DORSEY
DORSEY+WHITNEY LLP

Observations on the SEC's 2027 Examination Priorities

November 3, 2026

by David Tang, Bradley M. Pugh, Michael Schmieder, Wesley Papiernik, and Kate Zurcher

The SEC's Division of Examinations (the "Division") recently announced its examination priorities ("Exam Priorities") for fiscal year 2027.[1] Although many of the Division's core areas of focus remain consistent with fiscal year 2026, the 2027 Exam Priorities include notable changes and refinements, which we discuss below, along with other key 2027 examination priorities.

Dorsey Observations

- **Renewed focus on economic conflicts of interest.** After certain economic-incentive topics received less emphasis in the 2026 Exam Priorities[2], the Division has again expressly identified economic conflicts as an examination focus. The 2027 Exam Priorities indicate that the Division will prioritize reviewing advisers' fiduciary obligations relating to economic conflicts of interest raised by fee rebates, fee and expense calculations, cash management, quid pro quo arrangements, and deposits and withdrawals.
- **Greater emphasis on private-fund practices.** Building on the private-fund items in the 2026 Exam Priorities, the 2027 Exam Priorities indicate that the Division will assess private-fund disclosures and controls relating to investment allocations, leverage, affiliated service providers, and fees and expenses. The Division also identified investments in private companies through special purpose vehicles ("SPVs") and loans provided by private funds and business development companies ("BDCs") as products the Division will scrutinize. Advisers, particularly private-fund advisers, should evaluate whether their disclosures and compliance programs address these areas.
- **Expanded focus on AI-related cybersecurity risks.** While the 2026 Exam Priorities focused on advisers' use of and representations regarding artificial intelligence ("AI"), the 2027 Exam Priorities specifically highlight AI-enabled cybersecurity threats, including AI-generated phishing and synthetic or "deepfake" voice and video used for social engineering. The shift signals that registrants should consider whether their cybersecurity policies and controls adequately address these evolving threats.
- **New focus on proxy advisory firms.** The 2027 Exam Priorities state that the Division will examine advisers that rely on proxy advisory firms, including how those advisers evaluate the firms' recommendations, assess the bases for those recommendations, identify potential conflicts of interest, and determine whether that

Related People

- David Tang
- Bradley M. Pugh
- Michael Schmieder
- Wesley Papiernik
- Kate Zurcher

Related Capabilities

- Investment Management
- Investment Funds
- Financial Services Regulatory
- Corporate Governance & Compliance

reliance satisfies applicable legal obligations. Advisers that rely on proxy advisory firms may wish to consider whether their compliance programs address these areas.

- **Updated focus on Regulation S-P and Regulation S-ID.** The 2026 Exam Priorities stated that the Division would engage firms during examinations regarding their progress in preparing incident response programs ahead of the compliance dates for the amendments to Regulation S-P and would examine compliance with the amended rule after those dates. The 2027 Exam Priorities indicate that examinations will focus on whether firms have developed, implemented, and maintained reasonably designed policies and procedures addressing administrative, technical, and physical safeguards to protect customer information and that, in accordance with the amended rule, staff will evaluate response program policies and procedures for unauthorized access to or use of customer information, including customer notification procedures and oversight of service providers. With respect to Regulation S-ID, the 2027 Exam Priorities indicate that examiners will assess whether firms are updating their Identity Theft Prevention Program to address emerging risks, such as those related to AI and stolen credentials. Advisers may wish to consider whether their compliance programs address these areas, as applicable.

Summary of Other 2027 Examination Priorities

Beyond the developments discussed above, many of the Division's core examination priorities remain consistent with fiscal year 2026. These include investment adviser fiduciary obligations and compliance programs, examinations of never-examined and recently registered advisers, and cybersecurity and operational resiliency.

The Exam Priorities are not exhaustive, and examinations will vary based on each registrant's business, activities and risks. Advisers should consider the 2027 Exam Priorities in reviewing their compliance programs and preparing for potential examinations, including by:

- **Reviewing risk disclosures and controls.** The Division states that, when examining advisers to private funds, it will assess whether investment-related risk disclosures are consistent with fiduciary standards and whether compliance policies, procedures, and controls are designed to address both fund-level and investment-level risks.
- **Reviewing disclosures on allocations, leverage, and affiliated service providers.** The 2027 Exam Priorities identify disclosures related to certain investments and allocations, the use of debt and fund-level lines of credit, and the use of affiliated service providers as examples.
- **Confirming the accuracy of fee and expense calculations.** The Division states that it will assess the accuracy of fee and expense calculations at both the fund and investment levels, and it identifies fee rebates, cash management, quid pro quo arrangements, deposits, and withdrawals as areas in which economic conflicts of interest may affect the impartiality of advice.
- **Reviewing recommendations of illiquid or hard-to-trade products.** The Division states that it will prioritize advisers that recommend products that are difficult to trade, have unusual features, or are illiquid, including loans provided by private funds or BDCs and investments in private companies through SPVs.
- **Confirming that the compliance program is implemented and reviewed.** The Division states that it will review compliance program components such as marketing, valuation, and custody, as appropriate, and will typically analyze the annual compliance review. It will also focus on compliance practices when advisers have started advising new asset classes or clients or grown through mergers or

acquisitions.

[1] SEC Division of Examinations 2027 Examination Priorities.

[2] See Dorsey's Client Alert on the SEC's fiscal year 2026 exam priorities.