



**U.S. Securities and
Exchange Commission**

Fiscal Year 2027

Examination Priorities

Division of Examinations

DISCLAIMER

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MESSAGE FROM THE LEADERSHIP TEAM

The beginning of each fiscal year gives us an opportunity to assess the environment shaping our examination responsibilities and prepare for the year ahead. Today's capital markets continue to thrive and evolve, marked by growth in the number of registered investment advisers and the amount of assets they manage, the emergence of new self-regulatory organizations, and ongoing innovation across registrant operations. Against this backdrop, the Division of Examinations (EXAMS or Division) remains focused on adapting to support the U.S. Securities and Exchange Commission's (SEC) mission to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.

The Division is committed to operating in a way that is both accessible and integrated. This commitment extends to our colleagues in the other SEC divisions and offices and to the registrants we are responsible for examining. We strive to set clear expectations with registrants, engage with them during regular outreach events, provide transparency into our priorities and how we select candidates for examination, and follow through by communicating the compliance risks we see during examinations.

A central focus this year is strengthening how registrants access the observations we gather in our examinations and how they interact with us throughout the examination process. Sharing timely, practical examination observations, while giving registrants a chance to share their perspectives, supports the dialogue that shapes how we carry out our examination responsibilities. We learn from those who work in the markets and industries we regulate and our outreach brings staff and registrants together to discuss common compliance questions, examinations related to newly adopted rules, and ways to optimize the examination process.

The Division's Compliance Outreach Program supports this focus on accessibility by providing forums at the regional and national level to share updates and examination observations and discuss compliance directly with registrants and other market participants. Beyond these events, Division staff regularly meet with these stakeholders through conferences and speaking engagements, exchanging perspectives on compliance trends, examination observations, and emerging risks. We also publish examination observations in risk alerts, which can help firms assess their own supervisory, compliance, and risk management systems and make proactive adjustments where appropriate.

As part of the Division's goal to be more accessible, earlier this month, we published "The SEC Exam Handbook: A Practical Guide on Process and Engagement," which replaces and expands upon the previous examination brochure by providing registrants with more insight and detail about what to expect during an examination. The new handbook helps ensure consistency and provides a clear roadmap of the process covering each stage of an examination, avenues to provide feedback or ask questions, and practical tips and helpful resources.

We are also working to strengthen EXAMS' integration with policymaking divisions and offices across the agency, which plays a key role in informing our planning and promoting consistency in the application of the federal securities laws. We do this by regularly sharing examination observations and industry developments. These collaborative efforts deepen our collective understanding of how firms operate and help ensure that examinations and policy work reflect evolving risks and practices.

We also benefit from greater integration with fellow regulators. Recently, through an enhanced Memorandum of Understanding (MOU), the SEC and the Commodity Futures Trading Commission reaffirmed our shared commitment to supporting lawful innovation, strengthening market integrity, and protecting investors and customers. The MOU deepens coordination on shared oversight areas, including coordinated examination planning and opportunities for joint or aligned examinations, and promotes clear, consistent supervision across markets. A separate MOU with the National Futures Association supports similar coordination where our responsibilities intersect. We also continue to enhance our coordination with the Financial Industry Regulatory Authority on oversight of its members and with foreign regulators on matters of common regulatory interest.

Over the last two years, we have also advanced several strategic projects to plan and assess examinations, outreach, and other activities across the organization. These include an examination projection model to improve risk-based resource allocation and a metric-based framework to help leadership assess the Division's overall effectiveness. As our people are our greatest asset, investing in their growth is essential to the strength of the Division.

Alongside modernizing our systems, we are fostering a culture of continuous learning, development, and preparedness. The Division is developing a comprehensive training and readiness framework to identify the staff skills and expertise needed to continue to accomplish our mission and support leadership in talent management. The framework ingrains training as a prominent, integral part of the Division. It addresses ongoing assessment of staff knowledge levels, filling any knowledge gaps, and having leaders be accountable for the training and readiness levels of their staff. By making development a core part of leadership and operations, we are building a stronger, more capable organization today while preparing staff and the Division for the challenges and opportunities of tomorrow.

Additionally, we are adapting to the ways technology is reshaping both the industry and the Division's own work. A key part of our strategy is ensuring the Division is equipped to meet each challenge. Registrants are increasingly incorporating super intelligence (SI) into their businesses. For example, they are using generative SI tools to support research, drafting, coding, and client communications, as well as advisory and portfolio management functions, and compliance monitoring and surveillance. As these capabilities grow more sophisticated and embedded in daily business processes, the Division is intensifying its efforts to understand how the technologies influence outcomes and whether firms continue to comply with existing, technology-neutral obligations.

