Addressing top of mind issues for capital markets and wealth management

July 2026

Contents

SEC exemptive relief on fully paid securities borrowing (rule 15c3-3)

On March 30, 2026, the Securities and Exchange Commission's (SEC) Division of Trading and Markets issued an exemptive order[1] and related interpretive relief in response to a joint request from the International Securities Lending Association, Americas and Securities Industry and Financial Markets Association. The action clarifies the application of Rule 15c3-3 to equity securities borrowing and permits broker-dealers, subject to conditions, to pledge baskets of highly liquid equity securities as collateral when borrowing fully paid or excess margin securities from customers:

- **Key elements of the exemptive order:** The order permits broker-dealers to pledge diversified baskets of highly liquid Russell 1000 and/or S&P 500 equity securities as collateral when borrowing fully paid or excess margin securities from qualified institutional lenders. It expands permissible collateral beyond cash, US Treasuries, and letters of credit, while preserving full collateralization and daily mark-to-market requirements. Relief is limited to transactions with qualified institutional securities lenders and is subject to defined eligibility, concentration, diversification, custody, and overcollateralization conditions.
- **Related interpretive relief:** SEC staff confirmed it will not recommend enforcement action where a broker-dealer includes a debit within its customer reserve formula for the market value of customer margin equity securities it has pledged as collateral to borrow securities used to cover customer short sales or customer fails to deliver, subject to the specified conditions outlined in the staff's exemptive order and accompanying staff response "no-action" letter.[2]
- **Regulatory rationale:** The relief is intended to support a more efficient and transparent equity borrowing structure under existing interpretations of Rule 15c3-3 while remaining consistent with investor protection objectives. In granting the exemption, the SEC emphasized the liquidity, market depth, and risk characteristics of the eligible equity collateral, along with the continued application of daily mark-to-market and over-collateralization requirements. The use of highly liquid equity securities as collateral is expected to reduce operational complexity and counterparty exposure during periods of market volatility without weakening the customer protection framework or the Reserve computation process.

Collectively, these actions represent a modernization of the securities lending framework, providing broker-dealers with operational flexibility while reinforcing the SEC's commitment to robust customer asset protection under Rule 15c3-3.

Opportunity

1 Eligibility & scope assessment

Assess eligibility and scope of securities lending arrangements to determine applicability of the exemptive relief.

2 Collateral framework update

Update collateral management frameworks to incorporate eligible equity collateral, concentration limits, and overcollateralization requirements.

3 Reserve formula impact

Evaluate impacts to customer reserve formula processes, including debit recognition and daily mark-to-market controls.

4 Governance enhancement

Enhance governance, documentation, and compliance monitoring to reflect new conditions and supervisory expectations.

Contact KPMG

Murat Oztan
Director, Advisory, Regulatory & Compliance,
KPMG LLP

T: 212-954-2349
E: eoztan@kpmg.com

[1] Security and Exchange Commission, "Order Regarding the Collateral Broker-Dealers May Pledge When Borrowing Customer " (March 2026)

[2] Security and Exchange Commission, "No-Action Letter" (March 2026)

SEC staff statement on broker-dealer registration for crypto asset user interfaces

On April 13, 2026, the SEC's Division of Trading and Markets issued a staff statement[3] providing clarity on the application of broker-dealer registration requirements under the Securities Exchange Act of 1934 to entities that create, offer, or operate certain user interfaces used to facilitate transactions in crypto asset securities:

- **Covered user interfaces:** The statement introduces the concept of "Covered User Interfaces" (CUIs), defined as software applications (e.g., websites, browser extensions, or mobile apps) that assist users in preparing and submitting user-directed transactions through self-custodial wallets by converting transaction inputs into blockchain-executable instructions. CUIs may also provide supporting functionality such as displaying asset pricing, potential execution routes, and estimated transaction costs, but are limited to facilitating user-initiated interactions with blockchain protocols rather than executing transactions themselves.
- **Scope of permitted activities:** The SEC staff clarifies that, where specified conditions are met, CUI providers may operate without registering as broker-dealers, provided their activities remain limited to neutral technological infrastructure and do not involve traditional broker functions. This includes a clear distinction between permissible interface activity (e.g., providing market data, enabling transaction preparation, or presenting execution options on an objective basis) and prohibited conduct such as transaction solicitation, execution, routing discretion, custody of assets, or receipt of payment for order flow. The statement emphasizes that exceeding these boundaries, particularly through discretion, control, or monetization tied to transaction outcomes, may trigger broker-dealer registration requirements.

The statement is nonbinding and intended as an interim measure, reflecting the SEC staff's current interpretive position and providing temporary clarity, with an expected five-year duration unless superseded by further SEC action.

Opportunity

1 CUI framework assessment

Assess applicability of the CUI framework across existing digital asset platforms and user-facing interfaces.

2 Business model review

Evaluate business models and revenue streams against SEC defined broker-dealer risk indicators.

3 Disclosure enhancement

Enhance disclosures and transparency related to pricing, routing logic, and potential conflicts of interest within user interface design.

