REGULATORY UPDATE:

The SEC Announces Its 2027 Examination Priorities

By Randy Randall, Senior Partner
Helios | October 26, 2026

INTRODUCTION:

On October 23, 2026, the SEC Division of Examinations announced its 2027 examination priorities (the "Exam Priorities").[1] The Exam Priorities are developed by the Division of Examinations in coordination with other SEC divisions and reflect practices, products and services that the SEC believes present heightened risks to investors or to the integrity of the U.S. capital markets. Key inputs include findings from prior examinations, market events, information gathered through participation in conferences and conversations with investors, registrants, industry groups, and other regulators.

KEY TAKEAWAYS:

- The Exam Priorities are consistent with prior priorities and reflect the Division of Examinations (the "Division") continuing focus on products and services to retail investors, including mutual funds, investment advisers with retail clients, with a particular emphasis on funds and advisers offering complex strategies and investing in illiquid or less liquid strategies.
- Adviser exams will focus on adherence to fiduciary duties, particularly with respect to practices that affect retail and older investors, including those saving for retirement.
- Fund exams will focus on fund fees and expenses, including any related waivers or reimbursements, portfolio management practices, and whether related disclosures align with stated investment strategies, fund filings, and marketing materials.
- Broker-dealer examinations will focus on financial responsibility, trading related practices and retail sales practices, with a focus on protecting customers with a particular emphasis on firms that recommend products that are complex or have heightened risk factors.
- Artificial intelligence ("AI") and cybersecurity remain priorities, including use of AI by threat actors in cyberattacks. The Division will also focus on automated investment tools and trading algorithms or platforms, and the risks associated with the use of emerging technologies and alternative data sources
- When reviewing advisers use of new technologies, including AI, the Division will focus on whether: representations are fair and accurate (e.g. AI-washing); operations and controls are consistent with disclosures made to investors; and algorithms lead to advice or recommendations consistent with investors' investment profiles or stated strategies.
- The Division will continue to focus on adviser's compliance programs with a continued emphasis on marketing, valuation, trading, portfolio management, disclosure and filings, and custody.

THE DETAILS:

The Exam Priorities address several types of registrants including the following:

[1] https://www.sec.gov/files/2027-exam-priorities.pdf

- Investment advisers;
- Investment companies, including mutual funds and ETFs;
- Broker dealers; and
- Self-regulatory organizations, clearing agencies and other market participants.

The Exam Priorities also address risk issues affecting various market participance , including:

- Cybersecurity;
- Emerging financial technology (e.g. AI and automated investment tools); and
- Reg S-P and Reg S-ID.

This Regulatory Alert will focus primarily on the priorities relevant to investment advisers, funds, and broker dealers.

Investment Advisers

The Division will continue to focus on whether investment advisers satisfy their fiduciary duties to clients. Among other issues, examinations will review whether advisers:

- Whether advisers have provided full and fair disclosures 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 Division will review advisers handling of conflicts of interest consistent with their June 2026 Risk Alert.[2] They will also focus on formulation of investment advice, including suitability, with a focus on any unique features that may have an impact on the suitability or performance of investment recommendations. The Division will also prioritize advisers that recommend products that are difficult to trade, have unusual features, or are illiquid.

With respect to private fund advisers, the Division 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.

In addition, the Division will also focus on advisers that use certain third-party service providers, including:

- Whether key components of an adviser's compliance program that address areas of its business and operations such as marketing, valuation, trading, portfolio management, disclosure and filings, and custody, are appropriately tailored to the Advisers business;
- The conduct of the adviser's annual compliance review;
- Whether the adviser's policies and procedures are reasonably designed to address conflicts of interest, in light of a firm's particular operations;
- Whether disclosures address fee-related conflicts of interest, particularly those arising from account and product compensation structures; and
- Whether the adviser's policies and procedures have been effectively implemented.

