

ALERT

Investment Management

OCTOBER 19, 2026

Regulatory Update and Recent SEC Actions

RECENT SEC ADMINISTRATIVE CHANGES

Commissioner Hester Peirce Departs SEC

Commissioner Hester Peirce resigned from the Securities and Exchange Commission (the “SEC” or the “Commission”), effective October 2, 2026. On October 1, 2026, SEC Chairman Paul S. Atkins and Commissioner Mark T. Uyeda issued a joint statement on the departure of Commissioner Peirce from the SEC. Commissioner Peirce served as a commissioner beginning in 2018, after, among other roles, serving as Counsel to SEC Commissioner Paul S. Atkins and as a staff attorney in the Division of Investment Management. The statement credited her with setting the course toward the Commission’s current effort to build a workable regulatory framework for digital assets, notably through her leadership of the Crypto Task Force. Chairman Atkins and Commissioner Uyeda also praised her principled leadership, her expertise, and her practice of defending her views with integrity while engaging respectfully with those who disagreed. Commissioner Peirce’s second five-year term as a commissioner officially expired in June 2025, and she continued serving past that

date before resigning. Chairman Atkins and Commissioner Uyeda remain as the only two commissioners on the five-member Commission. See below for a discussion of the amendment to the Commission’s quorum rule.

SEC Establishes Financial Reporting and Accounting Unit Within Division of Enforcement

The SEC announced on August 5, 2026, that it is creating the Financial Reporting and Accounting Unit, a new specialized unit within the Division of Enforcement (the “Division”). The unit will bring dedicated expertise, focus, and resources to cases involving accounting and financial reporting fraud, as well as broader misconduct in accounting and auditing. It will be staffed by attorneys and accountants with specialized experience in financial reporting, accounting, and auditing under the securities laws. The unit will be led by Timothy Zimmerman, who joined the Division in May 2026 as a senior advisor to the Director. Prior to joining the SEC, Mr. Zimmerman spent 12 years at an international law firm and most recently served as Deputy General Counsel of an international accounting and professional services firm.

“This new unit – which expands on the Division’s current and historical efforts to crack down on bad actors in the accounting and auditing profession – will be critical in our efforts to pursuing financial reporting fraud, as well as accounting and auditor misconduct more generally,” said Director of the SEC’s Division of Enforcement David Woodcock.

Principal Deputy Director of Enforcement Sam Waldon Concludes Tenure at the SEC; Osman Nawaz Named Successor

The SEC announced on July 22, 2026, that Sam Waldon, Principal Deputy Director of the Division of Enforcement, was leaving the agency effective July 31, 2026, after more than 14 years of service. Mr. Waldon started at the SEC as a staff attorney and later served as Assistant Chief Counsel and then Chief Counsel in the Division from 2022 through 2024. He served as Acting Deputy Director from October 2024 to January 2025 and as Acting Director of Enforcement twice, in 2025 and 2026.

Mr. Waldon will be succeeded by Osman Nawaz, who served at the SEC from 2010 to 2024 and recently rejoined the agency. Mr. Nawaz previously held several roles, including staff attorney, Assistant Regional Director, and Chief of the Complex Financial Instruments Unit.

Paul Knight Appointed as SEC’s Chief Operating Officer

The SEC announced on July 6, 2026, that Paul Knight has been appointed as the Commission’s new Chief Operating Officer. Prior to his appointment, Mr. Knight worked at JPMorgan Chase as U.S. Business Growth Lead.

Mr. Knight returns to the Commission after previously serving at the SEC from 2008 to 2012. Among other roles, he served as the interim managing executive for the Division of Economic and Risk Analysis. He also served as a senior advisor and business manager at the U.S. Department of the Treasury from 2012 to 2014. Mr. Knight earned his bachelor’s degree from University of Maryland

Baltimore County, his M.B.A. from Johns Hopkins University Carey Business School, and his certificate in Commercial Real Estate from Cornell University.

