2027 Priorities,

[7] Last month, Exams also issued a Risk Alert on a related topic, advisers' annual compliance reviews under Rule 206(4)-7 of the Investment Advisers Act of 1940. SEC EXAMS Highlights Deficiencies in Investment Adviser Annual Compliance Reviews (Sep. 15, 2026).

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	Company Act Names Rule following applicable compliance dates. Also emphasizes never-examined and recently registered funds.	exemptive orders (including their implementation and compliance with such orders). • Continues to prioritize never-examined funds but does not separately emphasize recently registered funds and no longer expressly references the amended Names Rule.	the omission does not change applicable legal obligations.[8]
III. Broker-Dealers A. *Financial Responsibility Rules*	• Focuses on net capital, the customer protection rule, liquidity, financial notifications, third-party vendor oversight, timeliness of filings, financial reporting processes, cash sweeps and prime brokerage.	• Retains net capital, CPR, and liquidity, and adds recent amendments relating to daily customer reserve computations and U.S. Treasury clearing. Will also assess prime brokerage concentration, liquidity and counterparty credit risks.	• The 2027 Priorities specifically highlight amended customer protection requirements and Treasury clearing. Cash sweeps and certain operational reporting topics are not expressly repeated.
III. Broker-Dealers B. *Trading-Related Practices and Services*	• Reviews extended hours trading practices, order routing and execution, and related supervisory matters.	• Focuses more specifically on operational challenges associated with expanded trading hours, the availability and willingness of liquidity providers to provide	• The 2027 Priorities expand market structure focus, identifying concrete liquidity and operational issues arising from expanded trading hours.

[8] For additional information about the Investment Company Act Names Rule, see our Debevoise Update.

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	• Expressly identifies Rule 605 disclosures, Regulation SHO's bona fide market-making exception, Regulation ATS requirements, Form ATS-N, variable-rate demand obligation reset practices, municipal markups, best execution and illiquid instrument valuations.	liquidity on and off exchange and market and credit risk controls. • Continues to focus on best execution, order routing, illiquid instrument valuations and municipal order priority. Specifically identifies private credit and private equity valuation.	• The 2027 Priorities shift emphasis among trading-related issues, adding private-market valuation examples but no longer expressly listing Rule 605, Regulation SHO, Regulation ATS, Form ATS-N or certain municipal trading practices.
III. Broker-Dealers C. *Retail Sales Practice, Including Compliance with Regulation Best Interest*	• Focuses on complex products, annuities, private credit and private equity ETFs, municipal securities and 529 plans, private placements, structured products and alternative investments. • Examines conflicts, reasonably available alternatives, the Regulation Best Interest ("Reg BI") Care Obligation, account recommendations,	• Retains many of these categories and expressly identifies low-priced securities, small-cap issuers, 0DTE options, single-stock or focused-market ETFs and products involving volatility or concentrated risk. • Reiterates the previous priorities and expressly includes information provided under the Reg BI Disclosure Obligation and consideration of costs under the Care Obligation. Also highlights vulnerable investors. • Provides for examinations of how broker-dealers supervise payments to	• The 2027 Priorities expand product specificity, applying greater attention to options, concentrated products and smaller issuers. Note, municipal securities and 529 plans are no longer listed as examples in the 2027 Priorities. • The 2027 Priorities focus more on explicit disclosure and cost, expressly identifying the Reg BI Disclosure Obligation as a review area and underscoring costs and vulnerable investors.

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	rollovers, dual registrants and Form CRS. • Addresses compensation conflicts generally, including those affecting dual registrants.	unregistered persons potentially acting as finders and transaction-based compensation to unregistered personal-service entities.	• Retail investor protection is a specific area of enforcement emphasis for this Commission, and Enforcement has recently re-established its Retail Fraud Working Group.[9] • The 2027 Priorities identify compensation arrangements involving unregistered persons and entities as a new express examination topic informing SEC policy.
III. Broker-Dealers D. *Anti-Money Laundering (AML)*	• AML is a cross-cutting priority covering broker-dealers and certain investment companies, with an additional OFAC focus involving broker-dealers, advisers and funds. • Focuses on AML risk assessments, omnibus accounts involving foreign financial institutions,	• Now a standalone subsection for broker-dealers and emphasizes firm growth, foreign omnibus accounts, ongoing customer due diligence, SAR filings and sanctions compliance. • Raises foreign-based securities trading and potential pump-and-dump or ramp-and-dump schemes, nested omnibus accounts, foreign correspondent special due diligence	• Placing a greater emphasis on broker-dealers, the 2027 Priorities provide a more targeted broker-dealer AML focus. This subsection does not expressly repeat the 2026 examination focus on RIC AML programs or adviser and RIC OFAC compliance. • The updates in the 2027 Priorities represent an expansion of AML focus, linking examinations more

[9] SEC Forms New Retail Fraud Working Group (Jul. 7, 2026).

