HIGHCAMP

Compliance at a Higher Elevation

2026 Second Quarter Newsletter

Rule Proposals, Risk Alerts, & More for Investment Advisers

Before turning to this quarter's regulatory developments, we congratulate Brian Caravello and Brian Lattanzzio on their **promotions** to Partner, recognizing their leadership and continued contributions to the firm and our clients. We are also excited to welcome Eric Pucek to HighCamp as a Senior Consultant, further deepening our bench and the perspective we bring to client engagements.

The second quarter was highlighted by the joint SEC/CFTC **proposal** to amend Form PF, discussed further below. Subsequent to quarter end, the SEC **released** its Spring 2026 Regulatory Flexibility Agenda, providing additional insight into the Commission's near-term rulemaking priorities.

Together, these developments provide additional insight into the Commission's regulatory priorities and areas of focus, suggesting continued interest in revisiting, streamlining, and modernizing existing rules, although the timing and scope of any future rulemaking initiatives remain uncertain.

Despite continued staff attrition across the Division of Examinations and other Divisions, HighCamp has continued to see a consistent pace of SEC examinations of our clients. While the Division of Examinations has recently begun recruiting additional examiners, it remains to be seen whether the Commission can sustain current examination activity and advance its stated regulatory priorities with staffing levels below historical norms.

We also continue to see growing industry discussion around prediction markets and their intersection with the federal securities laws, an area that we expect will draw increased regulatory and industry attention in the coming quarters. Separately, the use of AI within adviser compliance programs and operations continues to evolve rapidly. HighCamp recently conducted an industry survey to better understand how private fund advisers are approaching AI-related governance, controls, and disclosures, and the results are summarized in our **2026 AI Adoption & Governance Survey Report**.

Below is a summary of the most significant regulatory developments and enforcement actions affecting private fund managers this quarter.

Second Quarter Headlines

SEC's New York Regional Office Hosts Seminar for Investment Advisers

On June 16, the SEC's New York Regional Office (NYRO) **hosted** a compliance outreach seminar. Staff from the Division of Examinations ("EXAMS") and the Asset Management Unit of the Division of Enforcement covered the examination process, FY 2026 exam and enforcement priorities, common deficiencies, private funds, Reg S-P, AI, evaluations of compliance programs, and new registrant exams. Recurring themes included conflicts tied to the flow of money, allocation fairness, valuation of Level 3 assets, and the importance of CCOs being embedded in the business.

The private funds session provided the most detailed discussion of examination priorities and regulatory developments relevant to our clients. It was reiterated that the Private Funds Unit approaches exams "conflicts first," with particular focus on economic conflicts of interest, including the basis of the management fee (capitalized items and required reductions for write-downs, dispositions, and dividend recaps), offset mechanics (side letter carve-outs, non-cash compensation to firm personnel or operating partners, and the math when co-investors or third-party sponsors alter portfolio company ownership), and carried interest hurdles and catch-ups. This session also highlighted NAV loans and inter-fund loans (disclosure and authorization, collateral limits, IRR and fee-base implications, and LPAC engagement), private credit issues around PIK interest improperly rolled into cost basis, cross-fund allocation as firms launch more targeted strategies alongside diversified funds, VC deal sourcing and SPV fee layering, and hedge fund valuation as strategies drift into less liquid assets. CCOs were encouraged to maintain close oversight of portfolio management, finance, and valuation, noting that annual testing which self-identifies and remediates issues is exactly what the staff hopes to see, and that surfacing issues in an exam is always better than hiding them.

EXAMS Releases Risk Alert on Economic Conflicts of Interests

On June 9, EXAMS **issued** a Risk Alert summarizing staff observations regarding investment adviser obligations related to economic conflicts of interest. While much of the alert focuses on retail-oriented issues such as cash sweep programs and incentives to recommend certain products, services, or account types, several observations remain relevant to private fund managers. The staff reiterated that "may" language is inadequate where a conflict actually exists, consistent with the Commission's 2019 Fiduciary Duty Interpretation. The staff also observed fee calculations misaligned with Form ADV disclosures or advisory agreement terms, policies and procedures that failed to describe how billing practices would be executed consistently with those disclosures, and incomplete Item 10 disclosures of financial industry activities and affiliations, including material conflicts created through compensation arrangements with affiliates.