4 Governance strengthening

Strengthen governance and compliance oversight to ensure alignment with evolving SEC expectations.

5 Stay regulatory-ready

Monitor regulatory developments given the statement's temporary nature and potential for future rulemaking or enforcement focus.

Contact KPMG

Murat Oztan
Director, Advisory, Regulatory & Compliance,
KPMG LLP

T: 212-954-2349
E: eoztan@kpmg.com

[3] Security and Exchange Commission, "Staff Statement Regarding Broker-Dealer Registration of Certain User Interfaces Utilized to Prepare Transactions in Crypto Asset Securities" (April 13, 2026)

From AI enablement to AI as infrastructure

Artificial intelligence (AI) in wealth management has evolved from isolated automation efforts into embedded infrastructure that reshapes how firms run and scale the business:

- AI is now integrated across client acquisition and onboarding, advice preparation, portfolio monitoring, service delivery, and communications. These capabilities increasingly operate through agentlike workflows, handling multistep processes from beginning to end and allowing advisors and operators to focus on higher-value judgment, relationship management, and growth activities.
- AI adoption is no longer optional. It is central to sustaining margins and expanding reach amid fee compression, advisor capacity constraints, and intensifying competition.

This shift is driving a fundamental performance transformation of the wealth management operating model. AI enables firms to deliver greater personalization at scale, shorten cycle times, reduce manual effort, and reallocate human capacity toward revenue-generating activities. At the same time, the pace of AI adoption is accelerating faster than traditional operating models were designed to absorb, requiring firms to rethink workflows, roles, and decision rights. In 2026, leading wealth managers are differentiating not by whether they use AI, but by how effectively they embed it into their end-to-end operating and growth strategy.

Opportunity

1 Eliminate friction

Target sources of friction and capacity strain across onboarding, advice preparation, service, and operations where AI can unlock speed, scale, and consistency.

2 Redefine roles

Redesign advisor and operating roles to shift human effort toward client engagement, complex judgment, and revenue-generating activities.

3 Growth-led focus

Prioritize AI use cases tied directly to growth and margin impact, not incremental automation.

4 Transform workflows

Modernize data, platforms, and workflows in parallel, enabling AI to operate seamlessly across the end-to-end value chain.

5 Enable change

Drive adoption through focused change and training, ensuring AI translates into sustained performance improvement, not unused capability.

Contact KPMG

Brian Dunham
Principal, Advisory, Performance Transformation
KPMG US

T: 919-593-4636
E: bdunham@kpmg.com

Daisy Tung
Partner, Advisory, Wealth and Asset Management Operations
KPMG US

T: 212-954-4184
E: daisytung@kpmg.com

SIFMA Operations Conference – At a glance

In May 2026, the Securities Industry and Financial Markets Association (SIFMA) hosted its annual Operations Conference that covered a broad range of topics across AI, market structure, digital assets and tokenization, data, risk and transformation. Key highlights include:

- **AI-driven operating model:** Operating models should be redesigned holistically, integrating AI across every process and function to establish AI as a core enterprise layer that enables real-time, predictive operations, while committing to the leadership, cultural, and workforce transformation required to make adoption succeed.
- **Always-on markets and infrastructure evolution:** Operational timelines are being reshaped through 23x5 trading and T+1 settlement, compressing timelines by up to 95 percent. Firms must build resilient, automated infrastructure to handle continuous processing demands and a coordinated ecosystem with robust coordination and interoperability, while strategically managing the transition from legacy systems to balance new processes with legacy systems requiring parallel runs and migration frameworks.
- **Digital assets and Tokenization:** Digital assets and tokenization are rapidly moving from experimentation to enterprise-scale adoption, creating hybrid market infrastructures that blend legacy and digital systems. Success depends on addressing identity, governance, scalability, and resilience—underpinned by evolving regulatory frameworks that support collateral mobility and capital efficiency through robust strategies and compliance.
- **Operations as strategic differentiator:** Operations have evolved from a utility function to a strategic engine with Chief Operating Officers now acting as system architects who orchestrate front-to-back operating model transformation integrating client experience and advanced program management, and regulatory alignment to sustain while aligning with growth, client outcomes and regulations. Strategic advisory and transformation leadership are critical for sustaining operational advantage.
- **Data, risk and workforce transformation:** Modern capital markets operations depend on high-quality data, robust governance, and real-time architecture. As the industry increasingly adopts predictive and AI-driven models to enhance risk and compliance strategies, the workforce is simultaneously evolving toward technology-enabled roles that demand new skills. Aligning data, risk, and workforce strategies is essential to achieving the operational excellence and resilience firms require.

The 2026 SIFMA Ops conference made clear that capital markets firms must holistically modernize operating models, infrastructure, and talent to compete in an AI-powered, always-on, increasingly tokenized industry.

Opportunity

1 Review and redesign workflows

Redesign workflows, governance, and controls around AI to shift from manual, reactive processes to intelligent, automated operations at scale.

