



U.S. Securities and  
Exchange Commission

Fiscal Year 2026

# Examination Priorities

Division of Examinations

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“ Under the leadership of Chairman Atkins, we have reassessed how best to deploy our resources to meet growing responsibilities, as well as evolving risks shaped by developments in the U.S. capital markets and broader economic and geopolitical forces. ”

*—Division of Examinations Leadership Team*

# MESSAGE FROM THE LEADERSHIP TEAM

Changes in the U.S. capital markets and at the SEC present new opportunities for growth, innovation and refinement of our approach to delivering on the Commission’s mission to protect investors, maintain fair and orderly capital markets, and facilitate capital formation. As the Division of Examinations (the Division) embarks on a new fiscal year, we remain grounded in advancing our Four Pillars to promote compliance, prevent fraud, inform policy, and monitor risk. At the same time, we continue to adapt to evolving market forces to ensure the Division’s mission is met. This new fiscal year marks an important time for the Division to build on our strengths, advance our mission with renewed focus, and ensure that our examination program continues to align with the Commission’s overall direction and the expectations of the investing public.

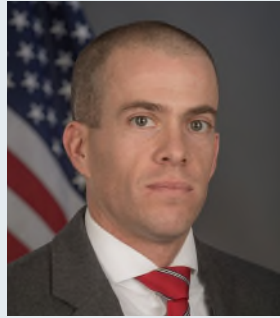
The dedication of our talented staff continues to be the backbone of the Division. While operating with fewer resources, they have shown an unwavering commitment to serve as the “eyes and ears” of the Commission. Maintaining connections with registrants, investors and other market participants through their regular interactions, Division staff continue to provide invaluable insight into market trends, product developments, and shifting risks that inform the Commission. They carry out their responsibilities with focus and efficiency, ensuring that our risk-based examinations remain effective and responsive to the needs of investors and the marketplace.

Under the leadership of Chairman Atkins, we have reassessed how best to deploy our resources to meet growing responsibilities, as well as evolving risks shaped by developments in the U.S. capital markets and broader economic and geopolitical forces. This involves reevaluating our risk-based priorities and how we approach various trends in the markets, new and emerging products and services, and our processes to ensure our examinations continue to be efficient and effective. Importantly, it also means exploring ways to empower registrants and investors alike by providing transparency of key examination observations; maintaining focused engagement through our national and regional outreach events; strengthening our partnership with the Divisions of Trading and Markets and Investment Management; and publishing Risk Alerts that highlight observed compliance approaches that registrants may consider in strengthening their compliance programs. Committed to continuous improvement, the Division’s leadership has advanced a series of strategic projects, including an operational effectiveness framework, to ensure increased consistency across examinations and deepen connectivity with our partners in other divisions and offices at the Commission. We believe these enhancements complement the structural evolution resulting from the reshaping of our workforce.

As has long been true, promoting compliance is an essential part of our four-pronged mission. Effectively delivering on this mission requires deliberate and active partnerships with compliance professionals who serve with us on the front lines of protecting investors. We recognize that market participants are navigating an increasingly complex and changing financial and regulatory environment. By sharing key observations from examinations, conducting focused engagements with industry and market participants, and publishing documents, such as our annual priorities, we strive to improve compliance in a way that we believe is both transparent and practical. Although it is the registrants' responsibilities to maintain their own robust compliance programs, we recognize the role the Division can play in supporting our shared interests in protecting investors and facilitating efficient capital formation. When effectively implemented, our efforts will support registrants, strengthen their ability to meet regulatory obligations and comply with federal securities laws.

We accomplish our responsibility to inform policy primarily through collaboration and shared focus with Trading and Markets, Investment Management, and other divisions and offices at the SEC. We share our examination observations with other divisions and offices, providing firsthand, real-world insight that informs their understanding of market activity and practices, and ensuring that our collective efforts remain aligned and advances the broader mission of the Commission. Conversely, the policy divisions provide invaluable information, insights and support to the Division through legal interpretation, subject matter expertise and analytics, and training, among other activities. In that way, our priorities reflect a collaborative process that draws on engagement and ongoing dialogue across the agency, as well as insights from Division staff based on examinations and market observations. That collaboration is critical to the overall success of the agency in delivering its mission to the American people.