SEC and CFTC Jointly Propose Amendments to Reduce Private Fund Reporting Burdens

On April 20, the SEC and CFTC jointly **proposed** amendments to Form PF intended to reduce reporting burdens on private fund advisers. Across all filers, the proposal would raise the Form

PF filing threshold from $150 million in private fund regulatory AUM to $1 billion, effectively removing many smaller advisers from the Form PF regime altogether, and would require periodic SEC staff review of the Form PF filing and reporting thresholds going forward.

For private equity fund advisers, the proposal would eliminate quarterly event reporting, leaving PE advisers who remain above the reporting threshold with the annual Form PF filing as the primary reporting obligation. For large hedge fund advisers, the proposal would raise the large hedge fund adviser reporting threshold from $1.5 billion to $10 billion and streamline the substantive reporting requirements for those advisers who continue to file as large hedge fund advisers.

David Woodcock Appointed as the Director of the Division of Enforcement ("Enforcement")

On April 8, the SEC **announced** that David Woodcock will serve as the new Director of the Division of Enforcement. Mr. Woodcock is the second Enforcement Director appointed under Chairman Paul Atkins, succeeding Margaret "Meg" Ryan following her brief tenure in the role. He joins the Commission from private practice and previously served as the Regional Director of the SEC's Fort Worth Regional Office from 2011 to 2015.

Subsequent to quarter-end, the SEC **announced** that Osman Nawaz would return to the Division of Enforcement as Principal Deputy Director. Prior to rejoining the SEC, Mr. Nawaz was a partner in private practice and previously served in several senior Enforcement positions, including as Chief of the Complex Financial Instruments Unit. Together, Woodcock and Nawaz bring substantial SEC and industry experience to Enforcement's senior leadership team.

SEC Announces Enforcement Results for Fiscal Year 2025

On April 7, the SEC **announced** its enforcement results for the fiscal year that ended on September 30, 2025. Notably, this year's results were released several months later than typical. Highlights include that:

- Enforcement brought 456 enforcement actions (a 22% decrease from FY24), including 303 standalone actions (a 30% decrease from FY24), the lowest total in at least a decade. Enforcement also disclosed 1,095 matters that were investigated and closed without an enforcement action—a metric not previously reported.
- Enforcement reported orders for monetary relief totaling $17.9 billion, an SEC record. However, $14.9 billion of that amount stemmed from the finalization of the Robert Allen Stanford Ponzi scheme judgment, a case originally initiated in 2009. Excluding the Stanford judgment and disgorgement amounts deemed satisfied by non-SEC court orders, monetary relief in FY25 totaled approximately $2.7 billion ($1.3 billion in penalties and $1.4 billion in disgorgement).
- 22% of enforcement actions involved investment adviser/company issues, down slightly from 23% in FY24. Insider trading cases accounted for 7% of enforcement actions.
- The Commission characterized FY25 as a "unique period of transition," noting that a large percentage of the year's enforcement actions were filed before the January 20, 2025, presidential inauguration. The Commission criticized the prior administration's off-channel

communications and certain non-fraud crypto initiatives, stating that many of those matters involved "no direct investor harm," provided "no investor benefit or protection," and reflected "a bias for volume of cases brought versus matters of investor protection." Going forward, the Commission stated that enforcement priorities will focus on combating fraud, addressing fraudulent and manipulative conduct through appropriate remediation, and repaying investors' losses when harmed.

Did You Know?

"From the time that I left the SEC as a staff member in 1994, to when I returned as Chairman just over a year ago, the number of companies listed on the U.S. exchanges had fallen by roughly 40 percent"

*– **Remarks** from Chairman Atkins at the 2026 Reagan National Economic Forum – May 29, 2026*

Q2 Key Enforcement Actions and News

We pick up where we left off on March 31 in our 2026 **First Quarter Newsletter**. Please note all sources are hyperlinked rather than footnoted.

