ALERT MEMORANDUM

SEC Exam Priorities 2027 Emphasize AI Threats, Collaboration, Cross-Agency Coordination

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The U.S. Securities and Exchange Commission (SEC) Division of Examinations (the Division) released its 2027 examination priorities on October 23, 2026 (the 2027 Priorities).[1] The 2027 Priorities offer important new takeaways regarding emerging technologies, access for registrants, use of proxy advisory firms, and Division integration with other regulators. The annual priorities release provides a roadmap not only for how examinations will be conducted, but also for likely enforcement priorities. As before, cybersecurity, never-examined advisers, fiduciary duties, protecting vulnerable investors, and financial responsibility remain important priorities.

Key takeaways:

- Registrants must consider increased threats from AI-enabled cyberattacks.
- Relationships with proxy advisory firms are subject to greater scrutiny.
- The Division has expanded coordination with other regulators.
- The Division aims to improve access for and cooperation with registrants.

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[1] *SEC Announces Fiscal Year 2027 Examination Priorities*, U.S. Sec. & Exch. Comm'n (Oct. 23, 2026), https://www.sec.gov/newsroom/press-releases/2026-109-sec-announces-fiscal-year-2027-examination-priorities; Div. of Examinations, *Fiscal Year 2027 Examination Priorities* (2026), https://www.sec.gov/files/2027-exam-priorities.pdf.

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Priorities Relevant to Investment Advisers and Broker-Dealers

- *Cybersecurity and Emerging Technologies.* In addition to an existing focus on protecting customer information from cyberattacks, the Division has added an emphasis on artificial intelligence, or "super intelligence."[2] The Division will focus on registrants' use of AI in business operations, as well as how they defend from threat actors who use AI to perform more sophisticated cyberattacks. This focus likely also includes ensuring that AI systems do not endanger customer information, including customers' own use of AI agents and tools. Examinations will also include whether representations about AI use are accurate and consistent with disclosures and investment strategies.
- *Regulation S-P.* Modernization updates to the cybersecurity provisions of Regulation S-P went into effect in the last year, in December 2025 for large institutions and in June 2026 for smaller institutions.[3] The updates require entities to have a written incident response plan and plans for supervising service providers, and to notify customers of incidents. Examinations will focus on policies and procedures addressing administrative, technical, and physical safeguards to protect customer information, including response programs, notification procedures, and how firms address operational risk.
- *Regulation S-ID.* Examinations will focus on firms' procedures for identifying, detecting, and responding to red flags intended to prevent and mitigate against identity theft, particularly during customer account takeovers and fraudulent transfers, and updating their Identity Theft Prevention Program to address emerging risks, such as those related to AI and stolen credentials.
- *Regulation SCI.* Examinations will focus on emerging trends, such as AI, tokenization of securities, extended trading hours, and quantum computing.

Priorities Specific to Investment Advisers

Key areas highlighted in the 2027 Priorities for investment advisers include:

- *Fiduciary Duties.* Fiduciary obligations in general remain priorities, including "full and fair" disclosures, reasonable due diligence into products or services, reasonable valuation processes and methodologies, economic conflicts of interest that can affect the impartiality of the adviser, investment suitability evaluations, particularly for products that are difficult to trade, have unusual features, or are illiquid and alternative investment products (*e.g.*, loans provided by private funds or BDCs and investments in private companies through SPVs).
- *Compliance Programs.* Echoing the focus on fiduciary duties, the SEC will scrutinize whether policies and procedures are reasonably designed to address conflicts of interest and to provide adequate disclosure of fee-related conflicts of interest. Examinations will focus on compliance practices after firms undergo changes, such as new business models, advising

[2] The 2027 Priorities use the terms "super intelligence" and "SI," in line with a recent executive order to use the terms "super intelligence" and "SI" over "artificial intelligence" and "AI." Exec. Order 14434, 91 Fed. Reg. 63129 (Sep. 29, 2026), https://www.whitehouse.gov/presidential-actions/2026/09/inaugurating-the-era-of-super-intelligence/.

[3] *See SEC Adopts Rule Amendments to Regulation S-P to Enhance Protection of Customer Information*, U.S. Sec. & Exch. Comm'n (May 16, 2024), https://www.sec.gov/newsroom/press-releases/2024-58.

different types of clients, providing advice on new asset classes, providing new services, advisers that have grown through means such as mergers and acquisitions, and those that use geographically dispersed branch offices. The SEC will also focus on the policies of activist advisers with respect to the applicable Exchange Act filings (*e.g.*, Schedules 13D and 13G).

