WILLKIE

CLIENT ALERT

SEC Division of Examinations Releases Its 2027 Examination Priorities

November 6, 2026

AUTHORS

Benjamin B. Allensworth | Brian J. Baltz | Matthew Comstock | A. Kristina Littman
Larissa R. Marcellino | Jennifer R. Porter | Jakob Edson

On October 23, 2026, the Division of Examinations (the "Division") of the U.S. Securities and Exchange Commission (the "SEC" or the "Commission") released its fiscal year 2027 examination priorities (the "Priorities").[1]

The Priorities identify examination areas for investment advisers, investment companies, broker-dealers, self-regulatory organizations, clearing agencies, and other market participants as well as risks relating to information security and operational resiliency (including cybersecurity), Regulation S-P, emerging financial technology, and Regulation Systems Compliance and Integrity ("SCI"). Like the 2026 SEC examination priorities (the "2026 Priorities"),[2] the Priorities emphasize investment advisers' fiduciary obligations, retail and older investors, never-examined advisers and funds, and broker-dealers' compliance with Regulation Best Interest ("Reg BI"). The 2027 Priorities also give more specific attention to advisers' economic conflicts of interest, private credit and other complex or less liquid investments, broker-dealer supervision, and risks associated with artificial intelligence ("AI"),

1 *SEC, Division of Examinations*, Examination Priorities: Fiscal Year 2027 (Oct. 23, 2026), available here.

2 SEC Division of Examinations Releases Its 2026 Examination Priorities, Willkie Farr & Gallagher LLP (Dec. 8, 2025), available here; *see also SEC, Division of Examinations*, Examination Priorities: Fiscal Year 2026 (Nov. 17, 2025), available here.

referred to as "super intelligence" in the Priorities. The specific discussion of private credit and other less liquid investments across multiple types of registrants, together with the emphasis on AI-related cybersecurity risks, suggests that examiners may assess whether firms' due diligence, valuation, disclosure, and supervisory controls have kept pace with their products and technologies. The Priorities do not expressly reference certain subjects discussed in 2026, including the amended Names Rule and Regulation SHO, although the Division cautions that examinations are not limited to the listed priorities.

A. Investment Advisers

The Priorities focus on (1) investment advisers' adherence to fiduciary standards of conduct, (2) compliance programs, and (3) never-examined advisers and recently registered advisers.

1. Fiduciary Standards of Conduct

The Division states that it will continue to focus on whether advisers adhere to their fiduciary duties, particularly in practices affecting retail and older investors, including those saving for retirement. The Priorities indicate that examinations will review 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.[3]

A new area of focus is advisers' reliance on proxy advisory firms, including their assessment of recommendations, the bases for those recommendations, potential conflicts, and applicable legal obligations.

The Priorities also indicate that the Division will prioritize reviews of advisers' fiduciary obligations relating to economic conflicts of interest, including those that 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.[4] The Priorities also indicate that examinations will assess the formulation of investment advice— including consistency with client profiles, investment objectives, risk tolerance, and other mandates—and consideration of liquidity, risk, volatility, projected performance in different market conditions, time horizons, and costs (including exit costs). According to the Priorities, examiners will pay particular attention to unique product features that may affect the suitability or performance of recommendations.

The Priorities state that the Division will prioritize advisers that recommend products that are difficult to trade, have unusual features, or are illiquid, including:

---

[3] *See also* Kurt Hohl, Chief Accountant, and Brian Daly, Director, Division of Investment Management, *Statement on Fair Value Measurement and Disclosure Considerations for Private Assets*, SEC (Sept. 28, 2026), available here.

[4] The Priorities cite the Division's June 2026 Risk Alert addressing these conflicts. SEC, Division of Examinations, *Examinations Observations of Investment Adviser Obligations Related to Economic Conflicts of Interest* (Jun. 9, 2026), available here.

- alternative investment products, such as loans provided by private funds or business development companies ("BDCs") and investments in private companies through special purpose vehicles; and
- complex and higher-risk investments, such as exchange-traded funds ("ETFs") based on less liquid assets, option-based funds, inverse ETFs, single-stock ETFs, and zero-days-to-expiration options.

Examinations of private fund advisers will assess whether investment-related risk disclosures are consistent with fiduciary standards and whether compliance policies, procedures, and controls are designed to address fund-level and investment-level risks. Examples of the areas of focus include investment disclosures and allocations, debt and fund-level lines of credit, affiliated service providers, and the accuracy of fund-level and investment-level fee and expense calculations.

The Division also states that it will examine advisers using third parties to access clients' accounts where controls may not adequately protect client assets and data.