SEC Charges Private Fund Adviser with Custody Rule Violations
On June 26, the SEC **charged** a private fund adviser with violating the Custody Rule, including the alternative pooled investment vehicle audit provision. The SEC alleged that the adviser failed to conduct the required annual audits of certain private funds from 2015 through 2024.

Commissioner Peirce's Remarks at the U.S. Chamber of Commerce Capital Markets Summit
On June 9, SEC Commissioner Hester Peirce **provided** remarks at a Chamber of Commerce event where she made a few noteworthy comments:

- Commissioner Peirce cautioned that "the Commission through aggressive statutory interpretations is pushing hard against the limits of its authority" and that reasonable restraint in reading the SEC's statutes and rules is the best course.
- Commissioner Peirce questioned the constitutionality of the pay-to-play rule for investment advisers under Rule 206(4)-5, noting that although the rule does not outright prohibit political donations, it functions as a restriction on political speech. Her comments follow Chairman Atkins' **remarks** at SIFMA's C&L Annual Seminar in March, in which he similarly flagged the pay-to-play rule as an area on the SEC's modernization agenda.
- Commissioner Peirce announced a change in her position on the use of negligence as the basis for violations of Rule 206(4)-8. While she has previously supported such enforcement actions, she has come to agree with Chairman Atkins' **concurrence** at the time of adoption that Section 206(4) does not authorize the Commission to redefine fraud to include merely negligent conduct.

SEC Charges Adviser with Failing to Disclose Conflicts of Interest
On June 8, the SEC **charged** an adviser with failing to disclose conflicts of interest arising from its recommendation of an affiliated ETF in which firm principals held economic interests. The SEC also found Code of Ethics violations, including the CEO's failure to pre-clear any personal transactions and the firm's failure to identify the CIO as an access person despite his role on the adviser's investment committee.

SEC Charges Private Fund Adviser's Employee with Insider Trading
On June 5, the SEC **filed** charges against an employee of a private fund adviser for insider trading in healthcare securities based on material nonpublic information obtained through his employer's participation in wall-crossing processes, resulting in approximately $327,883 in illicit profits. The adviser had policies and procedures designed to prevent this type of conduct, including a blanket prohibition on personal trading in healthcare securities by access persons, mandatory pre-clearance of personal trades against a Restricted Trading List maintained by the CCO, and disclosure requirements covering all personal brokerage accounts. The employee allegedly circumvented each of these controls by trading through an undisclosed personal account, as well as an account held by an entity he controlled, failing to seek pre-clearance, and falsely certifying compliance with the Code of Ethics on an annual and quarterly basis.

SEC Charges Adviser with Cherry-Picking
On June 5, the SEC **charged** an adviser with failing to detect and prevent cherry-picking by its former co-CIO, who disproportionately allocated trades with net first-day gains to certain portfolios by placing trades by phone and delaying allocation until after post-execution price movement was observable, contrary to the firm's policies requiring fair allocation completed by end of day.

SEC Charges Individual with Private Fund Investment Fraud
On June 5, the SEC **announced** charges against an individual and his companies in alleged multi-million dollar investment fraud. The SEC alleges that the individual drained the fund through unsuccessful trading and personal spending, misappropriated at least $1.8 million, and concealed the losses by sending investors fabricated account statements and inflating NAV with assets the fund did not own, including his father-in-law's home and retirement accounts.

SEC Institutes Settled Order with Public Company for Violating Whistleblower Protection Rule
On May 22, the SEC **announced** a settlement with Foot Locker, Inc. for using separation agreements that purported to waive departing employees' rights to receive whistleblower awards from the Commission, in violation of Rule 21F-17(a). Approximately 148 departing employees signed such agreements in order to receive severance payments between July 2020 and June 2024, when Foot Locker phased out the waiver provision.

SEC Rescinds Policy Regarding Denials of Settlements in Enforcement Actions
On May 18, the SEC **issued** a press release announcing the rescission of Rule 202.5(e) of its informal rules of procedure, which had required settling defendants to agree not to publicly deny

the allegations in the complaint or administrative order. Chairman Atkins stated that "[s]peech critical of the government is an important part of the American tradition. This rescission ends the policy prohibiting such criticism by settling defendants." The SEC also indicated that it will not enforce existing no-deny provisions previously entered under the rescinded policy.