There is also a sustained effort across the Division to integrate SI responsibly into examinations and risk assessment, augmenting staff capacity, enhancing oversight, and supporting mission-critical work without displacing examiner judgment. We are undertaking a modernization initiative that is at the core of this effort, with aims of updating our processes and technology, increasing automation, reducing manual and duplicative steps, and improving usability. This includes identifying where SI-supported tools may strengthen analysis, improve workflow efficiency, or detect patterns and risks across complex datasets, while supplementing, but not replacing, staff judgment.

Taken together, these efforts reinforce the Division's commitment to keeping examinations accessible, integrated, and grounded in real-world market conditions. We will continue refining our processes, strengthening coordination across the SEC and with fellow regulators, and sharing examination insights that enhance oversight.

We are pleased to present the Division's priorities for fiscal year 2027.

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DIVISION OF EXAMINATIONS: FISCAL YEAR 2027 EXAMINATION PRIORITIES

The Division of Examinations (Division) develops its examination priorities in coordination and consultation with the other divisions and offices throughout the SEC and by considering, among other things, prior examinations, market events, information gathered through participation in conferences and conversations with investors, registrants, industry groups, and other regulators. They reflect practices, products, and services that the Division believes present heightened risks to investors or to the integrity of the U.S. capital markets. They are not the only areas the Division will address in examinations. The Division will devote resources to and cover other areas. The Division continuously assesses these risks and consults with colleagues around the SEC to best support the SEC's mission and priorities. Further, the Division's priorities may shift in response to new or emerging risks, products and services, market events, or investor concerns.

The Division welcomes comments and suggestions on how it can better fulfill its mission to promote compliance, prevent fraud, identify and monitor risk, and inform SEC policy. Contact information is available at [SEC.gov | Division of Examinations](https://www.sec.gov/divisionofexaminations). If you suspect or observe activity that may violate the federal securities laws or otherwise operate to harm investors, please notify the SEC at [SEC.gov | Welcome to Tips, Complaints, and Referrals](https://www.sec.gov/welcome/tips-complaints-referrals).

I. INVESTMENT ADVISERS

A. Fiduciary Standards of Conduct

The Division continues to focus on whether SEC-registered investment advisers (advisers) adhere to their fiduciary duties, particularly with respect to practices that affect retail and older investors, including those saving for retirement. Examinations will review whether advisers have provided full and fair disclosures of all material facts relating to their advisory relationships, conducted reasonable due diligence into products or services recommended to clients, adopted and evaluated the effectiveness of compliance policies and procedures, and assessed the reasonableness of their valuation processes and methodologies.

The Division will prioritize reviewing advisers' fiduciary obligations relating to economic conflicts of interest.¹ These reviews will assess whether advisers' financial conflicts may affect the impartiality of their advice in certain areas, such as fee rebates, fee and expense calculations, cash management, quid pro quo arrangements, deposits, and withdrawals.

Another area of emphasis is fiduciary obligations related to the formulation of investment advice. These assessments will evaluate the range of factors advisers consider as part of their process for providing investment advice and whether

¹ See Division, [Risk Alert: Examinations Observations of Investment Adviser Obligations Related to Economic Conflicts of Interest](#) (Jun. 9, 2026) (provides information regarding economic conflicts of interest observed by the staff that were undisclosed or the disclosures were incomplete or misleading, and examples of adviser practices that were inconsistent with advisory agreements and disclosures and compliance programs that did not fully address economic conflicts of interest and risks).

the characteristics of the investment products or strategies are consistent with client profiles, investment objectives, risk tolerance, and other mandates. Examples of the factors assessed include liquidity, risk profile and potential rewards, volatility, projected performance across diverse market and economic conditions, time horizons, and costs (including exit costs). Examinations will pay particular attention to any unique features that may have an impact on the suitability or performance of investment recommendations.

The Division will also prioritize advisers that recommend products that are difficult to trade, have unusual features, or are illiquid. These products include alternative investment products, such as loans provided by private funds or business development companies (BDCs), investments in private companies through special purpose vehicles, and complex and higher-risk investments such as exchange-traded funds (ETFs) based on less liquid assets, option-based funds, inverse ETFs, single-stock ETFs, and zero-days-to-expiration options.

