

SEC Regulatory Update 2026 Examination Priorities Summary

On November 17, 2025, the Securities and Exchange Commission ("**SEC**") Division of Examinations ("**Division**") published its 2026 Examination Priorities. Division leadership highlights that the U.S. capital markets are undergoing significant evolution, driven by product innovation, economic and geopolitical developments, as well as changes within the SEC itself. These forces require the Division to refine its approach to examinations while staying grounded in its core mission: promoting compliance, preventing fraud, informing policy, and monitoring risk. The SEC is reevaluating their risk-based priorities and how they approach various trends in the markets, new and emerging products and services and their processes to ensure examinations continue to be efficient and effective.

Standish comment: Notably, the 2026 priorities did not have nearly the same emphasis on private fund regulation, which is a stark departure from prior years. The limited references to private funds, with only four direct mentions in the whole document, only pertain to newly launched private funds, private fund advisers who also manage separately managed accounts, and advisers that have not previously advised private funds.

The following are highlights of priorities that will mostly directly impact Standish Compliance clients.

I. Adherence to Fiduciary Standards of Conduct

Examining advisers' adherence to their duty of care and duty of loyalty obligations remains a top priority, particularly with regard to aspects of their business that serve retail investors. The Division will review the investment advice and related disclosures provided to clients for consistency with their fiduciary obligations, such as the impact of advisers' financial conflicts of interest on providing impartial advice, as well as the advisers' consideration of the various factors associated with their investment advice, such as the cost, investment objectives, liquidity, risks and potential benefits, volatility, time horizon, and cost of exit.

The memo highlighted a particular focus on:

- Investment products with the following strategies or characteristics: 1) alternative investments; 2) complex investments (e.g., exchange traded funds ("**ETF**") wrappers on less liquid underlying strategies, option-based ETFs, and leveraged and/or inverse ETFs); and 3) products that have higher costs associated with investing (e.g., high commissions and higher investment expenses than similar products/investments); and
- Investment recommendations for consistency with product disclosures and the clients' investment objectives, risk tolerance, and financial/personal backgrounds, with an emphasis on: 1) recommendations to older investors and those saving for retirement; 2) advisers to private funds that are also advising separately managed accounts and/or newly registered funds; 3) advisers to newly launched private funds; 4) recommendations of certain products that may be particularly sensitive to market volatility, and 5) advisers that have not previously advised private funds.

Additionally, the Division will focus on other types of advisers/advisory services that may create additional risks and potential or actual conflicts of interest, giving the examples of advisers dually registered as broker-dealers and advisers that have merged/consolidated/been acquired by existing

advisory practices, which may result in accompanying operational and/or compliance complexities or new conflicts of interest.

II. Effectiveness of IAs' Compliance Programs

The Division highlighted that examinations include an assessment of an adviser's compliance program (which typically include marketing, valuation, trading, portfolio management, disclosure and filings, and custody) as well as an analysis of an adviser's internal annual reviews of the effectiveness of their own compliance programs.

The Commission will assess whether policies and procedures address compliance with the Investment Advisers Act of 1940 and the rules thereunder and are reasonably designed to address conflicts of interest, in light of a firm's particular operations, and to prevent advisers from placing their interests ahead of clients' interests.

III. Never-Examined Advisers and Recently Registered Advisers

As with previous years, the Division will continue to prioritize examinations of advisers that have never been examined, with particular emphasis on recently registered advisers.

Risk Areas

I. Information Security and Operational Resiliency

Cybersecurity

The Division will continue to review registrant practices to prevent interruptions to mission-critical services and to protect investor information, records, and assets. The Division will also examine registrants' procedures and practices to assess whether they are reasonably managing information security and operational risks including:

- 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; and
- Training and security controls that firms are employing to identify and mitigate new risks associated with artificial intelligence ("AI") and polymorphic malware attacks, including how they are operationalizing information from threat intelligence sources.

Regulation S-ID and Regulation S-P

The Division will assess 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 Reg S-ID, the Division will focus on firms' development and implementation of a written Identity Theft Prevention Program that is designed to detect, prevent, and mitigate identity theft. Specifically, the Division will assess the reasonableness of firms' policies and procedures including whether they 1) are reasonably designed to identify and detect red flags, particularly during customer account takeovers and fraudulent transfers; and 2) include firm training on identity theft prevention.

In preparation for the compliance dates for the Commission's amendments to Regulation S-P, 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.

II. Emerging Technology

Lastly, the Division remains focused on registrants' use of automated investment tools, AI technologies, and trading algorithms or platforms, and the risks associated with the use of emerging technologies and alternative sources of data. Therefore, the Division will examine firms that engage in activities such as automated investment advisory services, recommendations, and related tools and methods.

Examinations will include whether: 1) representations are fair and accurate; 2) operations and controls in place are consistent with disclosures made to investors; 3) algorithms lead to advice or recommendations consistent with investors' investment profiles or stated strategies; and 4) controls to confirm that advice or recommendations resulting from automated tools are consistent with regulatory obligations to investors, including retail and older investors.

With respect to AI, the Division will review for accuracy of registrant representations regarding their AI capabilities or use of AI. The Division will assess whether firms have implemented adequate policies and procedures to monitor and/or supervise their use of AI technologies, including for tasks related to fraud prevention and detection, back-office operations, anti-money laundering ("**AML**"), and trading functions. Reviews will also consider firm integration of regulatory technology to automate internal processes and optimize efficiencies.

FY2026 Examination Priorities Memo: <https://www.sec.gov/files/2026-exam-priorities.pdf>