

# Regulatory Alert

## Regulatory Insights for Financial Services

November 2025

### SEC 2026 Priorities: Examinations and Perspectives

#### **KPMG Regulatory Insights:**

- **Heightened Focus:** Prioritization of exams on cybersecurity policies and procedures, including incident response, along with areas of emerging technology risks; an evolving focus on areas of automated investment tools, AI, trading algorithms.
- **Continued Focus:** Examinations will continue to focus on operational resiliency, third-party oversight, and all aspects of AML programs.
- **Targeted Focus:** Assessing compliance programs, governance, investor protection, disclosures and adherence to regulatory standards will be a focus of examinations across all market participants.

The Securities and Exchange Commission (SEC) Division of Examinations [issues](#) its annual report outlining examination priorities in critical areas of risk impacting various market participants. In particular, the SEC anticipates examinations in 2026 will prioritize:

1. Critical areas of risk, including Cybersecurity, Regulation S-ID and Regulation S-P, Emerging Financial Technology, Regulation SCI, and Anti-Money Laundering

2. Market participants including Investment Advisers, Investment Companies, Broker-Dealers, Self-Regulatory Organizations (SROs), Clearing Agencies, and Other Market Participants.

The tables on the following pages outline the critical areas of risk and the examination priorities for market participants:

Critical Areas of Risk	
Risk Area	Summary
<b>Cybersecurity</b>	<p>Focus on firms’:</p> <ul style="list-style-type: none"> <li>— 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.</li> <li>— Training and security controls to identify and mitigate new risks associated with artificial intelligence (AI) and polymorphic malware attacks.</li> <li>— Operational resiliency.</li> </ul>
<b>Regulation S-ID and Regulation S-P</b>	<p>Compliance assessment for Regulations S-ID and S-P, as applicable, including examination focus on:</p> <ul style="list-style-type: none"> <li>— Policies and procedures</li> <li>— Internal controls</li> <li>— Oversight of third-party vendors</li> <li>— Governance practices</li> </ul> <p>Specifically relating to Regulation S-ID, areas of focus will include the development, implementation, and reasonableness of a written Identity Theft Prevention Program.</p> <p>For Regulation S-P, exam focus will include progress toward upcoming compliance requirements for an incidence response program covering unauthorized access to or use of a customer’s information.</p>
<b>Emerging Technology</b>	<p>Focus remains on registrants’ use of certain products and services, such as automated investment tools, AI technologies, and trading algorithms or platforms.</p> <p>Particular attention will be paid to firms that engage in activities such as automated investment advisory services, recommendations, and related tools and methods.</p> <p>Assessments will consider:</p> <ul style="list-style-type: none"> <li>— Fair and accurate disclosure</li> <li>— Operations and controls are consistent with disclosures</li> <li>— Algorithms lead to advice that is consistent with investor profiles</li> <li>— Controls are in place to confirm decisions of automated tools are consistent with regulatory obligations</li> </ul>
<b>Regulation Systems Compliance and Integrity (SCI)</b>	<p>Examination of SCI entities will include reviews that focus on:</p> <ul style="list-style-type: none"> <li>— Policies and procedures related to incident response and how entities review the effectiveness of these policies and procedures.</li> <li>— Management of third-party vendor risk and proper identification of vendor systems that qualify as SCI systems or indirect SCI systems.</li> </ul>

<p><b>Anti-Money Laundering (AML)</b></p>	<p>Continued examination focus on AML programs and review whether broker-dealers and certain registered investment companies (RICs) are:</p> <ul style="list-style-type: none"> <li>— 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</li> <li>— Adequately conducting independent testing</li> <li>— Establishing an adequate customer identification program, including for beneficial owners of legal entity customers</li> <li>— Meeting their Suspicious Activity Report filing obligations</li> <li>— Monitoring Department of the Treasury’s Office of Foreign Assets Control (OFAC) sanctions and related sanctions compliance.</li> </ul> <p>Examinations of certain RICs will also review policies and procedures for oversight of applicable financial intermediaries.</p>
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Examination Priorities for Market Participants	
Market Participant	Examination Priorities
Investment Advisers	<p>Focus on reviewing advisers' adherence to duty of care and duty of loyalty obligations, including consideration of conflicts of interest, market factors, and best execution. Additionally, focus areas will include:</p> <ul style="list-style-type: none"> <li>— Investment products: alternative investments, complex investments, investments with high cost (e.g., commissions, expenses)</li> <li>— Investment recommendations: older investors, retirement funds, products that are sensitive to market volatility, advisers to new private funds, and advisers that have not previously advised private funds.</li> <li>— Advisers that may create additional risk or conflicts of interest (e.g., dually-registered advisers, advisers using third parties to access customer accounts, merged or consolidated advisers).</li> </ul> <p>Assessment of the effectiveness of advisers' compliance programs, including:</p> <ul style="list-style-type: none"> <li>— Core aspects of advisers' compliance programs (e.g., marketing, valuation, trading, portfolio management, disclosure and filings, and custody).</li> <li>— Advisers' annual reviews of the effectiveness of their compliance programs.</li> <li>— Adherence to fiduciary principles</li> <li>— Compliance in areas where the adviser has changed the business model or is new to advising particular types of assets, clients, or services.</li> </ul> <p>The Division will also continue to prioritize never-examined and newly registered advisers.</p>
Investment Companies	<p>Prioritizing examinations of RICs, including mutual funds and exchange-traded funds. Examinations will generally focus on:</p> <ul style="list-style-type: none"> <li>— Compliance programs</li> <li>— Governance</li> <li>— Disclosures</li> <li>— Filings</li> </ul> <p>Focus on RIC operations includes fund fees and expenses, and portfolio management practices and disclosures.</p> <p>Developing areas of interest include RICs that:</p> <ul style="list-style-type: none"> <li>— Participate in mergers or similar transactions, including any associated operational and compliance challenges.</li> <li>— Use complex strategies and/or have significant holdings of less liquid or illiquid investments (e.g., closed-end funds).</li> <li>— With novel strategies or investments, including funds with leverage vulnerabilities.</li> </ul>
Broker-Dealers	<p>Compliance with financial responsibility rules including the net capital rule and the customer protection rule. Focus will include:</p> <ul style="list-style-type: none"> <li>— Timeliness of notifications</li> <li>— Operational resiliency programs and oversight of third parties</li> </ul>