[2] https://www.sec.gov/files/observations-ia-obligations-related-economic-conflicts-interest-060926.pdf year

The Division will also focus on whether compliance practices evolve in response to changes in the adviser's business, such as when advisers have changed their business models or have started advising different types of clients, providing advice regarding new asset classes, or providing new services. Consistent with prior guidance, the Division will also prioritize advisers that have grown through mergers, acquisitions or other means, or are operating from multiple geographically dispersed branch offices to assess the adviser has adapted its compliance program in response to these changes and whether it has identified and made any necessary changes to address any new conflicts of interest. Reliance on proxy advisory firms, including assessing how those advisers evaluate proxy recommendations, examine their bases, identify potential conflicts of interest, and determine whether that reliance satisfies applicable legal obligations. The Division will also continue to focus on advisers that have never been examined, with particular emphasis on recently registered advisers.

Mutual Funds and ETFs

The Division will prioritize examinations of registered investment companies ("funds"), including mutual funds and ETFs, given their significance to retail and older investors, including those saving for retirement. Examinations twill typically focus on:

- Compliance programs;
- Disclosures, governance practices, and filings, such as summary prospectuses;
- Fund fees and expenses, including any related waivers or reimbursements, and second, portfolio management practices; and
- Whether related disclosures align with stated investment strategies, fund filings, and marketing materials.

The Division will also continue to monitor certain funds holding complex products, less liquid or illiquid investments, including private credit, and the associated issues regarding valuation, redemptions, and disclosures of conflicts of interest and risks. Other areas of focus include funds that use novel or complex investment strategies, including in funds with leverage vulnerabilities, such as BDCs and inverse and leveraged ETFs, and funds that operate in reliance on exemptive orders. As with adviser examinations, the Division will continue its prioritization of never-before examined funds.

Broker-Dealers

Examinations of broker dealers will focus on the following areas.

Financial responsibility rules, including:

- Compliance with the Net Capital Rule, the Customer Protection Rule, and related internal processes, procedures, and controls, including compliance with recent amendments to the Customer Protection Rule relating to daily customer reserve computations and U.S. Treasury clearing;
- Credit, market, and liquidity risk management controls relating to whether firms have sufficient liquidity to manage stress events and to remain in compliance with the Net Capital and Customer Protection Rules;
- Assessment of prime brokerage activities considering concentration, liquidity, and counterparty credit risks.

Trading related practices and services, including:

- In light of trading venues offering extended trading hours, the Division will review operational challenges;
- Availability of liquidity providers, whether the providers are willing, ready, and able to provide liquidity on and off exchange;
- Policies and procedures related to market and credit risk management;
- Broker-dealers' routing and execution of orders, including compliance with best execution obligations;
- Review the pricing and valuation of illiquid instruments, such as private credit and private equity; and
- Examinations of municipal securities will include a focus on priority of orders.

Retail sales practices, including compliance with Regulation Best Interest:

- With respect to Regulation Best Interest the Division will continue to focus on –
    - Recommendations of products and investment strategies, including account and rollover recommendations;
    - Conflict identification and mitigation practices;
    - Processes for reviewing reasonably available alternatives;
    - Information given to customers to satisfy the Disclosure Obligation; and
    - Processes for satisfying the Care Obligation, including consideration of costs, relevant factors in a customer's investment profile, and the characteristics of the product and account type.
- Broker-dealers who recommend products that are complex or have heightened risk factors, such as –
    - Variable and registered index-linked annuities;
    - ETFs or other products that invest in illiquid assets, such as private equity or private credit;
    - Low-priced securities or securities of small capitalization issuers;
    - Zero-days-to-expiration options;
    - Single-stock or focused markets ETFs; Private placements;
    - Structured products;
    - Alternative investments; and
    - Other products that have complex fee structures or return calculations, are based on exotic benchmarks, or are illiquid.
- Specific types of recommendations, including recommendations that –
    - Move an investment to a substantially similar product;
    - Relate to opening different account types, such as option, margin, and self-directed IRA accounts; and
    - That are made to older and vulnerable investors and those saving for retirement or college.
- Issues involving dual registrants, including –
    - Reviews of firms' processes for identifying, mitigating, or eliminating conflicts of interest where dual registrants receive compensation or other financial incentive;
    - Account allocation practices, including account selection practices and allocation of investments where an investor has more than one type of account;
    - Account selection practices (e.g. the recommendation to open a brokerage versus an advisory account or recommendations to open wrap fee accounts).