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	customer identification, independent testing and suspicious activity reporting.	and coordination with Enforcement's Cross-Border Task Force.	directly to cross-border securities fraud, opaque ownership structures and foreign trading risks. In this regard, this 2027 Priority dovetails with an Enforcement priority.[10]
III. Broker-Dealers E. *Supervision*	• Supervisory requirements are addressed within individual registrant categories, including broker-dealers, municipal advisors and funding portals.	• Adds a dedicated Supervision subsection covering broker-dealers, funding portals, municipal advisors and security-based swap dealers. Addresses supervisory systems, written procedures, internal controls, new products and businesses, and qualified supervisory personnel.	• Supervision was broken out as a new stand-alone priority and elevated across multiple intermediary categories. The 2027 Priorities also expressly emphasize assignment of authority to appropriately qualified personnel.
IV. Self-Regulatory Organizations A. *National Securities Exchanges*	• Exchange oversight includes regulatory programs and National Market System Plan participation.	• Exchange oversight emphasizes regulatory programs and governance.	• The 2027 Priorities no longer explicitly highlight NMS Plan participation.
IV. Self-Regulatory Organizations B. *FINRA*	• FINRA oversight includes express references to Reg BI and Form CRS initiatives.	• FINRA oversight includes examinations of its oversight of funding portals, along with broker-dealers and municipal advisors.	• The 2027 Priorities highlight funding portals rather than FINRA's Reg BI/Form CRS initiatives.

[10] SEC Announces Formation of Cross-Border Task Force to Combat Fraud (Sep. 5, 2025).

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IV. Self-Regulatory Organizations D. *PCAOB*	• The PCAOB is not included as a separate examination-priority subsection.	• A new dedicated subsection concerning the PCAOB that includes risk-based identification of areas for inspection.	• The PCAOB is added as a new expressly identified oversight subject. • Financial reporting generally is also an area of emphasis for Enforcement, which has recently created a Financial Reporting and Accounting Unit.[11]
V. Clearing Agencies	• Emphasizes risk management, liquidity, defaults, recovery and wind-down, collateral, operations, corrective action and coordination with other clearing agencies.	• Specifically highlights securities lending, tokenization, expanded Treasury clearing, clearing agency governance, new recovery and orderly wind-down requirements, and straight-through processing by central matching service providers.	• The 2027 Priorities materially expand identified market infrastructure risks by specifically addressing tokenization and examinations for compliance with newer clearing and processing requirements.
VI. Other Market Participants B. *Transfer Agents* C. *Funding Portals*	• Focuses on recordkeeping, safeguarding investor assets, transfer processing, emerging technology, funding arrangements and Regulation S-P compliance	• Retains the core operational topics and emphasizes examination of Regulation S-P safeguards, disposal and incident response requirements.	• For transfer agents, the 2027 Priorities shift toward examining implementation of the amended Regulation S-P requirements. • For funding portals, compliance with those amendments remains

[11] SEC Establishes Financial Reporting and Accounting Unit in Enforcement Division (Aug. 5, 2026).

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	after applicable compliance dates. • Funding portal written compliance procedures are also expressly identified.	• Funding portal compliance with Regulation S-P remains described as a possible focus.	an expressly identified potential examination focus.
VI. Other Market Participants D. *Security-Based Swap Dealers*	• Focuses on Regulation SBSR reporting, risk management, capital, margin, segregation and remediation of prior examination findings.	• Retains SBSR reporting but expressly prioritizes remediation of deficiencies identified in annual Chief Compliance Officer Reports and examinations of never-examined dealers.	• The 2027 Priorities shift emphasis away from capital, margin and segregation to CCO-report remediation and first examinations.
VII. Risk Areas Impacting Various Market Participants A.1 *Information Security and Operational Resiliency, Cybersecurity*	• Covers cybersecurity governance, data loss prevention, access controls, account management, ransomware, incident response and recovery, AI-related threats, polymorphic malware, training and security controls, threat intelligence and operational disruption risks, including dispersed operations,	• Retains cybersecurity fundamentals while expressly emphasizing increased reliance on third-party service providers and shared technologies and the effectiveness of related risk management.	• The 2027 Priorities expand third-party technology risk emphasis.

