SEC Regulatory Update
2027 Examination Priorities Summary

On October 23, 2026, the Securities and Exchange Commission ("***SEC***") Division of Examinations ("***Division***") published its Fiscal Year 2027 Examination Priorities. Division leadership notes that the capital markets continue to evolve, marked by growth in the number of registered investment advisers and the assets they manage, the emergence of new self-regulatory organizations, and ongoing innovation in registrant operations. Leadership emphasizes a Division that is "accessible and integrated," citing its Compliance Outreach Program, risk alerts, and the new SEC Exam Handbook published earlier this month, as well as closer coordination with the SEC policymaking divisions, the Commodity Futures Trading Commission, the National Futures Association, and the Financial Industry Regulatory Authority.

The Division also highlights the growing use of super intelligence ("***SI***"), the term for artificial intelligence that federal government agencies are using, by registrants for research, drafting, coding, client communications, portfolio management, and compliance monitoring. The Division is evaluating how these technologies influence outcomes and whether firms continue to comply with existing, technology-neutral obligations. The Division is also integrating SI tools into its own examinations to supplement, not replace, examiner judgment.

Standish Comment: *In a notable shift from the 2026 priorities, which contained only limited references to private funds, the 2027 priorities include a dedicated discussion of private fund advisers (detailed below). Private fund managers should expect these topics to feature prominently in document requests and interviews. The priorities were also released approximately three weeks earlier than last year.*

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

Adherence to Fiduciary Standards of Conduct

The Division continues to focus on whether advisers adhere to their fiduciary duties, particularly with respect to practices that affect retail and older investors, including those saving for retirement. Examinations will review whether advisers have:

- Provided full and fair disclosure of all material facts relating to their advisory relationships;
- Conducted reasonable due diligence into products or services recommended to clients;
- Adopted, and evaluated the effectiveness of, compliance policies and procedures; and
- Assessed the reasonableness of their valuation processes and methodologies.

The memo highlighted a particular focus on:

- **Economic Conflicts of Interest –** Reviews will assess whether advisers' financial conflicts may affect the impartiality of their advice in areas such as fee rebates, fee and expense calculations, cash management, quid pro quo arrangements, deposits, and withdrawals. This priority builds on the Division's June 9, 2026 Risk Alert on economic conflicts of interest.
- **Formulation of Investment Advice –** Examiners will evaluate the factors advisers consider when formulating advice and whether product or strategy characteristics are consistent with client profiles, investment objectives, risk tolerance, and other mandates. Factors include liquidity, risk profile and potential rewards, volatility, projected performance across diverse market and economic conditions, time horizons, and costs (including exit costs).

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- **Complex, Illiquid, and Alternative Products –** The Division will prioritize advisers that recommend products that are difficult to trade, have unusual features, or are illiquid. Examples include loans provided by private funds or business development companies ("***BDCs***"), investments in private companies through special purpose vehicles, exchange-traded funds ("***ETFs***") based on less liquid assets, option-based funds, inverse ETFs, single-stock ETFs, and zero-days-to-expiration options.

Advisers to Private Funds

The priorities include a specific focus on private fund advisers:

"When examining advisers to private funds, reviews will assess investment-related disclosures of risks for consistency with fiduciary standards, and whether compliance policies, procedures, and controls are designed to address both fund-level and investment-level risks. Examples include disclosures related to certain investments and allocations, use of debt and fund-level lines of credit, use of affiliated service providers, and the accuracy of fee and expense calculations at both the fund and investment levels."

Standish Comment: *Private fund advisers should confirm that offering documents, Form ADV, and investor reporting accurately describe the use of subscription and other fund-level credit facilities, portfolio company leverage, allocation of investment opportunities and co-investments, and the use and compensation of affiliated service providers. Fee and expense calculations, including carry, management fee offsets, allocations of broken deal and other shared expenses, and expenses charged to portfolio companies, should be tested against governing documents and supported by documentation.*

Use of Third-Party Service Providers

The Division highlighted advisers' reliance on third parties:

"The Division will also focus on advisers that use certain third-party service providers. This includes advisers using third parties to access clients' accounts, where existing controls may be insufficient to protect client assets and data."

The Division will examine advisers that rely on proxy advisory firms, assessing how those advisers evaluate the recommendations, examine their bases, identify potential conflicts of interest, and determine whether that reliance satisfies applicable legal obligations.

Standish Comment: *This priority aligns with the amended Regulation S-P service provider oversight requirements and the custody implications of third-party account access. Advisers should inventory vendors with access to client accounts, credentials, or data, including fund administrators, aggregation tools, and portals, and document initial due diligence, ongoing monitoring, and access controls.*

Effectiveness of Compliance Programs

Examinations will review key components of an adviser's compliance program, such as marketing, valuation, trading, portfolio management, disclosure and filings, and custody, and will typically analyze the adviser's annual compliance review. The Division will continue to assess whether policies and procedures are reasonably designed to address conflicts of interest in light of a firm's particular operations, whether they are implemented in practice, and whether disclosures address fee-related conflicts arising from account and product compensation structures.