- Form CRS, including –
    - Description of relationships and services offered to retail investors;
    - Fees and costs;

  - Conflicts of interest; and
  - Whether the broker-dealer accurately discloses its and its financial professionals' disciplinary history.
- Compensation of unregistered personnel, including –
  - Review of compensation or other payments to unregistered persons who may be acting as finders for the broker-dealer; and
  - Transaction-based compensation paid to personal-service entities not registered as broker-dealers.

Broker-dealer examination will also focus on AML programs to determine if they are appropriately tailored the broker-dealer's business model and associated AML risks, with a particular focus on omnibus accounts maintained for foreign financial institutions. The Division will also evaluate whether supervisory systems, written policies and procedures, and internal controls are reasonably designed to achieve compliance with applicable securities laws and regulations, including those for new business activities and investment products. In addition, the Division will review whether appropriate and qualified individuals have been designated with the authority to carry out their supervisory responsibilities.

Risk Areas Impacting Various Market Participants

The Division will continue to focus on information security and operational resiliency, including:

- Cybersecurity with a particular focus on safeguarding of customer information. Examinations will review firms' policies and procedures regarding governance practices, data loss prevention, access controls, account management, and the response and recovery protocols for cyber-related incidents, including ransomware attacks, both at the firms and the firm's oversight of third-party service providers and shared technologies. In addition, the Division will assess risks associated with registrants' increased use of third-party service providers and shared technologies;
- AI and other emerging technologies, including compliance with relevant rules relating to assessment and preparation for potential threats from SI-related cyberattacks that may affect their businesses or customers, such as SI-generated phishing messaging and synthetic or deepfake voice and video used for social engineering. the effectiveness of risk management in these areas. The Division will also review policies and procedures relating to monitoring SI, including its use in fraud prevention and detection, back-office operations, compliance with AML and Reg BI obligations, and trading functions.
- The Division will continue to focus on use of automated investment tools and trading algorithms or platforms, and the risks associated with the use of emerging technologies and alternative data sources. The Division will prioritize firms that engage in activities such as automated investment advisory services, recommendations, and related tools and methods. The division will focus on whether representations are fair and accurate, operations and controls are consistent with disclosures made to investors, and algorithms lead to advice or recommendations consistent with investors' investment profiles or stated strategies.

The Division will also firm's compliance with Reg S-ID and Reg S-P. Reg S-P examinations will focus on whether firms have developed, implemented, and maintained reasonably designed policies and procedures that address administrative, technical, and physical safeguards to protect customer information, including evaluation of response program policies and procedures for unauthorized access to or use of customer information, including

customer notification procedures and oversight of service providers required by the recent amendments to Reg S-P.

Other Market Participants

The Exam Priorities also address the following market participants:

- Municipal Advisors
- Transfer Agents;
- Funding Portals;
- Security-Based Swap Dealers; and
- Security-Based Swap Execution Facilities

About Randy Randall: *Randy Randall is a Senior Partner at Helios and a seasoned compliance executive and securities attorney with more than 35 years of experience advising investment advisers, broker-dealers, and investment companies. Before joining Helios, Randy spent more than two decades at William Blair, where he served as Chief Compliance Officer and Counsel for the firm's Investment Management business. He counsels and advises clients on SEC and FINRA regulatory matters, compliance program design, governance, and complex legal and regulatory issues affecting the investment management industry.*