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	weather events and geopolitical concerns.		
VII. Risk Areas Impacting Various Market Participants A.2 *Information Security and Operational Resiliency, Emerging Financial Technology – AI and SI*[12]	• Examines AI representations, automated investment tools, trading algorithms and supervision of AI used in compliance, operations, fraud detection and trading.	• Discusses AI-enabled cyberattacks, phishing, deepfake voice and video, and use of AI in fraud prevention, AML, Reg BI, trading and back-office activities. Retains scrutiny of automated investment tools.	• The changes to the emerging financial technology section signal a significant expansion of technology-related examination risks, emphasizing technology-enabled fraud and cybersecurity threats alongside firms' internal use of advanced technology.
VII. Risk Areas Impacting Various Market Participants A.3 *Information Security and Operational Resiliency,*	• Includes examination of identity theft red flags, account takeovers, training and preparation for amended Regulation S-P, followed by compliance reviews after applicable dates.	• Emphasizes implemented Regulation S-P safeguards, incident response, customer notification and service provider oversight. Under Regulation S-ID, adds attention to updating identity theft programs for AI-related risks and stolen credentials.	• The 2027 Priorities shift to implementation of the amended Regulation S-P, expressly addressing notification procedures, service providers, stolen credentials and AI-related identity theft risks.

[12] Note, the government has recently started using the term "SI" (super intelligence) in place of AI.

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Regulation S-ID and Regulation S-P			
VII. Risk Areas Impacting Various Market Participants B. *Regulation Systems Compliance and Integrity (SCI)*	• Focuses on incident response policies, their effectiveness, third-party vendor risk and identification of SCI and indirect SCI systems.	• Adds express focus on SI, tokenization of securities, extended trading hours, quantum computing and reliance on cloud and other third-party vendors.	• The 2027 Priorities expand emerging technology and market structure focus, identifying new technological and operational developments while retaining vendor risk management. Incident response effectiveness is no longer separately described in this subsection.
Static Focus Areas			
I. Investment Advisers *C. Never-Examined Advisers and Recently Registered Advisers*	• Prioritizes never-examined advisers, particularly recently registered advisers.	• Retains this priority and specifically describes examination of regulatory compliance and processes to identify, address and disclose risks and conflicts.	These priorities and focus areas remain substantively unchanged from the 2026 examination priorities.
VI. Other Market Participants	• Focuses on fiduciary obligations, MSRB Rule G-42, conflicts, municipal securities sale	• Retains substantially the same examination priorities.	

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A. *Municipal Advisors*	recommendations, registration, filings, records and supervision.		
VI. Other Market Participants E. *Security-Based Swap Execution Facilities*	• States that Exams expects to begin examinations of registered SBSEFs, covering trade monitoring, processing, participation and operational risk.	• States that Exams will continue such examinations, with substantially the same focus.	

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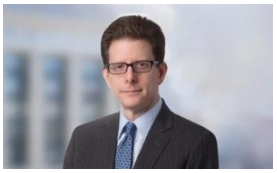
Please do not hesitate to contact us with any questions.



Andrew J. Ceresney
Partner, New York
+1 212 909 6947
aceresney@debevoise.com



Charu A. Chandrasekhar
Partner, New York
+1 212 909 6774
cchandrasekhar@debevoise.com



Robert B. Kaplan
Partner, Washington, D.C.
+1 202 383 8060
rbkaplan@debevoise.com



Sheena Paul
Partner, Washington, D.C.
+1 202 383 8178
spaul@debevoise.com



Marc Ponchione
Partner, Washington, D.C.
+1 202 383 8290
mponchione@debevoise.com



Julie M. Riewe
Partner, Washington, D.C. | San Francisco
+1 202 383 8070
jriewe@debevoise.com



Jeff Robins
Partner, New York
+1 212 909 6526
jlrobins@debevoise.com



Kristin A. Snyder
Partner, San Francisco
+1 415 738 5718
kasnyder@debevoise.com



Lauren P. Heller
Counsel, New York
+1 212 909 6123
lpheller@debevoise.com



Anna Moody
Counsel, Washington, D.C.
+1 202 383 8017
amoody@debevoise.com



Stephan J. Schlegelmilch
Counsel, Washington, D.C.
+1 202 383 8154
sjschleg@debevoise.com



Cooper Yoo
Associate, Washington, D.C.
+1 202 383 8039
chyoo@debevoise.com

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