

Special Alert

November 20, 2025

Division of Examinations: SEC Fiscal Year 2026 Examination Priorities for Investment Advisers



On November 17, 2025, the Division of Examinations of the United States Securities & Exchange Commission (the “Division”) published the Fiscal Year 2026 Examination Priorities. In addition to investment advisers, the Division has examination responsibility for broker-dealers, investment companies, self-regulatory organizations, clearing agencies, and other market participants such as municipal advisors, collectively referred to as “Market Participants.” This DCS Alert addresses the examination priorities applicable to investment advisers.

In providing the Examination Priorities, the Division reiterates the four pillars of its mission: promoting compliance; preventing fraud; informing policy; and monitoring risks. The Division further provides that promoting compliance remains an essential part of its mission.

Adherence to Fiduciary Standards of Conduct

An investment adviser's fiduciary standard of conduct encompasses a duty of care and a duty of loyalty. The Division retains as a priority, investment advisers adhering to their fiduciary standards of conduct, particularly with regard to retail investors. The Division will review investment advice and related disclosures for consistency with fiduciary obligations, including:

- The impact of financial conflicts of interest on providing impartial advice;
- The consideration of factors associated with investment advice, including such things as:
 - Cost,
 - An investment product's or strategy's investment objectives,
 - Characteristics (including special or unusual features),
 - Liquidity,
 - Risks, and potential benefits,
 - Volatility,
 - Likely performance in a variety of market and economic conditions,
 - Time horizon, and
 - Cost of exit; and
- Best execution, with the goal of maximizing value for clients under the particular circumstances occurring at the time of the transaction.
- In addition, the Division will focus on investment products with the following strategies or characteristics:
 - Alternative investments (e.g., private funds with investment lock-up for extended periods);
 - Complex investments (e.g., ETF wrappers on less liquid underlying strategies, options-based ETFs, and leveraged and/or inversed ETFs); and
 - Products that have higher costs associated with investing (e.g., high commissions and higher investment expenses than similar products/investments).

The Division will also focus on investment recommendations for consistency with product disclosures and the clients' investment objectives, risk tolerance, and financial/personal backgrounds, while emphasizing:

- Recommendations to older investors and those saving for retirement;
- Advisers to private funds that are also advising separately managed accounts and/or newly registered funds (e.g., reviewing for favoritism in investment allocations and interfund transfers);
- Advisers to newly launched private funds;
- Recommendations of certain products that may be particularly sensitive to market volatility; and
- Advisers that have not previously advised private funds (e.g., reviewing for regulatory awareness, liquidity, valuation, fees, disclosures, and differential treatment of investors, including the use of side letters).

Furthermore, the Division will focus on particular types of advisers and advisory services or business practices that may create additional risks and potential or actual conflicts of interest. The Division points to the following examples:

- Advisers and/or advisory representatives dually registered as broker-dealers/registered representatives, particularly where such advisory representatives receive compensation or other financial incentives that may create conflicts of interest (e.g. account recommendations and allocations). Discussing dual registrants in the Broker-Dealer section of the Examination Priorities, the Division says that in reviewing account selection practices it will review brokerage versus advisory, including when rolling over employer plans to an IRA or transferring an existing brokerage account to an advisory account, as well as recommendations to open wrap fee accounts:
- Advisers utilizing third parties to access clients' accounts, where controls may be insufficient to protect client assets and data; and
- Advisers who have merged or consolidated with, or have been acquired by existing advisory practices, which may result in operational and/or compliance complexities or new conflicts of interest.

Effectiveness of Advisers' Compliance Programs

Examinations addressing the effectiveness of advisers' compliance programs generally include the following core areas, as applicable and appropriate for the particular adviser: marketing; valuation; trading, portfolio management, disclosure and filings; and custody. In addition, the Division will typically include an analysis of advisers' annual reviews of the effectiveness of their compliance programs.

The Division will also focus on whether compliance programs 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. In this area, examinations may focus on such things as:

- Whether policies and procedures are implemented and enforced; and
- Whether disclosures address fee-related conflicts, with a focus on conflicts that arise from account and product compensation structures.

The focus of the Division will also be driven by advisers' practices or products. The Division points to advisers with activist engagement practices (e.g., whether they are making late or inaccurate filings on Schedules 13D and 13G; Form 13F; Forms 3, 4, and 5; and Form N-PX). The Division may also focus on compliance practices when advisers change their business models or are new to advising particular types of assets, clients, or services.

Never-Examined Advisers and Recently Registered Advisers

The Division will continue to prioritize examinations of advisers that have never been examined, with a focus on recently registered advisers.

Risk Areas Impacting Market Participants

Information Security and Operational Resiliency

Cybersecurity

The Division will continue to review practices to prevent interruptions to mission critical services and to protect investor information, records, and assets. In addition, the Division will review procedures and practices to assess whether Market Participants are reasonably managing information security and operational risks.

The Division continues its focus on cybersecurity practices, focusing on Market Participants' policies and procedures addressing governance practices, data loss prevention, access controls, account management, and responses and recovery to cyber-related incidents. Training and security controls that Market Participants employ to identify and mitigate new risks associated with artificial intelligence ("AI") and malware attacks will be subject to review.

Regulation S-ID and Regulation S-P

In regard to Regulation S-ID, the Division will focus on Market Participants' development and implementation of a written Identity Theft Prevention Program, that is designed to detect, prevent and mitigate identity theft in connection with client accounts that are "covered accounts" under Regulation S-ID. The Division will assess Market Participants' Identity Theft Prevention Programs to determine whether they:

- Are reasonably designed to identify and detect red flags, particularly during customer account takeovers and fraudulent transfers; and
- Include firm training on identity theft protection.

As the compliance dates for the amendments to Regulation S-P become effective, the Division will review Market Participants' progress in preparing incident response programs reasonably designed to detect, respond to, and recover from unauthorized access to or use of customer information. Also, the Division will examine whether Market Participants have developed, implemented, and maintained policies and procedures in accordance with the amended Regulation S-P that address administrative, technical, and physical safeguards for the protection of customer information.

Emerging Financial Technology

The Division will continue to focus on Market Participants use of emerging financial technology, such as 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. When conducting reviews, the Division will assess whether:

- Representations are fair and accurate;
- Operations and controls in place are consistent with disclosures made to investors;
- Algorithms lead to advice or recommendations consistent with investors' investment profiles or stated strategies; and
- 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 representations regarding AI capabilities or AI generally. The Division will assess whether Market Participants 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, and trading functions, as applicable. Reviews will consider Market Participants integration of regulatory technology to automate internal processes and optimize efficiencies.

Anti-Money Laundering

While investment advisers are not subject to the Bank Secrecy and its requirements relating to the establishment of anti-money laundering programs, the Division does provide that it will review whether broker-dealers, investment advisers, and registered investment companies are monitoring the Department of Treasury's Office of Foreign Asset Control sanctions and ensuring compliance with such sanctions.



Following is the link to the Fiscal Year 2026 Examination Priorities: <https://www.sec.gov/files/2026-exam-priorities.pdf>

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Questions? Contact the DCS Team

Dinsmore Compliance Services (DCS), an affiliate of Dinsmore & Shohl LLP, offers compliance solutions for investment managers and municipal advisers. DCS will help you develop and maintain high-quality compliance programs customized to your particular business demands and operational realities. We offer these services, all as an affiliate of a coast-to-coast, full-service law firm.

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