## LEADERSHIP TEAM



**Keith E. Cassidy**  
Director



**Allison M. Fakhoury**  
National Clearance and  
Settlement Program  
Director



**Marshall M. Gandy**  
National Investment  
Adviser/Investment  
Company Program Director



**Kevin W. Goodman**  
National FINRA and  
Securities Industry  
Oversight Program Director



**Alexis L. Hall**  
National Technology  
Controls Program  
Director



**Vanessa L. Horton**  
National Investment  
Adviser/Investment  
Company Program Director



**Michael G. Rufino**  
National Broker-Dealer  
and Exchange Program  
Director



# DIVISION OF EXAMINATIONS: FISCAL YEAR 2026 EXAMINATION PRIORITIES

**T**he Division develops its examinations priorities in coordination and consultation with the other divisions and offices throughout the SEC and by considering, among other things, prior years' examinations, market events, information gathered through participation in conferences and conversations with investors, registrants, industry groups, and other regulators. They reflect practices, products, and services that the Division believes present potentially heightened risks to investors or integrity to the U.S. capital markets. They are not the only areas the Division will address in examinations. The Division will devote resources to and cover other areas. The Division is continuously assessing these risks and discussing with its colleagues around the SEC how it can best support the SEC's mission and priorities. Further, the Division's priorities may shift in response to new or emerging risks, products and services, market events or investor concerns.

The Division welcomes comments and suggestions regarding how it can better fulfill its mission to promote compliance, prevent fraud, identify and monitor risk, and inform SEC policy. Contact information is available at [SEC.gov/exams](https://www.sec.gov/exams). If you suspect or observe activity that may violate the federal securities laws or otherwise operate to harm investors, please notify the SEC at [SEC.gov](https://www.sec.gov) | [Welcome to Tips, Complaints, and Referrals](#).

## I. INVESTMENT ADVISERS

### A. Adherence to Fiduciary Standards of Conduct

Examining investment advisers' (adviser) adherence to their duty of care and duty of loyalty obligations remains a priority for the Division, particularly with regard to aspects of their business that serve retail investors.

The Division will review investment advice and related disclosures provided to clients for consistency with their fiduciary obligations, such as: (1) the impact of advisers' financial conflicts of interest on providing impartial advice; (2) advisers' consideration of the various factors associated with their investment advice, such as generally the cost, investment product's or strategy's investment objectives, characteristics (including any 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 (3) advisers seeking best execution with the goal of maximizing value for their clients under the particular circumstances occurring at the time of the transaction. Moreover, the Division will focus on:

- Investment products with the following strategies or characteristics: (1) alternative investments (*e.g.*, private credit and private funds with investment lock-up for extended

periods); (2) complex investments (*e.g.*, exchange-traded funds (ETF) wrappers on less liquid underlying strategies, option-based ETFs, and leveraged and/or inverse ETFs); and (3) products that have higher costs associated with investing (*e.g.*, high commissions and higher investment expenses than similar products/investments).

- Investment recommendations for consistency with product disclosures and the clients' investment objectives, risk tolerance, and financial/personal backgrounds, with emphasis on: (1) recommendations to older investors and those saving for retirement; (2) 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); (3) advisers to newly launched private funds; (4) recommendations of certain products that may be particularly sensitive to market volatility; and (5) advisers that have not previously advised private funds (*e.g.*, reviewing for regulatory awareness, liquidity, valuation, fees, disclosures, and differential treatment of investors, including use of side letters).

In addition, 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. Examples include: (1) advisers that are dually registered as broker-dealers, particularly where such advisers have advisory representatives who are also dually licensed as registered representatives and receive compensation or other financial incentives that may create conflicts of interest that must be addressed (*e.g.*, account recommendations and allocations); (2) advisers utilizing third-parties to access clients' accounts, where controls may be insufficient to protect client assets and data; and (3) advisers that

have merged or consolidated with, or been acquired by, existing advisory practices, which may result in accompanying operational and/or compliance complexities or new conflicts of interest.

## **B. Effectiveness of Advisers' Compliance Programs**

The Division's assessment of the effectiveness of advisers' compliance programs is a fundamental part of the examination process. Examinations focusing on this topic typically include an evaluation of the core areas of advisers' compliance programs which include, as applicable and appropriate for each examination, marketing, valuation, trading, portfolio management, disclosure and filings, and custody. In addition, examinations on this topic typically include an analysis of advisers' annual reviews of the effectiveness of their compliance programs.