SEC RULEMAKING

SEC Proposes Expanding Securities Eligible for Cross Trading by Registered Funds

The SEC proposed amendments on October 9, 2026, to Rule 17a-7 under the Investment Company Act of 1940, as amended (the “1940 Act”). Section 17(a) of the 1940 Act prohibits certain principal transactions between registered funds and their affiliates, including cross trades involving the purchase or sale of portfolio securities between a registered fund and certain affiliates. Rule 17a-7 provides a conditional exemption from these prohibitions for certain transactions. The SEC notes that cross trades can lower a fund’s trading costs, such as brokerage commissions and bid-ask spreads. The proposed amendments would expand the types of securities eligible for trading under the rule to include securities that the registered fund values based on inputs that are observable, either directly or indirectly, which would cover most fixed-income securities. The proposal would also revise the rule’s pricing requirements to permit cross trades to be priced using either of two methods, each of which would satisfy the independent current market price requirement. The first pricing method would use the value of the security determined in the registered fund’s next computation of its net asset value. Under the second method, the cross trade would be effected at a price that the registered fund’s investment adviser determines reasonably represents the current market price for the security using one or more unaffiliated pricing sources. If the registered fund uses the second method, the fund’s investment adviser would be required to periodically review the reasonableness of these prices.

The proposal would also amend the rule’s current board oversight requirements. For instance, before each cross trade, a fund’s investment adviser would have to

determine that the trade is in the fund's best interest. The fund's chief compliance officer would be required to review cross trades for compliance on a quarterly basis, conduct back-testing at least annually, and report the results to the board. In addition, the proposal would impose new recordkeeping requirements and require aggregated reporting of trading activity and cross trades in Form N-PORT and Form N-MFP. The amendments would also include other modernizing changes, such as expressly permitting de minimis payments to unaffiliated service providers.

The comment period will remain open for 60 days after the proposing release is published in the Federal Register.

The full rule proposal can be accessed [here](#).

SEC Amends Commission Quorum Rule

The SEC adopted amendments to its quorum rule, Rule 200.41, effective October 2, 2026. Three Commissioners will still generally make up a quorum, and if only one or two Commissioners are in office, that number is a quorum. Under the amended rule, if every other Commissioner in office is disqualified from a matter and only one Commissioner can take part, that Commissioner alone constitutes a quorum for that matter. The Commission explained that it has at times had fewer than three members and that Commissioners are often disqualified from particular matters, and the change is meant to let it keep conducting business in those situations. Because the amendments concern only internal agency procedure, the Commission adopted them without notice and public comment under the Administrative Procedure Act ("APA").

The final rule can be accessed [here](#).

SEC Proposes to Address the Custody of Crypto Assets Under the Investment Advisers Act and the 1940 Act

On October 1, 2026, the SEC proposed new custody rules under the 1940 Act, and amendments to the custody

rule under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The proposal addresses how registered investment advisers, registered funds, and business development companies (together, "regulated funds") may hold crypto assets. The Commission indicated that the proposal was necessary because crypto assets' particular features have made it difficult to comply with the current rules, and few eligible custodians can hold many of these assets. Where no qualified custodian is available, the proposal would allow advisers to hold client crypto assets themselves, including those of regulated funds, subject to safeguarding, reporting, and fund board oversight conditions. It would also allow state trust companies to act as crypto custodians if the adviser or fund confirms they are properly authorized and can adequately safeguard client assets.

The comment period will remain open for 60 days after the proposing release is published in the Federal Register.

The full rule proposal can be accessed [here](#).

SEC Proposes Interval Fund Modernization and Expansion of Multiple Share Class to Registered Closed-End Management Investment Companies and Business Development Companies

On September 30, 2026, the SEC proposed amendments to Rule 23c-3 under the 1940 Act, which allows registered closed-end funds and business development companies to repurchase their shares at net asset value at set intervals under a fundamental policy (such funds, "interval funds"). The proposed amendments would allow greater flexibility in the rule's repurchase offer framework and revise the rule's requirements for managing liquidity. Specifically, the proposed amendments would:

- allow a new interval fund to wait up to two years before its first repurchase offer, instead of two repurchase periods;

- allow monthly repurchase intervals, which are currently available only through exemptive relief;
- permit discretionary repurchases once a year instead of once every two years; and
- allow deferred sales loads to be deducted from repurchase proceeds.

The Commission also proposed amending Rules 18f-3 and 17d-3 under the 1940 Act so that registered closed-end funds and business development companies could offer multiple share classes and pay asset-based distribution and service fees without an individual exemptive order. Multiple share classes would be available only to funds whose shares are offered continuously and are not listed or traded on a secondary market.

The full rule proposal can be accessed [here](#). Comments on the release are due on or before December 4, 2026.