- *Advisers to Private Funds.* Reviews of advisers to private funds will assess disclosures relating to investment-related risks, certain investments and allocations, use of debt and fund-level lines of credit, use of affiliated service providers, and accuracy of fee and expense calculations at both fund and investment levels.
- *Other.* The Division will continue prioritizing advisers that have never been examined, particularly recently registered advisers and will focus on how advisers use third-party service providers, including those that access client accounts.
- *Proxy Advisory Firms.* The Division will scrutinize advisers that use proxy advisory firms. This focus includes examining how advisers choose proxy firms and evaluate their recommendations. This priority will likely increase risk to advisers that use proxy advisory firms and may subject them to scrutiny for working with proxy advisers that the federal government has been scrutinizing for potential politically motivated agendas, particularly on ESG topics.[4]

Priorities Specific to Registered Investment Companies

Key areas highlighted in the 2027 Priorities for registered investment companies (RICs) include:

- *Retail and Older Investors.* As part of the Division's concern around retail and older investors, examinations will focus particularly on fund fees and expenses, including waivers or reimbursements, and portfolio management practices, including alignment with stated investment strategies, fund filings, and marketing materials. The Division notes that RICs holding complex products, less liquid or illiquid investments, associated valuation issues, novel or complex investment strategies, and reliance on executive orders are also developing areas of interest. Typical assessments of compliance programs, disclosures, governance practices, and filings will continue. Such a focus parallels the Division of Investment Management's recent rule proposals that seek to further democratize access to alternative investments through regulated fund structures, and reflects the significant growth of alternative asset-focused retail funds in recent years.

Priorities Specific to Broker-Dealers

Key areas highlighted in the 2027 Priorities for broker-dealers include:

- *Financial Responsibility Rules.* The Division will continue to focus on compliance with the Net Capital Rule, the Customer Protection Rule and its recent amendments regarding customer reserve computations and U.S. treasury clearing, and internal processes, procedures, and controls. Examinations will assess risks

[4] *See* Exec. Order 14366, 90 Fed. Reg. 239 (Dec. 11, 2025), https://www.whitehouse.gov/presidential-actions/2025/12/protecting-american-investors-from-foreign-owned-and-politically-motivated-proxy-advisors/; *SEC Files Subpoena Enforcement Action Against Institutional Shareholder Services Inc.*, U.S. Sec. & Exch. Comm'n (Sep. 4, 2026), https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26632.

relating to whether firms have sufficient liquidity to manage stress events and remain in compliance and prime brokerage activities considering concentration, liquidity, and counterparty credit risks.

- *Trading-Related Practices and Services.* In light of the growing trend of extended operating hours, the Division will review operational challenges, availability of liquidity providers, providers' willingness, readiness, and ability to provide liquidity on and off exchange, and policies and procedures related to market and credit risk management.
- *Retail Sales Practice.* Examination priorities relating to sales practices remain similar. The Division will focus on recommendations of products and investment strategies, conflict identification and mitigation, processes for reviewing reasonably available alternatives, satisfying the Disclosure Obligation, and satisfying the Care Obligation. Examinations will focus on products that are complex or have heightened risk factors and certain types of recommendations, including recommendations to move investments to substantially similar products, to open different account types, or that are made to older and vulnerable investors and investors saving for retirement or college. Dual registrants are a priority and examinations may include processes around conflicts of interest where dual registrants receive compensation and account allocation practices. Examinations will also review broker-dealer relationship summaries, including relationships and services offered to retail investors, fees and costs, conflicts of interest, and disclosure of financial professionals' disciplinary history.
- *Anti-Money Laundering.* The Division will coordinate with the SEC Cross-Border Task Force in efforts to combat international market manipulation and fraud. Examinations will continue to focus on Anti-Money Laundering programs, including whether they are appropriately tailored to the broker-dealer's business model and risks, adequate independent testing, accounting for risks associated with foreign-based companies such as market manipulation, ongoing customer due diligence, and meeting Suspicious Activity Report filing obligations. The Division will also continue to prioritize compliance with AML requirements around foreign omnibus accounts, including reviewing special due diligence programs, and review compliance with Office of Foreign Assets Control sanctions.

Priorities Relating to Division Process

While these areas do not relate to substantive changes for registrants, they reflect potential changes in Division process and approaches:

- *Access for Registrants.* The Division will focus on providing registrants access to observations, improving interactions during the examination process, and learning from those working in regulated industries. As part of this focus, the Division published *The SEC Exam Handbook: A Practical Guide on Process and Engagement* on October 1, 2026.[5]
- *Integration with Other Regulators.* The Division has expanded coordination with the Commodity Futures Trading

[5] *SEC's Division of Examinations Announces New Exam Handbook*, U.S. Sec. & Exch. Comm'n (Oct. 1, 2026), https://www.sec.gov/newsroom/press-releases/2026-99-secs-division-examinations-announces-new-exam-handbook.

> Commission, National Futures Association, and Financial Industry Regulatory Authority on examination planning and joint or aligned examinations.

Many priorities, including cybersecurity, protecting retail and older investors, fiduciary duties, and compliance with rules are consistent with recent priorities. New areas of emphasis around AI and proxy advisory firms are important for investment advisers to consider. A focus on access and cooperation with registrants may offer new opportunities for productive conversations that avoid enforcement actions and are in keeping with the tone that the SEC has tried to present under Chair Paul S. Atkins of a more business-friendly, approachable and flexible agency.

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