In reviewing advisers' compliance policies and procedures, including those addressing advisers' adherence to fiduciary principles, the Division continues to broadly focus on whether the policies and procedures address compliance with the Investment Advisers Act of 1940 and the rules thereunder and 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. Areas on which examinations may focus include: (1) whether the policies and procedures are implemented and enforced; and (2) whether disclosures address fee-related conflicts, with a focus on conflicts that arise from account and product compensations structures.

The Division's focus may also shift depending on an adviser's practices or products, such as for advisers with activist engagement practices (*e.g.*, whether they are making late or inaccurate filings

on Schedules 13D and 13G; and Form 13F; Forms 3, 4, and 5; and Form N-PX). Examinations may also focus on compliance practices when advisers change their business models or are new to advising particular types of assets, clients, or services.

### C. Never-Examined Advisers and Recently Registered Advisers

As with previous years, the Division will prioritize examinations of advisers that have never been examined, with particular emphasis on recently registered advisers.

## II. INVESTMENT COMPANIES

The Division continues to prioritize examinations of registered investment companies (RICs or funds), including mutual funds and ETFs, due to their importance to retail investors, particularly those saving for retirement.

Examinations of RICs will generally include their compliance programs, disclosures, filings (*e.g.*, summary prospectus) and governance practices. RIC operations of particular focus include: (1) fund fees and expenses, and any associated waivers and reimbursements; and (2) portfolio management practices and disclosures, for consistency with statements about investment strategies or approaches, with fund filings and marketing materials, and the amended fund “Names Rule”<sup>1</sup> (after the compliance date).

The Division will also continue to monitor certain developing areas of interest. The following are examples of staff areas of interest: (1) RICs that participate in mergers or similar transactions, including any associated operational and compliance challenges; (2) certain RICs that use complex strategies and/or have significant holdings of less liquid or illiquid investments (*e.g.*, closed end funds), including any associated issues regarding valuation and conflicts of interest; and (3) RICs with novel strategies or investments, including funds with leverage vulnerabilities.

As with adviser examinations, the Division will continue its prioritization of never-before-examined RICs, with particular emphasis on recently registered RICs to help empower and encourage RICs in building robust compliance programs.

## III. BROKER-DEALERS

### A. Broker-Dealer Financial Responsibility Rules

Examinations will continue to focus on broker-dealer compliance with the net capital rule, the customer protection rule and related internal processes, procedures, and controls. Areas of review will include the timeliness of financial notifications and other required filings. Reviews will focus on a firm’s operational resiliency programs, including supervision of third-party/vendor-provided services that contribute to the records used to prepare financial reporting information and change management for

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<sup>1</sup> SEC, *Final Rule: Investment Company Names*, Release No. IC-35000 (Sept. 20, 2023) (broadening the scope of the requirement under the Investment Company Act of 1940 rule 35d-1 (the “Names Rule”) for certain funds to adopt a policy to invest at least 80 percent of the value of their assets in accordance with the investment focus the fund’s name suggests, and updating other names-related regulatory requirements, including by providing enhanced disclosure and reporting requirements related to terms used in fund names and by establishing additional recordkeeping requirements). *See also* SEC, *Investment Company Names*, Release No. IC-35500 (Mar. 14, 2025) (extending the compliance date for the Names Rule amendments from Dec. 11, 2025, to Jun. 11, 2026, for larger fund groups and from Jun. 11, 2026, to Dec. 11, 2026 for smaller fund groups).

broker-dealers. Examiners will also assess broker-dealer credit, market, and liquidity risk management controls to determine whether firms have sufficient liquidity to manage stress events. Finally, examinations will evaluate cash sweep programs and prime brokerage activities, including issues of concentration, liquidity, and counterparty credit risks.

## **B. Broker-Dealer Trading-Related Practices and Services**

A focus on broker-dealer equity and fixed income trading practices remains a Division priority. Areas of review will include broker-dealer trading practices associated with extended hours trading, and municipal securities, including the rates reset process on variable rate demand obligations, priority of orders, and mark-ups disclosure. The Division will also review broker-dealers' routing and execution of orders. These reviews will include: (1) best execution; (2) the pricing and valuation of illiquid instruments such as variable rate demand obligations, other municipal securities, and non-traded REITs; and (3) disclosures regarding order routing and order execution information, including as required by Rule 605 under Regulation NMS.<sup>2</sup>

With respect to Regulation SHO, the Division will review whether broker-dealers are appropriately relying on the bona fide market making exception, including whether quoting activity is away from the inside bid/offer. Finally, the Division will examine alternative trading systems, including a focus on their compliance with the requirements to have written safeguards to protect subscriber confidential information under Rule 301(b)(1) under Regulation ATS, alignment with their descriptions in the Form ATS-N, disclosures, and risk controls.