SEC Proposes Amendments to Expand the Ability of Investment Advisers to Receive Performance-Based Compensation

The SEC voted on September 30, 2026, to propose amendments to Rule 205-3 under the Advisers Act, which is the generally applicable exemptive rule that exempts registered investment advisers from the prohibition on receiving compensation based on a client account's capital gains or appreciation. The Commission explained that performance-based compensation has long been a defining feature of hedge fund, private equity, and venture capital strategies. The proposed amendments would do the following:

- expand investment advisers' ability to receive performance-based compensation, calculated on capital gains or capital appreciation, from clients that are regulated funds;

- require disclosure of all performance-based compensation paid by regulated funds to their investment adviser in certain fund registration and reporting forms;
- allow investment advisers to receive this compensation from additional clients by revising the rule's "qualified client" definition to include investors that meet the "accredited investor" definition in Regulation D under the Securities Act of 1933, as amended (the "Securities Act"); and
- make conforming amendments to certain rules under the Advisers Act whose provisions reference the "qualified client" definition.

The full rule proposal can be accessed [here](#). Comments on the release are due on or before December 7, 2026.

SEC Staff Grants Limited Proxy Voting Relief for Registered Funds

The SEC's Division of Investment Management issued a no-action letter (the "Letter") on September 29, 2026, in response to a request from the Mutual Fund Directors Forum ("MFDF"). The Letter permits registered investment companies and business development companies (each, a "Fund") to implement a directed shareholder voting program (a "Directed Voting Program"). Under the program, retail shareholders could voluntarily give a standing, revocable instruction to vote their shares in line with the Fund board's recommendations, at no cost. The instruction would apply only to matters approved unanimously by the Fund's directors who are not "interested persons" under the 1940 Act ("Independent Directors"). The program would not cover contested director elections or shareholder votes on changes to the Fund's advisory agreement with its primary adviser. Participating shareholders could also choose to exclude votes on Fund mergers and on 12b-1 plan changes

that increase fees. The Independent Directors would have to unanimously approve the program before it is implemented and reapprove it at least every three years.

Participating shareholders would continue to receive proxy materials. They could opt out of the Directed Voting Program to cancel their standing voting instruction at any time and at no cost. Participating shareholders could only opt out of the standing voting instruction for meetings for which the Fund has not yet filed a definitive proxy statement or a registration statement on Form N-14. Funds would have to disclose the program on their websites and in relevant proxy statements, file program materials with the SEC, and send participants an annual reminder of their options. Based on the facts and representations presented in MFDF's requesting letter, the SEC staff stated that it would not recommend enforcement action to the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rules 14a-3(a), 14a-4(d)(2), 14a-4(d)(3), 14a-4(f), 14a-6(o), 14a-10, and 14a-12(a) if a Fund implements a Directed Voting Program as described in MFDF's requesting letter.

The Letter can be accessed [here](#).

SEC Proposes Rescission of Shareholder Proposal Rule and Reforms to Proxy Solicitation Process

The SEC proposed on September 16, 2026, to rescind Rule 14a-8 under the Exchange Act. The Commission stated that the rule goes beyond its statutory authority and intrudes on matters governed by state law. It further stated that many of the justifications for the rule have not been substantiated and the rule has had unintended consequences, including an implied federal preemption that may have discouraged states from developing their own shareholder proposal laws. If the rule is rescinded, the role of shareholder proposals would be left to state law and each company's governing documents. The Commission also proposed amendments to Rule 14a-4(c) under the Exchange Act to give

companies more flexibility, and shareholders more control, over the proposals for which a company may seek discretionary proxy voting authority.

In a separate proposal, the Commission proposed amendments to modernize the proxy solicitation process for current technology and shareholder communication practices. The amendments would eliminate the requirement that companies deliver an annual report to shareholders, remove the delivery deadline for documents incorporated by reference into a proxy statement, eliminate the requirement and ability to submit Notices of Exempt Solicitation, and shorten the minimum broker search period from 20 business days to five business days.

"Today, the Commission issued two proposing releases related to its proxy rules under the Securities Exchange Act of 1934. The proposals reflect two of my highest regulatory priorities. First, ensuring that the Commission does not improperly intrude into state corporate law when applying the federal securities laws. Second, updating the Commission's rules to reflect developments in market practice and technology, and other innovations, since the rules' adoption or last amendment," said SEC Chairman Paul S. Atkins.

The full proposals can be accessed [here](#) and [here](#). Comments on the releases are due on or before November 20, 2026.