When examining advisers to private funds, reviews will assess investment-related disclosures of risks for consistency with fiduciary standards, and whether compliance policies, procedures, and controls are designed to address both fund-level and investment-level risks. Examples include disclosures related to certain investments and allocations, use of debt and fund-level lines of credit, use of affiliated service providers, and the accuracy of fee and expense calculations at both the fund and investment levels.

The Division will also focus on advisers that use certain third-party service providers. This includes advisers using third parties to access clients' accounts, where existing controls may be insufficient to protect client assets and data. Also, the Division will examine advisers that rely on proxy advisory firms, assessing how those advisers evaluate such

recommendations, examine their bases, identify potential conflicts of interest, and determine whether that reliance satisfies applicable legal obligations.

B. Compliance Programs

The Division's evaluation of compliance program effectiveness is a critical element of the examination process. The Division will review key components of an adviser's compliance program that address areas of its business and operations such as marketing, valuation, trading, portfolio management, disclosure and filings, and custody, as appropriate for each specific examination. Examinations will also typically analyze an adviser's annual compliance review.

The Division continues to prioritize review of whether policies and procedures are reasonably designed to address conflicts of interest, in light of a firm's particular operations, and to prevent advisers from placing their interests ahead of clients' interests. Examinations will focus on whether the policies and procedures are implemented, and whether disclosures address fee-related conflicts of interest, particularly those arising from account and product compensation structures.

The Division will focus on compliance practices when advisers have undergone certain changes. This includes when advisers have changed their business models or have started advising different types of clients, providing advice regarding new asset classes, or providing new services. The Division will also prioritize advisers that have grown through mergers, acquisitions or other means, or are operating from multiple geographically dispersed branch offices. The Division will assess whether, as appropriate, the adviser has adapted its compliance program in response to these changes and whether it has identified and made any necessary changes to address new conflicts of interest. The Division will also review whether advisers with activist

engagement practices are making timely and accurate filings on Schedules 13D and 13G and Forms 13F, 13H, 3, 4, 5, and N-PX, as applicable.

C. Never-Examined Advisers and Recently Registered Advisers

The Division will continue to prioritize examinations of advisers that have never been examined, with particular emphasis on recently registered advisers. These examinations evaluate, among other things, the adviser's compliance with regulatory requirements and its processes for identifying, addressing, and disclosing risks and conflicts of interest. These inquiries help the Division assess whether these advisers—like all registered advisers—adhere to their fiduciary duty to clients.

II. INVESTMENT COMPANIES

The Division will prioritize examinations of registered investment companies (RICs), including mutual funds and ETFs, given their significance to retail and older investors, including those saving for retirement. RIC examinations typically assess compliance programs, disclosures, governance practices, and filings, such as summary prospectuses. Examinations will focus particularly on RIC operations relating to, first, fund fees and expenses, including any related waivers or reimbursements, and second, portfolio management practices and whether related disclosures align with stated investment strategies, fund filings, and marketing materials.

The Division will also continue to monitor certain developing areas of interest. This includes RICs holding complex products, less liquid or illiquid investments, including private credit, and the associated issues regarding valuation, redemptions, and disclosures of conflicts of interest and risks. Other areas of focus include RICs that use novel or complex investment strategies, including in funds

with leverage vulnerabilities, such as BDCs and inverse and leveraged ETFs, and RICs that operate in reliance on exemptive orders, including their implementation and compliance with such orders.

As with adviser examinations, the Division will continue its prioritization of never-before-examined RICs.

III. BROKER-DEALERS

A. Financial Responsibility Rules

The Division will continue to focus on compliance with the Net Capital Rule, the Customer Protection Rule, and related internal processes, procedures, and controls. This will include recent amendments to the Customer Protection Rule relating to daily customer reserve computations and U.S. Treasury clearing. Examinations will also assess credit, market, and liquidity risk management controls relating to whether firms have sufficient liquidity to manage stress events and to remain in compliance with the Net Capital and Customer Protection Rules. Finally, examinations will assess prime brokerage activities considering concentration, liquidity, and counterparty credit risks.

