2025 Year-In-Review

Rule Proposals, Risk Alerts, & More for Investment Advisers

From the beginning, we have believed that building an enduring firm doesn't require a complicated philosophy, just a small set of principles taken seriously and applied consistently over time.

As we reflect on the past year, we remain focused on whether our work continues to reflect the vision that has guided HighCamp for more than eight years. From the outset, we have believed that an institutional-caliber consultancy could be built at a thoughtful scale—but only under the right framework. That belief, and the values behind it, continue to shape how we build our firm and how we serve our clients.

As a mentor once shared with me: "Your business is going to change. Market conditions will shift. Strategies will evolve. That's not just okay, it's necessary. But the principles that got you here, the way you treat people, and the standards you hold yourself to should not be negotiable."

With that in mind, HighCamp's framework starts with putting our people first. We have always believed that the quality of advice our clients receive depends on hiring and retaining exceptional consultants and creating an environment where they can do their best work. When our team is supported, engaged, and aligned with our values, clients benefit from continuity, institutional memory, and sound judgment, especially during periods of growth or regulatory scrutiny.

This year, we were fortunate to retain and expand our team while maintaining continuity across long-standing client relationships. We view this stability as a reflection of our focus on sustainable workloads, professional development, and a culture built on mutual respect. It's a culture our team actively reinforces every day.

Our second value is an unwavering focus on our clients. We take great pride in supporting leading investment managers and serving as long-term partners through meaningful moments in their growth. Over the past year, this included supporting new fund launches, guiding managers through regulatory examinations, and helping firms evolve their compliance programs as they transition to more institutional operating models.

Equally important is a long-term perspective. We strive to make decisions based not on short-term results, but on what will best serve our clients, our employees, and our firm over multiple decades. In practice, this shows up in how we structure engagements and incentives. We favor long-term partnerships, predictable pricing, and team compensation tied to quality, continuity, and client outcomes rather than short-term volume.

Collaboration plays a critical role in delivering on that commitment. By encouraging open dialogue and valuing different perspectives, we are better able to provide thoughtful, practical advice as our clients navigate increasingly complex challenges. This includes being deliberate about staying within our core areas of expertise and working closely with trusted legal, audit, and tax partners. We also create opportunities through small group conversations and client events that support shared learning across our community.

Finally, our values extend beyond our work with clients. Giving back to our local communities has been important to us since HighCamp's founding, which is why we continue to pledge 1% of our gross revenue to charitable causes selected by our team.

While the industry and landscape around us continue to evolve, HighCamp's founding principles remain unchanged. They guide how we support our clients, invest in our team, and contribute to the communities we're part of. We are deeply grateful for the trust our clients place in us and for the relationships that make this work both possible and meaningful. We look forward to another year of partnership and progress ahead.

Looking Ahead to 2026

We believe there has never been a more exciting time to be in the alternative asset and private fund industry than today and we expect that to remain for years to come. The pace of change is accelerating across every dimension of the market at once, and it is remarkably difficult to predict the long-term consequences. That is precisely the mandate for modern front-, middle-, and back-office professionals: anticipate what's coming, build durable infrastructure, and keep the machine moving while the ground shifts underneath it.

Taken together, these forces are creating a new era of opportunity and a new level of complexity.

- **Technology is reshaping operating models at speed**. The industry is rapidly changing how teams are staffed, how resources are deployed, and what functions are outsourced, automated, or centralized across the enterprise.
- **Retail demand for alternative products is opening new frontiers**. The expansion of semi-liquid and access-oriented vehicles represents an enormous growth opportunity, but it also introduces new layers of operational execution, investor servicing, liquidity management, and compliance oversight.
- **Market structure is evolving in real time**. Digital assets, private lending, secondaries, GP-led transactions, and continuation vehicles are no longer niche categories. They are now becoming core components of how capital is formed, deployed, and returned.

- **Consolidation is rewriting the competitive landscape**. M&A among managers, administrators, and service providers is accelerating, and integration risk is becoming a defining operational challenge, not just a corporate development theme.