SEC Proposes Rescission of Pay-to-Play Rule for Investment Advisers

The SEC proposed on September 3, 2026, to rescind Rule 206(4)-5 (the "Pay-to-Play Rule") under the Advisers Act. The Pay-to-Play Rule bars an investment adviser from receiving compensation for advisory services provided to a government client for two years after the adviser makes a political contribution to certain

elected officials or candidates. The proposal would also amend the Advisers Act recordkeeping rule to remove the related recordkeeping provisions. The Commission noted adviser feedback that the rule is difficult to put into practice and operates as a de facto strict liability standard where small donations or technical missteps can result in substantial prohibitions and fines. The Advisers Act's other requirements would continue to apply, including its antifraud prohibitions, fiduciary duty, the compliance rule, and the code of ethics rule.

"After more than 15 years of experience administering the 'pay-to-play' rule, it is clear that it is overly prescriptive and has produced a host of unintended consequences. Beyond operational implementation challenges, it has imposed serious penalties for small, often impulsive donations to candidates in both parties, and routinely punishes and handicaps advisory firms for an employee making a donation even before joining the business. Furthermore, advisers' implementation of the rule has effectively resulted in the suppression of political speech... Ultimately, matters involving political contributions are more properly governed by local ordinances, state laws, and federal election regulations—not by the SEC," said SEC Chairman Paul S. Atkins.

The full rule proposal can be accessed [here](#). Comments on the release are due on or before November 9, 2026.

SEC Proposes to Modernize Rules for Registered Transfer Agents

On September 1, 2026, the SEC proposed new and amended rules for registered transfer agents under the Exchange Act, along with amendments to Forms TA-1 and TA-2 and the rescission of Rule 17ad-4. The SEC noted that its transfer agent rules, which have not been substantively updated since they were first adopted in the late 1970s and early 1980s, do not address modern electronic systems, tokenized securities, cybersecurity, or

paying agent activity. Among other changes, the proposed amendments would recast Rule 17ad-12 as a comprehensive risk management rule, requiring written safeguarding and risk policies, a business continuity plan, and the holding of third-party funds in segregated "for the benefit of" bank accounts. New Rule 17ad-30 would require written compliance policies and procedures that are approved by the transfer agent's board at least annually, and new Rule 17ad-31 would require a reasonable basis before a transfer agent removes a restrictive legend or facilitates an unregistered securities transaction. The proposal would also update recordkeeping, turnaround, and lost securityholder requirements.

The full rule proposal can be accessed [here](#). Comments on the release are due on or before November 3, 2026.

SEC Proposes Regulation Crypto Assets

On August 18, 2026, the SEC proposed new rules titled "Regulation Crypto Assets," which would create a tailored offering framework for certain investment contracts involving crypto assets. The proposal builds on the Commission's March 2026 interpretation of how the federal securities laws apply to certain crypto assets and related transactions. The Commission stated that the goal is to remove long-standing obstacles to responsible capital formation and innovation in U.S. crypto asset markets while keeping core investor protections. The proposal includes two exemptions from registration under Section 5 of the Securities Act. The first exemption would permit offerings of up to \$5 million over a four-year period, and the second exemption would permit offerings of up to \$75 million during each 12-month period. Issuers relying on either exemption would have to give investors certain principles-based narrative disclosures. Issuers using the second exemption would also have to provide financial statements and be subject to ongoing reporting requirements.

The proposal would create a conditional safe harbor from the term “investment contract” in the definitions of “security” under the Securities Act and the Exchange Act. If an issuer meets certain conditions, the crypto asset would be treated as not subject to an investment contract for purposes of those definitions. The proposed rules would also preempt state securities registration and qualification requirements for offers and sales under the new exemptions and for certain secondary market transactions. The Commission stated that the proposal is intended to clarify when crypto assets fall under the federal securities laws, reduce issuers’ incentives to operate offshore, and expand opportunities for U.S. investors.

“In line with the Commission’s earlier interpretative guidance, this proposal would also allow for a safe harbor once an issuer has completed or permanently ceased all essential managerial efforts that it represented or promised it would take under an investment contract,” said SEC Chairman Paul S. Atkins.

The full rule proposal can be accessed [here](#). Comments on the release are due on or before October 20, 2026.

SEC Adopts Technical Amendments to Fund Governance Standards to Reflect 2006 Court Vacatur

The SEC adopted technical amendments to Rule 0-1(a)(7) under the 1940 Act, effective upon publication in the Federal Register on August 6, 2026. Rule 0-1(a)(7) establishes the governance standards that a fund must satisfy to rely on certain exemptive rules under the 1940 Act.

