

SEC Division of Examination Announces Fiscal Year 2026 Priorities

WRITTEN BY

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On November 17, 2025, the Securities and Exchange Commission's (SEC) Division of Examination announced its [fiscal year \(FY\) 2026 examination priorities](#).^[1] The most significant changes to the division's priorities from FY 2025 include:

- A focus on compliance with the soon-to-be-effective 2024 Regulation S-P amendments;
- A focus on compliance with the newly implemented Regulation S-ID;
- A change in the priorities of review for broker-dealer trading-related practices;
- Commencement of registered security-based swap execution facilities reviews;
- A new focus on AI-based cybersecurity risks when evaluating internal cybersecurity policies; and
- The elimination of cryptocurrency regulation as an independent division area of focus for FY 2026.

1. Investment Advisers

Adherence to Fiduciary Standards of Conduct: The division continues to focus on advisers' exercise of their duties of care and loyalty and has identified the following exam areas for review of advice and disclosure consistent with such duties:

- (i) Advisers' financial conflicts of interest;
- (ii) Factors considered in providing investment advice to clients including costs, objectives, features, liquidity, risks, volatility, performance across conditions, time horizon, and exit costs;
- (iii) Best execution;
- (iv) Higher-risk products (such as alternative investments (e.g., private credit, locked-up private funds), complex or option-based/leveraged exchange-traded funds (ETF), and ETF wrappers on less-liquid strategies;

(v) Higher-cost products.

Examinations will evaluate whether recommendations match product disclosures and clients' objectives and risk profiles, with a new emphasis on separately managed accounts or newly registered funds (including allocation favoritism and interfund transfers).

Effectiveness of Advisors' Compliance Programs: The division will continue to assess the effectiveness of advisers' compliance programs, focusing on:

- Conflicts that arise from account and product compensation structures;
- Advisers' practices or products — for example, activist engagements (timely, accurate filings such as Schedules 13D/13G, Form 13F, Forms 3–5, and Form N-PX); and
- Compliance when business models change or firms begin advising new asset types, clients, or services.

2. Investment Companies

For registered investment companies (RICs), including mutual funds and ETFs, examinations will continue to touch on disclosures, filings, governance practices, and compliance programs. Particular focus will be paid to:

- (a) Fund fees and expenses, together with any associated waivers and reimbursements; and
- (b) Portfolio management practices and disclosures, for consistency with statements about investment strategies or approaches and for consistency with amended Rule 35d-1 (the Names Rule).

Never-before-examined RICs, especially those recently registered, will be prioritized for examination.

The division has also updated its specific areas to assess developments, including:

- (c) RICs that participate in mergers or similar transactions, including any associated operational and compliance challenges;
- (d) Certain RICs that use complex strategies and/or have significant holdings of less liquid or illiquid investments (e.g., closed-end funds and interval funds), including any associated issues regarding valuation and conflicts of interest; and
- (e) RICs with novel strategies or investments.

3. Broker-Dealers

- (a) Broker-Dealer Trading-Related Practices.

Updated areas of review for broker-dealer equity and fixed income trading practices will include practices associated with extended hours trading, municipal securities, priority of orders, and mark-up disclosures. The division has noted that reviews will focus on:

- (i) Best execution;
 - (ii) The pricing and valuation of illiquid instruments such as variable rate demand obligations, other municipal securities, and non-traded REITS; and
 - (iii) Disclosures regarding order routing and order execution information, included as required by Rule 605 under Regulation NMS.
- (b) Retail Sales Practice.

The division will continue to review retail sales practices for compliance with Regulation Best Interest. Examinations are expected to concentrate on complex or tax-advantaged products like variable and registered index-linked annuities; ETFs investing in illiquid assets; municipal securities; private placements; structured products; alternative investments; and other products with complex fees or return calculations, exotic benchmarks, illiquidity, or rapid retail growth.

4. Additional Risk Areas

(a) Information Security and Operational Resiliency.

The division will review registrants' practices to prevent disruptions to mission-critical services and protect investor data. The division will also evaluate training and controls for emerging threats tied to artificial intelligence (AI) and polymorphic malware, how firms use threat intelligence, and overall operational resiliency.

(b) Regulation S-ID and Regulation S-P.

The Division plans to assess compliance with Regulations S-ID and S-P. For Regulation S-ID, exams will review firms' written Identity Theft Prevention Programs to ensure they detect, prevent, and mitigate identity theft in covered accounts — particularly red flag detection during account takeovers and fraudulent transfers — and include staff training. In advance of the Regulation S-P amendment compliance dates, the division will engage firms on incident response program readiness; after the applicable compliance dates, it will examine whether firms have implemented policies and procedures with administrative, technical, and physical safeguards to protect customer information.

(c) Crypto Assets.

Notably, the division has not renewed its commitment to observing the proliferation of investments involving crypto assets and reviewing the offer, sale, recommendation, advice, trading, and other activities involving cryptocurrencies for FY 2026.

5. Other Market Participants

(a) Clearing Agencies.

New focus areas across for clearing agency registrants include recovery and wind-down, collateral management, operations, and inter-clearing agency arrangements.

(b) Municipal Advisors.

The division will continue examining municipal advisors' fiduciary duty, MSRB Rule G-42 compliance, and completion of required SEC filings and obligations (qualification, registration, recordkeeping, supervision).

(c) Transfer Agents.

The division will continue examining transfer agents' processing of items and transfers, recordkeeping and retention, safeguarding of funds and securities, and SEC filings, focusing on those using emerging technologies. Following the compliance date, it will also assess adherence to the 2024 Regulation S-P amendments, including the safeguards rule, disposal rule, and requirements to establish incident response programs.

(d) Funding Portals.

The division will examine funding portals' arrangements with qualified third parties for maintaining and transmitting investor funds, ensuring required records are made and preserved, and reviewing written policies and procedures for reasonable design and compliance with applicable securities laws. After the compliance date, it may also assess compliance with the 2024 Regulation S-P amendments.

(e) Security-Based Swap Execution Facilities (SBSEFs).

The division will begin examining registered SBSEFs, focusing on their rules and internal policies and procedures for trade monitoring, trade processing, and participant oversight. It will also assess how SBSEFs establish risk analysis and oversight programs designed to identify and minimize operational risk.

As we have in the past, we will continue to monitor these issues and will provide future client updates. This alert is not intended to be used as a substitute for legal advice and should be utilized for guidance only.

[1] U.S. Sec. & Exch. Comm'n, SEC Division of Examinations Announces 2026 Priorities, Press Release No. 2025-132 (Nov. 17, 2025) <https://www.sec.gov/newsroom/press-releases/2025-132-sec-division-examinations-announces-2026-priorities>.

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