2. Compliance Programs

The Priorities state that the Division will review key components of advisers' compliance programs, including marketing, valuation, trading, portfolio management, disclosure and filings, and custody. Additionally, examiners will typically analyze advisers' annual compliance reviews, and, consistent with the 2026 Priorities, they will consider whether policies and procedures are reasonably designed to address conflicts of interest in light of advisers' operations and to prevent advisers from placing their interests ahead of clients' interests. They will also consider whether disclosures address fee-related conflicts arising from account and product compensation structures.

The Division also states that it will focus on advisers that change business models, begin advising new types of clients or asset classes, or offer new services; grow through mergers, acquisitions, or other means; or operate from multiple geographically dispersed branch offices, including whether compliance programs address risks and conflicts. Examinations of advisers with activist engagement practices will assess whether those advisers make timely and accurate filings on Schedules 13D and 13G and Forms 13F, 13H, 3, 4, 5, and N-PX, as applicable.

3. Never-Examined Advisers and Recently Registered Advisers

The Priorities state that the Division will continue to prioritize never-examined advisers, particularly recently registered advisers. Among other things, examiners will focus on their compliance with regulatory requirements and processes for identifying, addressing, and disclosing risks and conflicts of interest.

B. Investment Companies

The Priorities state that the Division will continue to prioritize examinations of registered investment companies ("RICs"), including mutual funds and ETFs, given their importance to retirement savers and other retail and older investors. According to the Priorities, examinations will typically assess RICs' compliance programs, disclosures, governance practices, and filings. Particular attention will be given to fund fees and expenses (including waivers

and reimbursements) and consistency of portfolio management practices with stated investment strategies, fund filings, and marketing materials. Unlike in 2026, the Priorities do not expressly refer to the amended Names Rule.

The Division also states that it will continue to monitor certain developing areas of interest, including:

- RICs holding complex products or less liquid or illiquid investments, including private credit, and associated issues regarding valuation, redemptions, and disclosures of conflicts of interest and risks;[5]
- RICs that use novel or complex investment strategies, including funds utilizing leverage, such as BDCs and inverse and leveraged ETFs; and
- RICs that operate in reliance on exemptive orders, including their implementation of and compliance with such orders and their conditions.

C. Broker-Dealers

New this year, the Division states that, as part of its mission to inform policy, it will review how broker-dealers supervise payments to unregistered persons who may be acting as finders and transaction-based compensation paid to personal-service entities not registered as broker-dealers. The Division's reference to informing policy indicates that observations from these examinations may inform the Commission's consideration of potential future regulatory action with respect to these areas. The SEC staff has historically voiced concerns that certain finder arrangements, particularly those involving transaction-based compensation, may implicate broker-dealer registration requirements, including in the private fund context.

1. Financial Responsibility Rules

The Priorities state that the Division will continue to examine compliance with the Net Capital Rule, the Customer Protection Rule, and related controls, including recent amendments to the Customer Protection Rule relating to daily customer reserve computations and U.S. Treasury clearing. The Priorities also indicate that examinations will assess credit, market, and liquidity risk management controls, whether firms have sufficient liquidity to manage stress events and remain in compliance with those rules, and concentration, liquidity, and counterparty credit risks in prime brokerage.

2. Trading-Related Practices and Services

Equity and fixed-income trading remain examination priorities. With more venues offering extended trading hours, the Division states that it will assess operational challenges; the availability of liquidity providers; whether those providers are willing, ready, and able to provide liquidity on and off exchange; and related market and credit risk policies and procedures. The Priorities also indicate that examinations will address order routing and execution,

[5] *See also* Hohl and Daly, *supra* note 3 (discussing valuation and disclosure considerations for private credit and other private assets).

including best execution, and the pricing and valuation of illiquid instruments such as private credit and private equity. According to the Priorities, municipal securities examinations will include a focus on the priority of orders.

3. Retail Sales Practice, Including Compliance with Regulation Best Interest

The Priorities state that the Division will continue to assess broker-dealer sales practices, including those relating to Reg BI, with a focus on (1) product, strategy, account, and rollover recommendations, (2) conflict identification and mitigation, (3) processes for reviewing reasonably available alternatives, (4) information supplied to satisfy the Disclosure Obligation, and (5) processes for satisfying the Care Obligation, including costs, customers' investment profiles, and product and account characteristics. The Disclosure Obligation and express reference to costs are additions to the corresponding 2026 list.

The Priorities state that examinations will focus on recommended products that are complex, have heightened risks such as volatility or concentration, or represent a growth area for retail investment. These include variable and registered index-linked annuities; ETFs and other products investing in illiquid assets, such as private equity or private credit; low-priced securities and securities of small-capitalization issuers; zero-days-to-expiration options; single-stock or focused markets ETFs; private placements; structured products; alternative investments; and products with complex fee structures or return calculations, exotic benchmarks, or limited liquidity. The Priorities also indicate that examinations will consider (1) recommendations to move investments to substantially similar products, (2) recommendations to open option, margin, or self-directed IRA accounts, and (3) recommendations made to older and vulnerable investors and those saving for retirement or college.