In 2004, the Commission amended the standards to require that at least 75 percent of a fund’s directors be independent and that the board chair also be an independent director. In 2006, a federal court of appeals vacated both requirements in *Chamber of Commerce of the United States v. SEC*. The court held that the

Commission had violated the APA by relying on materials not made available for public comment. The vacatur became effective on July 6, 2006, and restored the prior standard, which requires only that a majority of a fund’s directors be independent in order for the fund to rely on certain exemptive rules under the 1940 Act. The current technical amendments conform the text of the Code of Federal Regulations to the court’s decision.

Because the amendments impose no new substantive obligations and only reflect the vacatur, the Commission invoked the APA’s good cause exception. As a result, the amendments were adopted without notice and comment and took effect without the customary 30-day delay.

SEC Staff Provides No-Action Relief for ETF Creation Baskets During Passive Concentration Exceedances

The staff of the Office of Chief Counsel of the SEC’s Division of Investment Management issued a no-action letter on July 27, 2026, in response to a request from the Investment Company Institute (“ICI”). The letter addresses how exchange-traded funds (“ETFs”) may handle creation activity while their holdings in a particular industry or group of industries exceed their disclosed concentration policy. Under the 1940 Act, a registered fund must disclose its concentration policy and generally may not depart from it without shareholder approval.

ICI represented that market movements may cause an ETF’s holdings in an industry to exceed this threshold for reasons outside management’s control (a “passive exceedance”). It further represented that ETFs generally cannot control when authorized participants submit creation orders, which may increase an ETF’s exposure to that industry. ICI noted that prior staff guidance on concentration was developed for traditional funds and does not address in-kind creation baskets.

The staff stated that based on the facts and representations set forth in the ICI’s letter, it would not

recommend enforcement action under Sections 13(a)(3) or 34(b) of the 1940 Act against an ETF that, during a passive exceedance of its disclosed concentration policy, with respect to investments in any particular industry or group of industries, does any of the following:

- receives a pro rata creation basket that includes one or more investments in such industry;
- uses cash received in lieu of a creation basket component, where such component represents an investment in such industry, to purchase the component security up to an amount consistent with a pro rata creation basket; or
- receives a non-pro rata creation basket where the weighting of such industry is consistent with the weighting of the industry in a pro rata creation basket.

The staff confirmed that the relief applies equally to actively managed and index-based ETFs.

The full no-action letter can be accessed [here](#).

SEC ENFORCEMENT ACTIONS AND OTHER LITIGATION

SEC Settles Charges Against Investment Adviser for Failure to Disclose Conflicts of Interest

The SEC announced on September 28, 2026, that it settled charges against an investment adviser that ran a service referring individuals to advisers in its network. According to the SEC's order, the investment adviser had a financial interest in network advisers using its sub-advisory and back-office platform. Although its matching algorithm did not take platform use into account, its salespeople often recommended advisers the algorithm had not selected. The investment adviser did not adequately disclose the resulting conflict in its Form ADV brochure until December 2024, and it inaccurately

described how it mitigated a separate ownership-related conflict. Without admitting the findings, which include a willful violation of Section 206(2) of the Advisers Act, the investment adviser agreed to a cease-and-desist order, a censure, and a \$450,000 civil penalty.

Shareholder Files Section 36(b) Excessive Fee Suit Against Business Development Company Adviser

A shareholder of a publicly traded business development company ("BDC") filed a complaint on July 15, 2026, in the U.S. District Court for the Southern District of New York against the BDC's investment adviser (the "Adviser"). The plaintiff sued derivatively on the BDC's behalf under Section 36(b) of the 1940 Act, alleging that the Adviser breached its fiduciary duty by charging excessive advisory fees. The complaint alleges that the Adviser inflated the valuations of the BDC's illiquid investments and collected fees based on those valuations and accrued payment-in-kind interest that had not been received in cash. The plaintiff further alleges that the Adviser's role as the BDC's valuation designee created conflicts of interest because its valuation determinations affected its compensation. The lawsuit seeks, among other relief, recovery of allegedly excessive fees and rescission or reformation of the investment advisory agreement.

OTHER INDUSTRY HIGHLIGHTS

SEC's Division of Examinations Publishes New Exam Handbook

The SEC's Division of Examinations published a new examination handbook on October 1, 2026, titled "The SEC Exam Handbook: A Practical Guide on Process and Engagement" (the "Handbook"). The Handbook replaces the Division's earlier examination brochure and gives registrants more detail about what to expect during an examination. It describes the process Division examiners follow nationwide, with the aim of promoting consistency. The Handbook covers each stage of an examination, from risk assessment through the disposition letter. It

also describes ways for registrants to give feedback or ask questions, and offers practical tips and resources for preparing for an examination and keeping up with compliance obligations.