We believe that the future belongs to firms that can move fast without breaking trust, scale without losing control, and recognize that compliance professionals can be a key architect of that outcome.

As we look to 2026 and the second year of this administration, we have refined and expanded our private fund regulatory forecasts, as follows.

- **SEC enforcement activity is expected to be more selective, but enforcement risk will remain**. While the overall volume of enforcement actions may decline, the SEC is likely to continue pursuing matters it views as involving fraud, egregious conduct, investor harm, or clear-cut violations of the federal securities laws.
- **The Division of Examinations is expected to continue increasing their focus on advisers' use of artificial intelligence**. The Division of Examinations ("EXAMS") will likely request information and ask questions on a more regular basis about how advisers use AI in investment processes and operations, and whether those uses are accurately described in client and investor disclosures.
- **The SEC may rely more heavily on informal guidance rather than sweeping new rulemaking**. We expect continued use of FAQs and other staff guidance from the Division of Investment Management, as well as Risk Alerts from EXAMS, to communicate regulatory expectations, rather than adopting many major new rules at the pace seen during the previous administration.
- **Certain existing rules may be revisited to reflect market and product evolution**. Rules widely viewed as outdated, such as the Books and Records Rule, or those requiring adjustment due to new asset classes, including custody-related issues involving digital assets, could see targeted updates during this administration, with the possibility that some existing regulatory requirements, including Form PF, are streamlined or recalibrated.
- **Examinations of private fund advisers are expected to continue with familiar areas of focus**. Exam staff, particularly within the Private Funds Unit, are likely to maintain emphasis on issues that have consistently generated findings, including issues related to post-commitment management fee calculations, expense shifting, custody, and undisclosed conflicts of interest. In addition, with the issuance of another Risk Alert focused on marketing practices and updates to the Marketing Rule FAQs, it is likely that EXAMS will continue to place significant emphasis on the compliance with the Marketing Rule.

- **More issues may be addressed during examinations rather than through enforcement settlements**. As the Division of Enforcement's priorities evolve, EXAMS may place greater emphasis on obtaining appropriate corrective actions during examinations, including enhanced disclosures, remediation of control weaknesses, and, where appropriate, reimbursements to investors.

Fourth Quarter Headlines

EXAMS Releases an Additional Marketing Rule Risk Alert

On December 18, EXAMS issued an **additional** Marketing Rule risk alert addressing advisers' use of testimonials, endorsements, and third-party ratings. The alert highlights frequent deficiencies related to the "clear and prominent" disclosure requirement, including disclosures that are in a different font color or size than the related statement or rating, placed on a separate page, or provided only via hyperlink rather than within the advertisement itself. Examinations staff also observed that many firms lacked adequate oversight of testimonials, endorsements, and third-party ratings, including awards claims.

Separately, in January 2026, the Division of Investment Management **updated** its Marketing Rule FAQs to address model fee performance presentations and the application of testimonial and endorsement disqualification provisions to certain self-regulatory organization orders. While issued outside the fourth quarter, we noted it here due to their relevance to the Marketing Rule.

SEC Division of Examinations Announces 2026 Priorities

On November 18, EXAMS **released** its annual examination priorities (the "Priorities") for FY26. Notably, the Priorities did not include a standalone section titled "Examinations of Advisers to Private Funds," as it had in previous years. Instead, topics related to private fund advisers appear to be integrated more broadly across multiple sections addressing Investment Adviser priorities. Two other notable differences in this year's Priorities are the absence of specific references to accurate fee and expense calculations and to risks associated with commercial real estate. Despite not being highlighted as standalone priorities, risks associated with private fund advisers, particularly fee and expense practices, marketing and custody, remain perennial areas of focus in private fund adviser examinations. Consistent with recent years, EXAMS will continue to prioritize examinations of advisers that have never been examined, as well as those that have not been examined recently. Finally, the Priorities note EXAMS will assess firms' progress in preparing for and complying with the amendments to Regulation S-P. and will also review whether firms are monitoring the Treasury's OFAC sanctions.

