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SEC UPDATE

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Democratization by Retailization: SEC Division of Investment Management Director Shares Plans for Private Investments Oversight, Other Agenda Priorities

On December 2, 2025, in his first speech as Director of the Securities and Exchange Commission's (SEC) Division of Investment Management (the Division), Brian Daly previewed four key themes for the Division's priorities: (1) overall deregulation, (2) modernization, (3) democratization of access to alternative assets, and (4) promotion of artificial intelligence.¹ His comments follow Commissioner Mark Uyeda's comments at the Investment Company Institute Retail Alternatives and Closed-End Funds conference in November 2025, signaling the SEC's continued emphasis on this growing sector of the market.²

Listening Approach Informs Oversight

Director Daly began his remarks by saying his "top priority for the Division is simple: to be good listeners." More specifically, he underscored the importance of listening to all stakeholders to develop responsive and effective initiatives, explaining that this perspective will inform his and the

Division's approach to policy goals and regulatory responsibilities.

Extending that perspective to the Division's agenda, Director Daly emphasized that the Division's deregulation and modernization efforts will respond to the needs of, and suggestions from, stakeholders. The Director said that they need to modernize rules whose goals remain priorities but whose requirements "have become outdated," noting the custody rule and record-keeping rule as examples, to unlock innovation without sacrificing retail protection and market stability.

In the same vein, Director Daly recognized the explosive growth and importance of artificial intelligence (AI). He shared that the Division is examining the development of the industry and technology, as well as its applications and implications. The Division is considering important questions, such as whether the output of AI is marketing material or investment advice, when an AI agent needs to be registered as an adviser, and who bears liability for bad advice provided by AI.

Reconsideration and Reform, Not Rulemaking

Across each of these interest areas, Director Daly detailed his approach to considering common-sense

responsive action, including and especially with respect to addressing democratizing and facilitating access to alternative assets. Noting that the industry trend of retailization of private markets has quickened since President Trump's August 2025 Executive Order directed the Secretary of Labor to examine access to alternative assets within 401(k) retirement accounts, the Director detailed that the Division believes the retail investment of "post-tax, pre-retirement dollars" is "squarely" within the Division's "purview" and already an area of interest.³

Director Daly emphasized that the industry should not "necessarily" expect a "Big Bang Retailization Rule" that transforms structures, marketing and operations. Instead, he previewed "a thoughtful and incremental reconsideration of our existing regulatory framework across different access points, investment structures, and disclosure requirements." Pointing to the Division Staff's August 15, 2025 Accounting and Disclosure Information bulletin (ADI) as a model, the Director explained that this approach does not "respond with another prescriptive regulatory regime" and demonstrates a thoughtful reconsideration approach around retailization.⁴ He predicted that the industry will see a lot of "targeted actions, followed by Staff engagements and observations," resulting in a broader regulatory shift.

Long-term View: What to Expect

Director Daly concluded by noting, "If you want to innovate, this is the Commission that you have been waiting for." His remarks echo the continued focus on the shift in alternative asset allocations and the retailization of private markets to meet broader investor needs.

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NOTES

- ¹ Brian Daly, Director of Division of Investment Management, Securities and Exchange Commission, Remarks to the American Bar Association's Federal Regulation of Securities Committee's Private Funds Subcommittee and Investment Advisers and Investment Companies Subcommittee (Dec. 2, 2025), available at <https://www.sec.gov/newsroom/speeches-statements/daly-remarks-aba-fed-reg-ia-ic-subcommittees-120225>.
- ² Larissa R. Marcellino *et al.*, "Retail Investors' Access to Private Markets through 401(k)s," Willkie Farr & Gallagher LLP (Nov. 26, 2025), available at <https://www.willkie.com/-/media/files/publications/2025/11/retail-investors-access-to-private-markets-through-401ks.pdf>.

- ³ Exec. Order No. 14330, 90 Fed. Reg. 38921 (Aug. 7, 2025), available at <https://www.whitehouse.gov/presidentialactions/2025/08/democratizing-access-to-alternative-assets-for-401k-investors/>.
- ⁴ Securities and Exchange Commission, Division of Investment Management, ADI 2025-16 - Registered

Closed-End Funds of Private Funds (Aug. 15, 2025), available at <https://www.sec.gov/about/divisions-offices/division-investment-management/fund-disclosure-glance/accounting-disclosure-information/adi-2025-16-registered-closed-end-funds-private-funds>.

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