B. Trading-Related Practices and Services

Equity and fixed-income trading practices remain a Division priority. With more trading venues offering extended trading hours, the Division will review operational challenges, availability of liquidity providers, whether the providers are willing, ready, and able to provide liquidity on and off exchange, and policies and procedures related to market and credit risk management. The Division will also review broker-dealers' routing and execution of orders, including compliance with best execution obligations, and review the pricing and valuation of illiquid instruments, such as private credit and private equity. Examinations of municipal securities will include a focus on priority of orders.

C. Retail Sales Practice, Including Compliance with Regulation Best Interest

The Division will continue to examine sales practices, including those related to Regulation Best Interest (Reg BI), and focus on the following areas: (1) recommendations of products and investment strategies, including account and rollover recommendations; (2) conflict identification and mitigation practices; (3) processes for reviewing reasonably available alternatives; (4) information given to customers to satisfy the Disclosure Obligation; and (5) processes for satisfying the Care Obligation, including consideration of costs, relevant factors in a customer's investment profile, and the characteristics of the product and account type.

Examinations will focus on those recommended products that are complex or have heightened risk factors, such as volatility, concentration of risk, or that represent a growth area for retail investment. Products that may be of particular interest include: (1) variable and registered index-linked annuities; (2) ETFs or other products that invest in illiquid assets, such as private equity or private credit; (3) low-priced securities or securities of small capitalization issuers; (4) zero-days-to-expiration options; (5) single-stock or focused markets ETFs; (6) private placements; (7) structured products; (8) alternative investments; and (9) other products that have complex fee structures or return calculations, are based on exotic benchmarks, or are illiquid.

Examinations will assess certain types of recommendations, including recommendations that: (1) move an investment to a substantially similar product; (2) relate to opening different account types, such as option, margin, and self-directed IRA accounts; and (3) are made to older and vulnerable investors and those saving for retirement or college.

Examinations of dual registrants remain a priority. These may include reviews of firms' processes for identifying, mitigating, or eliminating conflicts of interest where dual registrants receive compensation or other financial incentives. Other areas of interest include account allocation practices, including account selection practices and allocation of investments where an investor has more than one type of account. With respect to account selection practices, this may include the recommendation to open a brokerage versus an advisory account or recommendations to open wrap fee accounts.

The Division's examinations will review the content of a broker-dealer's relationship summary (Form CRS), including how the broker-dealer describes: (1) the relationships and services that it offers to retail investors; (2) its fees and costs; and (3) its conflicts of interest. Reviews will also include whether the broker-dealer accurately discloses its and its financial professionals' disciplinary history.

As part of its mission to inform policy, the Division will review how broker-dealers supervise: (1) compensation or other payments to unregistered persons who may be acting as finders for the broker-dealer; and (2) transaction-based compensation paid to personal-service entities not registered as broker-dealers.

D. Anti-Money Laundering (AML)

The Division will continue to focus on broker-dealers' AML programs and review whether broker-dealers are: (1) appropriately tailoring and updating their AML program to their business model and associated AML risks, including accounting for risks associated with omnibus accounts, particularly omnibus accounts maintained for foreign financial institutions and risks associated with significant growth in their

business; (2) adequately conducting independent testing; (3) accounting for the risks associated with trading in foreign-based companies, including potential market manipulation, such as “pump-and-dump”/“ramp-and-dump” schemes, which will be coordinated with the SEC Cross-Border Task Force’s efforts to combat international market manipulation and fraud; (4) conducting ongoing customer due diligence; and (5) meeting their Suspicious Activity Report (SAR) filing obligations.

Regarding foreign omnibus accounts, the Division will continue to focus on broker-dealers’ compliance with AML requirements to account for the heightened risks associated with such accounts, particularly where the identities of a foreign financial institution’s underlying customer and/or the ultimate beneficial owner of funds and securities are unknown to the broker-dealer because of the omnibus accounts structure (*e.g.*, due to “nested” account relationships). Among the applicable requirements, the Division may review broker-dealers’ “special due diligence” programs for foreign correspondent accounts, including foreign omnibus accounts, in addition to compliance with customer identification program, customer due diligence, and SAR filing obligations.

Lastly, the Division will review whether broker-dealers are monitoring the Department of the Treasury’s Office of Foreign Assets Control sanctions and ensuring compliance with such sanctions.

E. Supervision

Effective supervision is essential to ensuring regulatory compliance, protecting investors, and maintaining the integrity of the financial markets. The Division will evaluate whether broker-dealers, funding portals, municipal advisors, and security-based swap dealers maintain supervisory systems,

written policies and procedures, and internal controls reasonably designed to achieve compliance with applicable securities laws and regulations, including those for new business activities and investment products. In addition, examinations will review whether appropriate and qualified individuals have been designated with the authority to carry out their supervisory responsibilities.