2025 Trends

Industry Trends

By the Numbers	2021	2022	2023	2024	2025
SEC Staffing (# of full-time employees)[i]	4,459	4,547	4,606	4,920	4,000
SEC-Registered Investment Advisers (Dec '25)[ii]	14,835	15,444	15,573	16,005	16,484
Exempt Reporting Advisers (Dec '25)[ii]	5,024	5,573	6,010	5,649	6,148
Investment Adviser Examinations[iii]	16%	15%	15%	14%	12%
SEC-Registered Broker-Dealers (Dec '25)[iv]	3,541	3,533	3,477	3,363	3,277
SEC-Registered Private Equity Funds/Advisers[v]	15,879/1,459 (Q1 2021)	18,961/1,636 (Q1 2022)	20,983/1,766 (Q1 2023)	23,165/1,861 (Q1 2024)	24,986/1,935 (Q1 2025)
SEC-Registered Hedge Funds/Advisers[v]	9,484/1,760 (Q1 2021)	9,645/1,858 (Q1 2022)	9,847/1,865 (Q1 2023)	9,771/1,857 (Q1 2024)	9,822/1,830 (Q1 2025)
SEC-Registered Real Estate Funds/Advisers[v]	3,292/388 (Q1 2021)	3,788/428 (Q1 2022)	4,275/461 (Q1 2023)	4,271/468 (Q1 2024)	4,724/484 (Q1 2025)

SEC Releases 2025 Agency Financial Report

On January 16, the SEC **released** its 2025 Agency Financial Report, providing insights into the agency's financial position, workforce developments, examination statistics, and future rulemaking priorities. Key highlights include:

- **Crypto Regulation:** Chairman Paul Atkins stated that a key priority during his term will be to "develop a rational regulatory framework for crypto asset markets that establishes clear rules of the road for the issuance, custody, and trading of crypto assets, while continuing to discourage bad actors from violating the law."
- **Capital Formation:** The SEC is pursuing reforms to "Make IPOs Great Again," including efforts to streamline and scale disclosure requirements to reduce filing costs and enhance clarity, refocus shareholder meetings on key governance matters such as director

elections, and curb frivolous securities litigation while preserving shareholders' ability to pursue valid claims.

- **Personnel Matters:**
  - Due in part to initiatives such as the "Fork in the Road," "Voluntary Early Retirement Authority," "Voluntary Separation Incentive Payments," and a hiring freeze, the SEC experienced an attrition rate of 17.8 percent, which is more than five times higher than the prior year. Some smaller offices lost up to 26 percent of their staff. The agency also reported a 27 percent reduction in contractor personnel.
  - The SEC must implement changes to its performance management system, transitioning from the current pass-fail model to a multi-tiered, fiscal-year-based system. This change is intended to ensure that a disproportionate number of employees are not rated at the highest performance levels and is required by the Office of Personnel Management by October 1, 2026.
- **EXAMS:** Despite staffing reductions, the Division of Examinations met its fiscal year 2025 goal for the percentage of investment advisers examined.
- **Rulemaking:** Consistent with prior Commission statements, the report highlights that "rulemaking has returned to regular order." The SEC noted that the public is provided with sufficient opportunity to comment and that it considers overlapping rules and cumulative regulatory burden during the rulemaking process.

Did You Know?

According to the SEC Office of the Investor Advocate's Fiscal Year 2025 Report on Activities, approximately 12.6% of individuals in the U.S. qualify as accredited investors. 9.7% of the population meet the household net worth test, 2.8% meet the personal income threshold, 2.8% meet the household income threshold, and 1.7% qualify under the specialized expertise standard. You can read the full report here: **Fiscal Year 2025 Report on Activities**.

Q4 Key Enforcement Actions and News

We pick up where we left off on September 30 in our 2025 **Third Quarter Newsletter**. Please note all sources are hyperlinked rather than footnoted.

SEC Issues Exemptive Relief Further Delaying Rule 13f-2 and Form SHO

On December 3, the SEC **issued** an order granting temporary exemptive relief from Rule 13f-2, which requires institutional investment managers that meet specified short-position thresholds to submit Form SHO within 14 calendar days after the end of each calendar month. The order delays the compliance obligations for Rule 13f-2 and related Form SHO reporting until January 2, 2028.