Examiners will assess whether advisers have adapted their compliance programs in response to changes and addressed new conflicts of interest, focusing on compliance practices at advisers that have undergone certain changes, including advisers that have:

- Changed their business models, begun advising different types of clients, started providing advice on new asset classes, or providing new services;
- Grown through mergers, acquisitions, or other means; or that are
- Operated from multiple, geographically dispersed branch offices.

The Division will also review whether advisers with activist engagement practices are making timely and accurate filings on Schedules 13D and 13G and Forms 13F, 13H, 3, 4, 5, and N-PX, as applicable.

Standish Comment: *Advisers should review their annual compliance review process in light of the Division's September 14, 2026 Risk Alert on annual compliance reviews. Firms should confirm that reviews are timely, test actual practices against written policies, are appropriately documented, and track prior findings to completion. Standish Compliance can help evaluate your compliance program and design or conduct an effective annual review.*

Never-Examined Advisers and Recently Registered Advisers

Examinations of advisers that have never been examined, with particular emphasis on recently registered advisers are a continuing priority of the Division. These examinations "evaluate, among other things, the adviser's compliance with regulatory requirements and its processes for identifying, addressing, and disclosing risks and conflicts of interest." According to the Division, these inquiries help assess whether these advisers, like all registered advisers, adhere to their fiduciary duty to clients.

Standish Comment: *Recently registered advisers, including emerging private fund managers, should expect a comprehensive initial examination. Firms should confirm that their compliance program is fully implemented, that their first annual review has been completed and documented, and that conflicts of interest are identified and disclosed in Form ADV and fund offering documents.*

Risk Areas

Cybersecurity

Cybersecurity remains a key priority. Examinations will review policies and procedures regarding governance practices, data loss prevention, access controls, account management, and response and recovery protocols for cyber-related incidents, including ransomware attacks. The Division additionally notes that it will "assess risks associated with registrants' increased use of third-party service providers and shared technologies, including the effectiveness of related risk management."

Emerging Financial Technology

The Division noted that threat actors are using SI to automate and accelerate cyberattacks, making those attacks more efficient and harder to detect. Examinations will focus on:

- Registrants' assessment of and preparation for SI-related threats, such as SI-generated phishing messages and synthetic or deepfake voice and video used for social engineering;
- Policies and procedures for monitoring SI, including its use in fraud prevention and detection, back-office operations, anti-money laundering ("***AML***") compliance, and trading functions; and
- Automated investment tools, trading algorithms, and platforms, including whether: (1) representations are fair and accurate; (2) operations and controls are consistent with disclosures made to investors; and (3) algorithms lead to advice or recommendations consistent with investors' profiles or stated strategies.

Regulation S-ID and Regulation S-P

With the compliance dates for amended Regulation S-P now elapsed for all advisers, examinations will assess whether firms have developed, implemented, and maintained reasonably designed policies and procedures addressing administrative, technical, and physical safeguards for customer information, as Regulation S-P requires. Staff will evaluate incident response programs for unauthorized access to or use of customer information, including customer notification procedures and oversight of service providers, as well as how firms are addressing operational risks as part of their efforts to safeguard customer information, including technology risks.

Under Regulation S-ID, examiners will focus on firms' identification and detection of, and response to, red flags of identity theft, particularly during customer account takeovers and fraudulent transfers. Examiners will also assess whether firms are updating their Identity Theft Prevention Programs to address emerging risks, such as those related to SI and stolen credentials.

Practical Steps for Advisers

Based on the 2027 priorities and our experience helping clients navigate SEC examinations, following are several practical steps firms can take to prepare.

- Confirm that the compliance manual and compliance program are robust and have been updated and implemented appropriately to address recent changes in business model(s), clients, strategies, or ownership.
- Evaluate the annual compliance review process against the September 14, 2026 Risk Alert and ensure documentation is available to demonstrate to examiners effective compliance reviews, and where appropriate, that testing and remediation were completed as part of the annual review.
- Ensure compliance training for employees covers their responsibilities under the compliance program, including relevant changes or enhancements, and SEC exam priorities and focus areas.
- Review private fund disclosures and controls regarding fund-level credit facilities, investment allocations, affiliated service providers, and fee and expense calculations at both the fund and investment levels.
- Assess economic conflicts of interest against the June 9, 2026 Risk Alert, as a first step, and confirm that disclosures are full, fair, and current for those conflicts mentioned and any others that may be applicable to your firm.
- Inventory key third-party service providers, such as those with access to client assets, data, or "Customer Information" (under Regulation S-P), and document due diligence, ongoing oversight, and access controls.
- Review Regulation S-P incident response and customer notification procedures and confirm that identity theft prevention and other relevant information security policies and procedures contemplate potential SI-enabled fraud and credential theft.
- Train personnel on SI-generated phishing and deepfake voice and video scams, including callback and verification procedures for money movement requests.

Standish Compliance can assist with exam preparation, mock examinations, annual compliance reviews, private fund fee and expense reviews, Regulation S-P analysis and vendor oversight programs, and other compliance administration activities. Please contact us with any questions.

Press Release – https://www.sec.gov/newsroom/press-releases/2026-109-sec-announces-fiscal-year-2027-examination-priorities
FY2027 Examination Priorities – https://www.sec.gov/files/2027-exam-priorities.pdf