The Priorities identify examinations of dual registrants as a continuing priority. According to the Priorities, reviews may assess firms' processes for identifying, mitigating, or eliminating conflicts arising from financial incentives as well as account selection and investment allocation practices where investors maintain more than one account type. These may include recommendations to open brokerage rather than advisory accounts or wrap fee accounts.

The Division also states that it will review Form CRS disclosures concerning the relationships and services that broker-dealers offer to retail investors, fees and costs, conflicts of interest, and disciplinary history of a firm and its financial professionals.

4. Anti-Money Laundering ("AML")

In a structural change from 2026, AML is addressed in the broker-dealer section rather than among risk areas impacting various market participants, suggesting that the Division may place greater emphasis on AML compliance specifically with respect to examinations of broker-dealers. The Priorities state that the Division will assess whether broker-dealers:

- tailor and update AML programs to their business models, including risks from omnibus accounts maintained for foreign financial institutions and significant business growth;
- conduct independent testing;

- account for risks associated with trading in foreign-based companies, including potential "pump-and-dump" and "ramp-and-dump" schemes,[6] a focus that the Division indicates will be coordinated with the SEC Cross-Border Task Force's efforts to combat international market manipulation and fraud;
- conduct ongoing customer due diligence; and
- meet Suspicious Activity Report ("SAR") filing obligations.

The Priorities identify heightened risks associated with foreign omnibus accounts where underlying customer identities or ultimate beneficial owners of funds and securities may be unknown because of the account structure, including "nested" account relationships. The Division indicates that it may review special due diligence programs for foreign correspondent accounts, including foreign omnibus accounts, as well as compliance with customer identification and due diligence, and SAR filing obligations. The Division also states that it will review whether broker-dealers monitor and comply with sanctions administered by the U.S. Department of the Treasury's Office of Foreign Assets Control.

5. Supervision

New in the 2027 Priorities is a separate supervision section covering broker-dealers, funding portals, municipal advisors, and security-based swap dealers. The Priorities indicate that examinations will evaluate whether these entities maintain supervisory systems, written policies and procedures, and internal controls reasonably designed to achieve compliance with applicable securities laws and regulations, including for new activities and investment products, and whether qualified individuals with appropriate authority have been designated to carry out supervisory responsibilities.

D. Self-Regulatory Organizations

Consistent with prior years, the Priorities state that examinations of national securities exchanges will assess compliance with their regulatory obligations, focusing on regulatory programs and governance. The Division indicates that it will continue risk-based oversight of FINRA and the Municipal Securities Rulemaking Board ("MSRB"). The FINRA oversight discussion expressly includes reviews of FINRA's examinations of certain member broker-dealers, funding portals, and municipal advisors. The Priorities also discuss the Public Company Accounting Oversight Board, for which the Division states that it uses a risk-assessment process similar to that used for FINRA and the MSRB to identify areas to inspect.

E. Clearing Agencies

The Priorities state that examinations of clearing agencies will focus on risk management of defaults, recovery and wind-down, securities lending, operations, and tokenization. For Covered Clearing Agencies, the Division indicates

[6] A "ramp-and-dump" scheme generally involves inducing investors to purchase shares to increase the price and then selling the promoters' holdings at the inflated price. *See* Federal Bureau of Investigation, *Fraudsters Target U.S. Stock Investors through Investment Clubs Accessed on Social Media and Messaging Applications* (July 3, 2025), available here.

that it will review compliance with applicable regulatory requirements, including the SEC's Standards for Covered Clearing Agencies, and timely remediation of prior examination findings. The Division also states that it will prioritize examinations for compliance with new rules involving expanded Treasury clearing, clearing agency governance, recovery and orderly wind-down plans, and straight-through processing by central matching service providers.

F. Other Market Participants

1. Municipal Advisors

Consistent with prior years, the Division states that it will review municipal advisors' fiduciary obligations to municipal entity clients, including advice on the pricing or method of sale of municipal securities, compliance with MSRB Rule G-42 (including conflict disclosures and documentation of advisory relationships), and applicable filing, professional qualification, registration, recordkeeping, and supervision requirements.

2. Transfer Agents

The Priorities state that the Division will examine transfer agents' use of emerging technology and perennial risk areas, including processing of items and transfers, recordkeeping and record retention, safeguarding funds and securities, and filings with the SEC. The Priorities also indicate that reviews will assess compliance with the amendments to Regulation S-P, including the Safeguards Rule, the Disposal Rule, and incident response program requirements.

3. Funding Portals

The Division states that it will focus on funding portals' arrangements with qualified third parties for maintaining and transmitting investor funds and on whether funding portals make and preserve required records. The Priorities also indicate that examinations may review compliance with the amendments to Regulation S-P, including the Safeguards Rule, the Disposal Rule, and incident response programs.