Director of the Division of Investment Management ("IM") Gives Remarks to the ABA
On December 2, Brian Daly, Director of the SEC's IM, **delivered** remarks before the American Bar Association in which he outlined four overarching themes IM intends to prioritize: deregulation, modernization initiatives, democratization of alternative asset investments, and the promotion of artificial intelligence. With respect to deregulation, Daly noted that IM will be receptive to suggestions for thoughtful changes to existing rules that could facilitate innovation and stated IM will continue to ask, "why is this still on the books?" In discussing modernization, he specifically referenced the Custody Rule and Books and Records Rule.

SEC Charges Wealth Manager with Reg S-P and Reg S-ID Deficiencies
On November 25, the SEC **charged** an adviser, alleging that it failed to adopt and implement policies and procedures reasonably designed to govern information security across its member firms and their branch offices. Although the adviser required member firms to adopt their own information security policies, the SEC alleged those policies were not reasonably designed because the adviser was aware that a significant number of member firms failed to update their policies. Several of those firms subsequently experienced unauthorized access to employee email accounts, which were used to send malicious credential-harvesting emails. The SEC further alleged that the adviser's Regulation S-ID policies had not been meaningfully updated for nearly 10 years and did not include specific cybersecurity-related Red Flags.

SEC Charges Wealth Manager with ADV Failures
On November 24, an adviser was **charged** with allegedly failing to maintain an accurate and current Form ADV. The adviser's brochure misstated how advisory fees were determined, describing a tiered fee schedule and including a corresponding fee table, even though the firm had not billed clients under that structure for many years and instead negotiated fees on an individual basis. The SEC also alleged that the adviser failed to conduct annual compliance reviews for multiple years, did not obtain written advisory agreements with all clients, and failed to maintain records of brochure delivery dates as required.

Chairman Atkins Delivers Keynote Address Touching on the Wells Notice and Electronic Communications Fines
On October 7, SEC Chairman Paul Atkins **delivered** the keynote address at Fordham School of Law, where he encouraged potential respondents and defendants to take the "Wells submission" process seriously, describing it as an extension of due process and noting that, in his experience, Wells submissions "can and do change the trajectory of enforcement actions." Chairman Atkins emphasized that the SEC staff does not always get matters right on the first pass and that the Wells process provides an important opportunity for respondents to present their perspective. He also stated that the Enforcement Division should focus its resources on cases involving genuine harm and bad acts, and view matters involving benign or innocent conduct differently, highlighting past enforcement in areas such as books and records where resources expended were not commensurate with investor harm.

Q1 Upcoming Key Reporting & Disclosure Deadlines

02/17/26 Quarterly Form 13F Filing Due

02/17/26 Annual Form 13H Filing Due

02/28/26 Form N-PX Stub Period Filing for Final 13F Filers Due

03/01/26 Quarterly Form PF for Large Hedge Fund Advisers Due

03/31/26 Annual Form ADV Due

Key Rulemaking Tracker

HighCamp maintains a Key Rulemaking Tracker with effective dates and pending rule proposals on its **website**.

About HighCamp Compliance

HighCamp is a boutique compliance consulting and outsourcing firm helmed by former SEC examiners, CCOs and proven consulting professionals. The firm specializes in regulatory compliance and operational support for SEC-registered private equity, real estate, venture capital, hedge fund, and institutional alternative managers. HighCamp is 100-percent employee owned, with a gender-balanced leadership team. The company has locations in New York City (Metro), Los Angeles, Denver, Dallas, and Bozeman.

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[i] https://www.sec.gov/files/sec-2025-agency-financial-report.pdf

[ii] https://www.sec.gov/help/foiadocsinvafoiahtm.html

[iii] https://www.sec.gov/files/fy-2026-congressional-budget-justification.pdf

[iv] https://www.sec.gov/help/foiadocsbdfoiahtm.html

[v] Private Fund Statistics, November 13, 2025, https://www.sec.gov/files/investment/private-funds-statistics-2025-q1.pdf