IV. SELF-REGULATORY ORGANIZATIONS

A. National Securities Exchanges

The Division will examine the national securities exchanges to assess whether they are meeting their obligations to enforce compliance with self-regulatory organization rules and the federal securities laws. Examinations will focus on regulatory programs and governance.

B. Financial Industry Regulatory Authority (FINRA)

FINRA oversees approximately 3,184 brokerage firms, 146,826 branch offices, and more than 639,000 registered representatives through examinations, enforcement, and surveillance. In addition, FINRA, among other things, promulgates rules that govern its members, provides a forum for securities arbitration and mediation, conducts market regulation, including by contract for the national securities exchanges, reviews broker-dealer advertisements, administers the testing and licensing of registered persons, and operates industry utilities, such as Trade Reporting Facilities.

The Division conducts risk-based oversight examinations of FINRA. It selects areas to examine through a risk assessment process designed to identify those aspects of FINRA’s operations important to the protection of investors and market integrity. The analysis is informed by collecting

and analyzing extensive information and data, regular meetings with key functional areas within FINRA, and outreach to various stakeholders, including investor and industry groups. Based on the outcome of this risk-assessment process, the Division conducts inspections of FINRA's major regulatory programs. The Division also conducts oversight examinations of FINRA's examinations of certain broker-dealers, funding portals, and municipal advisors that are FINRA members. The Division makes detailed recommendations to improve FINRA's programs, its risk assessment processes, and its future examinations based on these inspections and examinations.

C. Municipal Securities Rulemaking Board (MSRB)

MSRB regulates the activities of broker-dealers that buy, sell, and underwrite municipal securities, and municipal advisors. MSRB establishes rules for municipal broker-dealers (including registered municipal securities dealers) and municipal advisors and supports market transparency by making municipal securities trade data and disclosure documents available. It also conducts education and outreach regarding the municipal securities market. The Division, along with FINRA and the federal banking regulators, conducts examinations of registered firms to assess compliance with MSRB rules. The Division applies a risk assessment process similar to the one it uses to oversee FINRA to identify areas to examine at MSRB.

D. Public Company Accounting Oversight Board (PCAOB)

The Sarbanes-Oxley Act of 2002 established PCAOB to oversee the audits of public companies and SEC-registered broker-dealers to protect the interests of investors and further the public interest in the preparation of informative, accurate, and

independent audit reports. As part of this mission, PCAOB registers public accounting firms, sets auditing standards, conducts inspections, and pursues disciplinary actions. The Division applies a risk assessment process similar to the process used in its oversight of FINRA and MSRB to identify areas to inspect at PCAOB.

V. CLEARING AGENCIES

Title VIII of the Dodd-Frank Act requires the Commission to examine, at least once annually, each clearing agency designated as systemically important and for which the Commission serves as the supervisory agency.

All examinations of clearing agencies include reviewing policies, procedures, processes, and controls. Examinations will focus on high-risk areas, including risk management of defaults, recovery and wind-down, securities lending, operations, and tokenization.

Examinations of Covered Clearing Agencies will focus on clearing agencies' policies, procedures, processes, and controls for compliance with applicable regulatory requirements, including the SEC's Standards for Covered Clearing Agencies. These requirements cover areas such as financial risk management, operational risk, governance, and other high-risk areas. The Division will also assess whether Covered Clearing Agencies have taken timely corrective action in response to prior examination findings.

The Division will also prioritize examinations for compliance with new rules, including those associated with expanded Treasury clearing, clearing agency governance, recovery and orderly wind-down plans, and facilitation of straight-through processing by central matching service providers.

VI. OTHER MARKET PARTICIPANTS

A. Municipal Advisors

The Division will continue to examine whether municipal advisors have met their fiduciary duty to municipal entity clients when engaging in municipal advisory activities. This includes examining the recommendations that municipal advisors provide regarding the pricing or method of sale of municipal securities, including recommendations for competitive versus negotiated sale.

The Division will also continue to examine whether municipal advisors have complied with MSRB Rule G-42, which establishes the core standards of conduct and duties applicable to non-solicitor municipal advisors, including requirements to disclose conflicts of interest and to document municipal advisory relationships. Finally, the Division will continue to assess whether municipal advisors have made required filings with the SEC and met their professional qualification, registration, recordkeeping, and supervision requirements.