	<ul style="list-style-type: none"> <li>— Credit, risk, and liquidity risk management controls</li> <li>— Cash sweep and prime brokerage activities for concentration, liquidity, and counterparty credit risks</li> </ul> <p>Review of trading practices including routing and execution of orders:</p> <ul style="list-style-type: none"> <li>— Best execution</li> <li>— Pricing and valuation of illiquid investments</li> <li>— Order routing and order execution disclosures</li> <li>— Alternative trading systems, including compliance with Regulation ATS</li> </ul> <p>Examination of sales practices, including:</p> <ul style="list-style-type: none"> <li>— Compliance with Regulation Best Interest</li> <li>— Products that are complex or tax advantaged</li> <li>— Dual registrants and processes for identifying and mitigating conflicts of interest</li> <li>— Content of Form CRS</li> </ul>
<b>Self-regulatory Organizations (SROs)</b>	<p>Assessment of SROs' (e.g., National Securities Exchanges and the Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board (MSRB)) compliance with rules governing operations and enforcement activities. Focus areas will include, as appropriate:</p> <ul style="list-style-type: none"> <li>— Regulatory programs and participation in National Market System Plans.</li> <li>— Operations and initiatives to protect investors and market integrity (e.g., Regulation Best Interest and Form CRS).</li> <li>— Oversight examinations of SRO examinations of members.</li> </ul>
<b>Clearing Agencies</b>	<p>Annual exams for systemically important clearing agencies for which the SEC is the supervisory agency, focusing on clearing agencies' core risks, processes, and controls and covering the specific areas required by statute, including the nature of clearing agencies' operations and assessment of financial and operational risk.</p> <p>For clearing agencies that have not been designated by statute as systemically important, risk-based examinations will be conducted to assess compliance with the SEC's Standards for Covered Clearing Agencies.</p> <p>Examinations of registered clearing agencies may be risk-based examinations or corrective action reviews to assess:</p> <ul style="list-style-type: none"> <li>— Risk management frameworks</li> <li>— Adequacy of deficiency remediation</li> </ul> <p>Examinations of entities exempt from clearing agency registration include a focus on risk management of liquidity, default management, recovery and wind-down, collateral management, operations, and arrangements with other clearing agencies.</p>

<b>Other Market Participants</b>	<p>Examiners will review:</p> <ul style="list-style-type: none"> <li>— Municipal advisors' compliance with fiduciary duty and MSRB Rule G-42 (e.g., core standards of conduct).</li> <li>— Transfer agents' processing of items and transfers, recordkeeping and record retention, safeguarding of funds and securities, filings with the Commission and use of emerging technology; after the compliance date, compliance with Regulation S-P safeguards rule.</li> <li>— Funding Portals' arrangements with qualified third parties regarding the maintenance and transmission of investor funds.</li> <li>— Security-based swap dealers' (SBSDs) compliance with obligations under Regulation SBSR relating to accurate reporting of security-based swap transactions to security-based swap data repositories as well as compliance with capital, margin, and segregation requirements.</li> </ul> <p>Examinations of registered Security-Based Swap Execution Facilities (SBSEFs) are expected to begin, and to focusing on:</p> <ul style="list-style-type: none"> <li>— Rules and related internal policies and procedures addressing trade monitoring, trade processing, and participation.</li> <li>— Establishment of risk analysis and oversight programs to identify operational risk.</li> </ul>
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For more information, please contact [Mike Sullivan](#) or [Stefan Cooper](#).

## Contact



**Laura Byerly**  
Managing Director  
Regulatory Insights  
[lbyerly@kpmg.com](mailto:lbyerly@kpmg.com)



**Brian Hart**  
Principal  
Risk, Regulatory and Compliance  
[bhart@kpmg.com](mailto:bhart@kpmg.com)

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