4. Security-Based Swap Dealers ("SBSDs")

The Division states that it will continue to assess whether SBSDs accurately report security-based swap transactions to data repositories under Regulation SBSR. The Priorities also indicate that examinations will review remediation of issues identified in annual Chief Compliance Officer Reports and prioritize never-examined SBSDs.

5. Security-Based Swap Execution Facilities ("SBSEFs")

The Priorities state that the Division will continue examining registered SBSEFs' rules and related internal policies and procedures addressing trade monitoring, trade processing, and participation as well as their programs of risk analysis and oversight intended to identify and minimize sources of operational risk.

G. Risk Areas Impacting Various Market Participants

1. Information Security and Operational Resiliency

a. Cybersecurity

Cybersecurity and operational resiliency remain priorities. The Division states that it will review firms' policies and procedures addressing governance, data loss prevention, access controls, account management, and incident response and recovery, including in the event of ransomware attacks. The Priorities also indicate that examinations will assess risks associated with third-party service providers and shared technologies and firms' management of those risks.

b. Emerging Financial Technology

The Priorities note that registrants increasingly use AI for investment analysis, customer management, and code development, while threat actors use AI to accelerate cyberattacks. According to the Priorities, examinations will focus on compliance with relevant rules relating to registrants' assessment of and preparation for AI-related cyberattacks, including AI-generated phishing messages and synthetic or deepfake voice and video used for social engineering. The Division also indicates that it will review policies and procedures for monitoring AI used in fraud prevention and detection, back-office operations, AML and Reg BI compliance, and trading functions.

The Priorities indicate that the Division will continue to assess automated investment tools, recommendations, trading algorithms, and related technologies. Areas of focus will include whether representations are fair and accurate, operations and controls match investor disclosures, and algorithms generate advice consistent with investor profiles and stated strategies.

c. Regulation S-ID and Regulation S-P

The Priorities state that the Division will assess whether firms have developed, implemented, and maintained reasonably designed Regulation S-P policies and procedures to protect customer information, including administrative, technical, and physical safeguards, incident response programs, customer notifications, and service provider oversight.[7] The Priorities also indicate that reviews will address operational and technology risks as part of firms' efforts to safeguard customer information. Under Regulation S-ID, the Priorities indicate that examinations will focus on identifying, detecting, and responding to identity theft red flags, particularly account takeovers and fraudulent transfers, and whether firms are updating their Identity Theft Prevention Programs for AI-related risks and stolen credentials.

[7] In May 2024, the SEC amended Regulation S-P to require covered institutions—including registered investment advisers, broker-dealers, investment companies, funding portals, and transfer agents—to adopt written incident response programs, among other requirements. *See* SEC, *Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer Information* (May 16, 2024), available here.

2. Regulation Systems Compliance and Integrity

The Priorities state that examinations under Regulation SCI will focus on emerging trends, including AI, securities tokenization, extended trading hours, and quantum computing. The Division also indicates that it will review SCI entities' reliance on cloud and other third-party vendors, including vendor risk management and identification of vendor systems qualifying as SCI systems or indirect SCI systems.

H. Conclusion

The Priorities reflect continued attention to several areas, including advisers' fiduciary duties, the protection of retail and older investors, broker-dealer compliance with Reg BI, and never-examined advisers and RICs. They also continue to highlight areas that the staff has focused on previously, including economic conflicts of interest, disclosures, complex and less liquid investments, broker-dealer supervision, and AI-related risks. Market participants may want to evaluate their business practices and compliance policies and procedures in light of the Division's stated areas of examination focus.

If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.

Benjamin B. Allensworth	**Brian J. Baltz**	**Matthew Comstock**	**A. Kristina Littman**
202 303 1273 ballensworth@willkie.com	202 303 1094 bbaltz@willkie.com	202 303 1257 mcomstock@willkie.com	202 303 1209 aklittman@willkie.com
Larissa R. Marcellino	**Jennifer R. Porter**	**Jakob Edson**	
212 728 8039 lmarcellino@willkie.com	202 303 1223 jporter@willkie.com	202 303 1163 jedson@willkie.com	

WILLKIE

BRUSSELS CHICAGO DALLAS FRANKFURT HAMBURG HOUSTON LONDON LOS ANGELES
MILAN MUNICH NEW YORK PALO ALTO PARIS ROME SAN FRANCISCO WASHINGTON

Copyright © 2026 Willkie Farr & Gallagher LLP. All rights reserved.

This alert is provided for educational and informational purposes only and is not intended and should not be construed as legal advice, and it does not establish an attorney-client relationship in any form. This alert may be considered advertising under applicable state laws. Our website is: www.willkie.com.