2 Evaluate readiness gaps

Assess and close readiness gaps ahead of Treasury clearing mandates and global T+1 settlement to stay ahead of structural market change.

3 Prepare a tokenization strategy

Define a clear tokenization strategy and supporting operating model now to gain first-mover advantage and unlock new capital efficiency.

4 Evaluate readiness

Embed resilience and cyber readiness across operations to compete in always-on markets and maintain client and regulatory trust.

5 Implement workforce transformation

Reimagine roles, build new skills, and redesign organizational structures to turn workforce transformation into a competitive advantage.

Contact KPMG

Turgay Mehmet
Managing Director, Advisory, Capital Markets
KPMG LLP
T: 212-909-5457
E: tmehmet@kpmg.com

Michael Martinen
Managing Director, Advisory, Capital Markets
KPMG LLP
T: 212-409-4004
E: mmartinen@kpmg.com

From approval to execution: Operationalizing dual-share class ETFs

The rapid proliferation of actively managed exchange-traded funds (ETFs) and the ongoing push for multi-share-class structures presents significant growth opportunities for wealth management firms. However, despite more than 80 applications and 50 subsequent approvals across multiple waves, only a handful, most notably F/M Investments LLC and Dimensional Fund Advisors, L.P. (DFA), have successfully launched products. This gap underscores a critical reality: regulatory approval is no longer the gating factor; execution is.

As the industry transitions from regulatory approval to real-world product launch, firms must address several key considerations spanning governance, infrastructure, product design, and distribution:

- **Operational and infrastructure strain:** Firms face "legacy system friction" when reconciling mutual fund systems (end-of-day net asset value) with ETF systems (intraday trading). ETFs generally are not built around the same revenue-sharing and platform support economics as mutual funds, which creates practical adoption hurdles.
- **Suitability and fiduciary duties:** The "retailization" of complex alternative and derivative strategies creates acute suitability risks. Under Regulation Best Interest (Reg BI) and the Employee Retirement Income Security Act of 1974 (ERISA), there is heightened scrutiny on account-type recommendations and the justification of ETF versus mutual fund class recommendations for the exact same strategy.
- **Product strategy and sequencing:** Firms often already have overlapping mutual fund and ETF offerings, so introducing a dual-share class structure can create cannibalization risk, pricing pressure, and channel conflict. DFA's staggered rollout strategy favors pilot launches and gradual rollouts to test distribution readiness and cannibalization risk before expanding the model more broadly.

Throughout the remainder of 2026, firms are expected to continue launching products selectively through pilot-driven approaches rather than broad-based conversion programs. Wider adoption is more likely to occur over a multiyear horizon as infrastructure matures, and distribution channels become better equipped to support the structure at scale.

Opportunity

1 Upgrade Core Infrastructure

Mandate substantial technology investments to seamlessly process dual-share-class structures and reconcile disparate clearing and settlement systems.

2 Enhance Suitability Frameworks

Tighten product due diligence and explicitly document how complex, actively managed ETFs align with a retail client's risk profile, liquidity needs, and cost sensitivities under Reg BI.

3 Strengthen Advisor Training

Educate advisors on the nuances of dual-share-class models, conflict of interest mitigation, and the specific rationale required for rollover recommendations.

4 Improve Disclosure & Marketing Controls

Mandate strict oversight of all complex ETF marketing materials to ensure retail disclosures clearly articulate liquidity constraints, derivative risks, and structural nuances.

Contact KPMG

Stefan Cooper
Principal, Advisory Risk Services
KPMG LLP

T: 267-256-1741
E: stefancooper@kpmg.com

Mark McKeever
Director, Advisory Risk Services
KPMG LLP

T: 302-723-2473
E: mmckeever@kpmg.com

Contacts

Peter Torrente
US Sector Leader and Audit Leader, Banking & Capital Markets
KPMG LLP
ptorrente@kpmg.com

Karen Silverman
US Industry Insights Leader, Banking & Capital Markets
KPMG LLP
ksilverman@kpmg.com

Stephen Kennedy
US Audit Sector Leader, Banking and Capital Markets
KPMG LLP
stephenkennedy@kpmg.com

Agnel Kagoo
US Capital Markets Consulting Leader
KPMG LLP
akagoo@kpmg.com

Joe Santucci
US Partner, Audit
KPMG LLP
josephsantucci@kpmg.com

Mark Price
US Tax Industry Leader, Banking & Capital Markets
KPMG LLP
mhprice@kpmg.com

Liz L'Hommedieu
US National Tax Industry Deputy Leader, Banking & Capital Markets
KPMG LLP
elhommedieu@kpmg.com

Stephanie S Petruzzi
US Capital Markets Strategy Leader
KPMG LLP
spetruzzi@kpmg.com

Brian Dunham
US Wealth and Asset Management Strategy Lead
KPMG LLP
bdunham@kpmg.com

Mark Orovio
US Partner, Audit
KPMG LLP
morovio@kpmg.com

KPMG

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us: in | **kpmg.com**