The Handbook can be accessed [here](#).

SEC Staff Issues Statement on Fair Value Measurement and Disclosure Considerations for Private Assets

SEC Chief Accountant Kurt Hohl and Division of Investment Management Director Brian Daly issued a statement on September 28, 2026, reminding registrants and auditors of existing requirements for valuing and disclosing private assets, particularly private credit. The statement noted that private credit held by registered funds grew nearly 60 percent, to \$270 billion, between December 2020 and December 2025. Because these loans are illiquid and lack quoted prices, their valuations rely heavily on judgment. The staff reminded management that valuations must reflect market participant assumptions and be calibrated to the transaction price at initial recognition, and that a lack of timely borrower information does not excuse the duty to estimate fair value. The staff cautioned against boilerplate or overly aggregated disclosure. It also highlighted the potential importance of disclosure about loan restructurings, non-accrual policies and payment-in-kind interest, and about the conditions for using a private fund's reported net asset value as a measure of fair value. Finally, it urged auditors to apply professional skepticism to these valuations, especially during market disruptions.

Treasury and IRS Issue Notice 2026-62 Regarding Potentially Abusive Investment Fund Strategies

The Department of the Treasury and the Internal Revenue Service (the "Agencies") issued Notice 2026-62 (the "Notice") on September 28, 2026. The Notice identifies and requests public comment on several novel investment fund strategies that, in the Agencies' view,

claim tax results inconsistent with the purpose of the federal tax rules. The Notice states that many of the strategies involve the purported application of Section 852(b)(6) of the Internal Revenue Code of 1986, as amended, to produce results inconsistent with the purpose of that provision. The Notice explains that in several of these strategies, exchange-traded funds use the rules applicable to their transactions not simply to operate in the normal course of carrying out their investment strategies, but to avoid the inclusion by the fund or its shareholders of income or gain that the tax rules contemplate.

The Notice also describes multi-position strategies that so-called "tax-aware" funds appear to use to generate capital gains alongside ordinary losses that can offset unrelated income. At the same time, the Agencies issued Rev. Rul. 2026-20. The ruling treats certain contributions of appreciated securities to exchange-traded funds, made as part of a plan involving a redemption shortly thereafter, as taxable exchanges rather than tax-deferred contributions. The Agencies are also considering further guidance, which could apply retroactively. The Notice generally does not address conventional exchange-traded fund creation and redemption activity.

The Notice can be accessed [here](#). Comments are due by October 28, 2026.

SEC Division of Examinations Issues Risk Alert on Investment Adviser Annual Compliance Reviews

The SEC's Division of Examinations issued a Risk Alert on September 14, 2026 (the "Alert") sharing the findings of examiners with respect to SEC-registered investment advisers' annual compliance reviews. Rule 206(4)-7 (the "Compliance Rule") under the Advisers Act requires advisers to review their compliance policies and procedures at least annually to assess whether they are adequate and effectively implemented. Advisers must also keep records of those reviews. The staff observed that some advisers skipped years or let more than 12 months

pass between reviews, sometimes because of events such as a chief compliance officer's departure. The staff further noted that some advisers treated compliance training or employee attestations as a substitute for a review, and some kept missing reviews even after receiving deficiency letters on the same issue.

The staff also found advisers that had incomplete review procedures, did not follow their own procedures, or reviewed superseded versions of their policies. The staff further observed annual reviews that did not catch gaps between advisers' policies and their actual practices. For instance, these included fee billing that departed from client disclosures and proxy voting policies that did not match what advisers told clients or actually did. Some advisers did not keep the documentation their reviews generated or never prepared required review reports. Others failed to make recommended corrective changes, in some cases while stating that the changes had already been made. The Division encourages advisers to reflect on their own practices, policies, and procedures and to make appropriate changes to their annual review processes.

The full risk alert can be accessed [here](#).

For more information or assistance, please contact [Thomas R. Westle](#), [Stacy H. Louizos](#), or another member of the [Investment Management](#) group.

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Thomas R. Westle
212.885.5239 | thomas.westle@blankrome.com

Stacy H. Louizos
212.885.5147 | stacy.louizos@blankrome.com

Abby M. Morenigbade
202.420.2216 | abby.morenigbade@blankrome.com

Tyler K. Buchholz
202.420.2325 | tyler.buchholz@blankrome.com

Margaret M. Murphy
212.885.5205 | margaret.murphy@blankrome.com