B. Transfer Agents

The Division will continue to examine transfer agents for the use of emerging technology to perform transfer agent functions as well as perennial risk areas, including processing of items and transfers, recordkeeping and record retention, safeguarding of funds and securities, and filings with the SEC.

The Division will also examine transfer agents for compliance with the amendments to Regulation S-P, including the Safeguards Rule, the Disposal Rule, and the requirement to establish incident response programs.

C. Funding Portals

The Division will focus on funding portal arrangements with qualified third parties for maintaining and transmitting investor funds. It will also examine whether funding portals are making and preserving required records.

The Division may also examine funding portals for compliance with the amendments to Regulation S-P, including the Safeguards Rule, the Disposal Rule, and the requirement to establish incident response programs.

D. Security-Based Swap Dealers (SBSDs)

The Division will continue to focus its examinations on whether SBSDs are complying with their obligations under Regulation SBSR to accurately report security-based swap transactions to security-based swap data repositories. The Division will also focus on whether SBSDs have remediated issues identified in their annual Chief Compliance Officer Reports. Finally, the Division will prioritize examinations of SBSDs that have never been examined.

E. Security-Based Swap Execution Facilities (SBSEFs)

The Division will continue conducting examinations of registered SBSEFs focusing on the SBSEFs' rules and related internal policies and procedures addressing trade monitoring, trade processing, and participation. Moreover, the Division will assess how SBSEFs establish programs of risk analysis and oversight to identify and minimize sources of operational risk.

VII. RISK AREAS IMPACTING VARIOUS MARKET PARTICIPANTS

A. Information Security and Operational Resiliency

1. Cybersecurity

The Division will continue to prioritize examinations focused on information security and operational resiliency, with particular emphasis on cybersecurity. Cybersecurity practices remain a key examination priority to help ensure the safeguarding of customer information. Examinations will review firms' policies and procedures regarding governance practices, data loss prevention, access controls, account management, and the response and recovery protocols for cyber-related incidents, including ransomware attacks. In addition, the Division will assess risks associated with registrants' increased use of third-party service providers and shared technologies, including the effectiveness of risk management in these areas.

2. Emerging Financial Technology

Registrants are increasingly using super intelligence (SI) in core business operations and systems, including investment analysis, customer management, and code development. Threat actors are using SI to automate and accelerate cyberattacks, making those attacks more efficient and harder to detect. The Division will focus examinations on compliance with relevant rules relating to registrants' assessment and preparation for potential threats from SI-related cyberattacks that may affect their businesses or customers, such as SI-generated phishing messaging and synthetic or deepfake voice and video used for social engineering.

The Division will also prioritize examinations of policies and procedures relating to monitoring SI, including its use in fraud prevention and detection, back-office operations, compliance with AML and Reg BI obligations, and trading functions.

The Division remains focused on registrants' use of certain products and services, such as automated investment tools and trading algorithms or platforms, and the risks associated with the use of emerging technologies and alternative data sources. The Division will prioritize firms that engage in activities such as automated investment advisory services, recommendations, and related tools and methods.

When conducting these reviews, assessments generally will include whether: (1) representations are fair and accurate; (2) operations and controls are consistent with disclosures made to investors; and (3) algorithms lead to advice or recommendations consistent with investors' investment profiles or stated strategies.

3. Regulation S-ID and Regulation S-P

Examinations will focus on whether firms have developed, implemented, and maintained reasonably designed policies and procedures that address administrative, technical, and physical safeguards to protect customer information, as required by Regulation S-P. 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. Examiners will also review how firms are addressing operational risk, including technology risks, as part of their efforts to safeguard customer information.

The Division will also review policies and procedures under Regulation S-ID, with a focus on firms' identification and detection of and response to red flags intended to prevent and mitigate against identity theft, particularly during customer account takeovers and fraudulent transfers. Examiners will assess whether firms are updating their Identity Theft Prevention Program to address emerging risks, such as those related to SI and stolen credentials.

B. Regulation Systems Compliance and Integrity (SCI)

Examinations under Regulation SCI will focus on emerging trends, including SI, tokenization of securities, extended trading hours, and quantum computing. The Division will also review SCI entities' reliance on cloud and other third-party vendors, particularly how those entities manage vendor risks and identify vendor systems that qualify as SCI systems or indirect SCI systems.

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