## **C. Retail Sales Practice, Including Compliance with Regulation Best Interest**

The Division will continue to examine broker-dealer sales practices, including those related to Regulation Best Interest, and focus on the following areas of interest: (1) recommendations with regard to products and investment strategies (including account and rollover recommendations); (2) conflict identification and mitigation practices, in particular with respect to recommendations of accounts, rollovers, and recommendations involving limited product menus; (3) processes for reviewing reasonably available alternatives; and (4) processes for satisfying the Care Obligation, including consideration of particular factors in a customer's investment profile and the product and account type characteristics considered.

In particular, examinations will focus on those recommended products that are complex or tax advantaged, such as variable and registered index-linked annuities; ETFs that invest in illiquid assets such as private equity or private credit; municipal securities, including 529 Plans; private placements; structured products; alternative investments; and other products that have complex fee structures or return calculations, are based on exotic benchmarks, are illiquid, or represent a growth area for retail investment. Examinations may also focus on recommendations: (1) that move an investment to a substantially similar product; (2) related to opening different account types such as option, margin, and self-directed IRA accounts; and (3) made to older investors and those saving for retirement or college.

Examinations may also focus on dual registrants and encompass reviews of firms' processes for identifying and mitigating and eliminating conflicts of interest where dual registrants receive

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2 17 CFR 242.605.

compensation or other financial incentives that may create conflicts of interest that must be addressed, account allocation practices (e.g., allocation of investments where an investor has more than one type of account) and account selection practices (e.g., 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). Examinations may also assess broker-dealer supervision of sales practices at branch office locations.

The Division's examinations will review the content of a broker-dealer's relationship summary (Form CRS), such as how the broker-dealer describes: (1) the relationships and services that it offers to retail investors; (2) its fees and costs; (3) its conflicts of interest; and (4) whether the broker-dealer accurately discloses its and its financial professionals' disciplinary history.

#### **IV. SELF-REGULATORY ORGANIZATIONS**

##### **A. National Securities Exchanges**

The Division will examine the national securities exchanges to assess whether they are meeting their obligations to enforce compliance with self-regulatory organization rules and the federal securities laws. Examinations may focus on regulatory programs and participation in National Market System Plans.

##### **B. FINRA**

FINRA, among other things, promulgates rules that govern its members, provides a forum for securities arbitration and mediation, conducts market regulation, including by contract for the national securities exchanges, reviews broker-

dealer advertisements, administers the testing and licensing of registered persons, and operates industry utilities, such as Trade Reporting Facilities.

The Division conducts risk-based oversight examinations of FINRA. It selects areas within FINRA to examine through a risk assessment process designed to identify those aspects of FINRA's operations important to the protection of investors and market integrity, including FINRA's implementation of investor protection initiatives such as Regulation Best Interest and Form CRS. The assessment is informed by collecting and analyzing extensive information and data, regular meetings with key functional areas within FINRA, and outreach to various stakeholders, including investor and industry groups. Based on the outcome of this risk assessment process, the Division conducts inspections of FINRA's major regulatory programs. The Division also conducts oversight examinations of FINRA's examinations of certain broker-dealers and municipal advisors that are FINRA members. From its observations during all of these inspections and examinations, the Division makes detailed recommendations to improve FINRA's programs, its risk assessment processes, and its future examinations.

##### **C. Municipal Securities Rulemaking Board (MSRB)**

The Division also applies a risk assessment process, similar to the one it uses to oversee FINRA, to identify areas to examine at the MSRB.

#### **V. CLEARING AGENCIES**

Title VIII of the Dodd-Frank Act requires the Commission to examine, at least once annually, each clearing agency designated as systemically important and for which the Commission serves

as the supervisory agency. These examinations will focus on clearing agencies' core risks, processes, and controls, and will cover the specific areas required by statute, including the nature of clearing agencies' operations and assessment of financial and operational risk.

Additionally, the Division will conduct risk-based examinations of other registered clearing agencies that have not been designated by statute as systemically important. The Division will examine for compliance with the Commission's Standards for Covered Clearing Agencies, which are rules requiring policies and procedures that address core risk-management functions, including maintaining sufficient financial resources, protecting against credit risks, managing member defaults, and mitigating operational risk.

Examinations of registered clearing agencies include both risk-based examinations and corrective action reviews, and are undertaken to assess: (1) whether the clearing agencies' respective risk management frameworks comply with the Securities Exchange Act of 1934 (Exchange Act) and serve the needs of their members and the markets they serve; (2) the adequacy and timeliness of their remediation of prior deficiencies, including, for example, the role of senior leadership in the remediation process; and (3) other risk areas identified in collaboration with other Commission divisions and offices and other regulators. In addition, the Division examines security-based swap data repositories and entities operating pursuant to a Commission order exempting them from the clearing agency registration requirement under Section 17A(b)(1) of the Exchange Act. Areas of examination focus across registrant types may include risk management of liquidity,

default management, recovery and wind-down, collateral management, operations, and operational arrangements with other clearing agencies, among other things.

## **VI. OTHER MARKET PARTICIPANTS**

### **A. Municipal Advisors**

The Division will continue to examine whether municipal advisors have met their fiduciary duty to municipal entity clients when engaging in municipal advisory activities such as providing advice or recommendations regarding the pricing or method of sale of municipal securities (*e.g.*, recommending a competitive versus negotiated sale). The Division will also continue to examine whether municipal advisors have complied with MSRB Rule G-42, which establishes the core standards of conduct and duties applicable to non-solicitor municipal advisors, including requirements to disclose conflicts of interest and to document municipal advisory relationships. Finally, the Division will continue to assess whether municipal advisors have made required filings with the Commission and met their professional qualification, registration, recordkeeping, and supervision requirements.

### **B. Transfer Agents**

The Division will continue to examine transfer agent processing of items and transfers, recordkeeping and record retention, safeguarding of funds and securities, and filings with the Commission. Examinations will also focus on transfer agents that use emerging technology to perform their transfer agent functions. After the compliance date, the Division will also examine transfer agents for compliance with the 2024 amendments to Regulation S-P, including the safeguards rule, the

disposal rule, and the requirement to establish incident response programs.<sup>3</sup>

### C. Funding Portals

The Division will focus on funding portal arrangements with qualified third-parties regarding the maintenance and transmission of investor funds and examine whether funding portals are making and preserving required records. In addition, the Division will review funding portals' written policies and procedures to assess if they are reasonably designed to achieve compliance with applicable federal securities laws and rules relating to its business as a funding portal. After the compliance date, the Division may also examine funding portals for compliance with the 2024 amendments to Regulation S-P, including the safeguards rule, the disposal rule, and the requirement to establish incident response programs.

### D. Security-Based Swap Dealers (SBSDs)

The Division will continue to focus its examinations on whether SBSDs are complying with their obligations under Regulation SBSR to accurately report security-based swap transactions to security-based swap data repositories. As stated in the Division's Risk Alert,<sup>4</sup> accurate and complete security-based swap reporting that the investing public and the Commission can rely upon is crucial

for the regulation and transparency of the security-based swap markets. The Division also expects to focus on SBSDs' risk management practices and compliance with capital, margin and segregation requirements. Finally, the Division continues to assess whether SBSDs have taken corrective action to address issues identified in prior examinations.

### E. Security-Based Swap Execution Facilities (SBSEFs)

The Division expects to begin conducting examinations of registered SBSEFs focusing on the SBSEF's rules and related internal policies and procedures addressing trade monitoring, trade processing, and participation. Moreover, the Division plans to assess how SBSEFs establish programs of risk analysis and oversight to identify and minimize sources of operational risk.

## VII. RISK AREAS IMPACTING VARIOUS MARKET PARTICIPANTS

### A. Information Security and Operational Resiliency

#### 1. Cybersecurity

The Division will continue to review registrant practices to prevent interruptions to mission-critical services and to protect investor information, records, and assets. Operational disruption risks remain elevated due to the proliferation of cybersecurity attacks, firms' dispersed operations,

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3 SEC, Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer Information, Exchange Act Release No. 100155 (May 16, 2024). (Adopting amendments to Regulation S-P that apply to broker-dealers, funding portals, investment companies, SEC-registered investment advisers, and transfer agents registered with the SEC or another appropriate regulatory agency (collectively, "covered institutions") and are designed to modernize and enhance the protection of consumer financial information by: (1) requiring covered institutions to develop, implement, and maintain written policies and procedures for an incident response program that is reasonably designed to detect, respond to, and recover from unauthorized access to or use of customer information; (2) requiring that the response program include procedures for covered institutions to provide timely notification to affected individuals whose sensitive customer information was, or is reasonably likely to have been, accessed or used without authorization; and (3) broadening the scope of information covered by Regulation S-P's requirements).

4 SEC, Risk Alert: Observations Related to Security-Based Swap Dealers (Jan. 10, 2024).

weather-related events, and geopolitical concerns. The Division will also examine registrants' procedures and practices to assess whether they are reasonably managing information security and operational risks.

A perennial examination priority, the Division's focus on cybersecurity practices by registrants remains vital to help ensure the safeguarding of customer records and information. Particular attention will be on firms' policies and procedures pertaining to governance practices, data loss prevention, access controls, account management, and responses and recovery to cyber-related incidents, including those related to ransomware attacks. In addition, focus will be on training and security controls that firms are employing to identify and mitigate new risks associated with artificial intelligence (AI) and polymorphic malware attacks, including how they are operationalizing information from threat intelligence sources.

Lastly, the Division will review firms' operational resiliency.

## 2. Regulation S-ID and Regulation S-P

The Division will assess compliance with Regulations S-ID and S-P, as applicable. Examinations will focus on firms' policies and procedures, internal controls, oversight of third-party vendors, and governance practices. Regarding Regulation S-ID, the Division will focus on firms' development and implementation of a written Identity Theft Prevention Program (Program) that is designed to detect, prevent, and mitigate identity theft in connection with covered accounts. Specifically, the Division will assess the reasonableness of firms' policies and procedures

included within their Programs, including 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 prevention.

In preparation for the compliance dates for the Commission's amendments to Regulation S-P,<sup>5</sup> the Division will engage firms during examinations about their progress in preparing incident response programs reasonably designed to detect, respond to, and recover from unauthorized access to or use of customer information. After the applicable compliance dates, the Division will examine whether firms have developed, implemented, and maintained policies and procedures in accordance with the rule's new provisions that address administrative, technical, and physical safeguards for the protection of customer information.

## B. Emerging Financial Technology

The Division remains focused on registrants' use of certain products and services, 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. As such, the Division will, in particular, examine firms that engage in activities such as automated investment advisory services, recommendations, and related tools and methods.

When conducting these reviews, assessments generally will include whether: (1) representations are fair and accurate; (2) operations and controls

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<sup>5</sup> SEC, [Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer Information](#), Advisers Act Rel. No. 6604 (May 16, 2024).

in place are consistent with disclosures made to investors; (3) algorithms lead to advice or recommendations consistent with investors' investment profiles or stated strategies; and (4) 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 focus on recent advancements in AI and will review for accuracy registrant representations regarding their AI capabilities or AI. The Division will assess whether firms 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 (AML), and trading functions, as applicable. Reviews will also consider firm integration of regulatory technology to automate internal processes and optimize efficiencies.

### **C. Regulation Systems Compliance and Integrity (SCI)**

As part of the Division's examination of SCI entities, reviews will focus on:

- Policies and procedures related to incident response and how SCI entities review the effectiveness of these policies and procedures.
- SCI entities' management of third-party vendor risk and properly identifying vendor systems that qualify as SCI systems or indirect SCI systems.

### **D. Anti-Money Laundering**

The Bank Secrecy Act (BSA) requires certain financial institutions, including broker-dealers and certain RICs, to establish AML programs. AML programs should be reasonably designed to prevent these financial institutions from being used for money laundering or the financing of terrorist activities and to achieve and monitor compliance with applicable BSA requirements. These programs should be tailored to address the risks associated with a firm's location, size, and activities, including the customers they serve, the types of products and services offered, and how those products and services are offered.

The Division will continue to focus on AML programs and review whether broker-dealers and certain RICs are: (1) appropriately tailoring and updating their AML program to their business model and associated AML risks, including accounting for risks associated with omnibus accounts maintained for foreign financial institutions; (2) adequately conducting independent testing; (3) establishing an adequate customer identification program, including for beneficial owners of legal entity customers; and (4) meeting their Suspicious Activity Report filing obligations. Examinations of certain RICs will also review policies and procedures for oversight of applicable financial intermediaries.

Lastly, the Division will review whether broker-dealers, advisers, and RICs are monitoring the Department of the Treasury's Office of Foreign Assets Control sanctions and ensuring compliance with such sanctions.

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