SEC's Director of Enforcement Makes First Public Remarks

On May 13, David Woodcock, the SEC's new Director of Enforcement, **delivered** his first public remarks, offering insight into Enforcement's priorities under his leadership:

- Mr. Woodcock confirmed a "deliberate[] shift[] toward an emphasis on quality over quantity," with Enforcement's focus remaining on fraud and manipulation, including breaches of fiduciary duties by advisers misusing client assets.
- On private funds, Mr. Woodcock stated Enforcement is "attuned to potential risks relating to liquidity, fees, valuations, and conflicts of interest—not only at the private fund adviser level but throughout the distribution chain," and will continue to pursue misappropriated or inadequately safeguarded assets, misleading strategy disclosures, undisclosed fees and expenses, fraudulent valuations and mismarking, prohibited trading practices, and undisclosed conflicts. He also flagged that Enforcement is monitoring stresses in the private credit sector.
- Mr. Woodcock emphasized that Enforcement is "not focused on prosecuting firms or individuals for honest mistakes that cause no investor harm" and encouraged firms to "engage early, engage seriously, and engage candidly."

SEC Charges Two Companies with Separate 13D Violations

On May 4, the SEC charged two companies in separate settled actions for allegedly failing to comply with Schedule 13D reporting obligations.

- In the **first** matter, the acquirer timely filed a Schedule 13D after crossing the 5% ownership threshold in a target public company but failed to disclose its plan to install a new slate of four independent directors, and later filed an amendment more than two business days after the triggering event.
- In the **second** matter, the acquirer crossed the 5% ownership threshold in a REIT on May 7, 2024, after developing a plan to take the target private, but did not file its Schedule 13D until June 3, 2024, well past the May 14, 2024 deadline.

SEC Updates Qualified Client Thresholds

On May 1, the SEC **published** an order approving inflation adjustments to the dollar amount tests in Rule 205-3 under the Advisers Act. Effective June 29, 2026, the assets-under-management threshold increases from $1.1 million to $1.4 million, and the net worth threshold increases from $2.2 million to $2.7 million. Advisers should have updated subscription documents, investor questionnaires, transfer agreements, and any managed account agreements referencing the dollar thresholds by June 29, 2026. As a reminder, these adjustments are statutorily mandated every five years under the Dodd-Frank Act, so advisers can expect the next inflation adjustment in 2031.

SEC Charges Individual and GP Entity with Defrauding Private Fund Client

On April 9, the SEC **filed** charges against an individual and the GP entity of a private fund for allegedly defrauding the fund through excessive management fees and defrauding investors through misrepresentations and other deceptive acts. In the fund's first year, the defendants paid themselves more than $515,000 in management fees, representing over 23% of capital contributions and approximately seven times the amount permitted under the offering materials. After the fund administrator flagged the overpayment and instructed the GP to stop taking fees and mark the excess as prepaid, the GP continued to take additional fees. The SEC further alleges that the defendants failed to engage an independent auditor, failed to deliver required audited and unaudited financial statements, and misrepresented fund subscriptions, investments, audit status, and the individual's credentials.

SEC Announces Multiple Insider Trading Charges

- **May 22, 2026** – The SEC settled insider trading charges against an individual who allegedly traded in the securities of a target company after learning of the impending acquisition from his spouse, an employee of the acquirer who was working on the transaction. The individual self-reported the trading to the Commission staff approximately one month after the announcement.
- **May 7, 2026** – The SEC settled insider trading charges against an attorney who allegedly traded in the securities of a client company after obtaining material nonpublic information about the client's impending acquisition during a due diligence meeting with in-house and deal counsel.
- **May 6, 2026** – The SEC charged 21 individuals in an alleged decade-long insider trading scheme in which an M&A attorney and his partner misappropriated material nonpublic information from multiple global law firms concerning more than twelve pending corporate transactions and tipped it to a network of downstream traders who kicked back a portion of their profits.
- **April 20, 2026** – The SEC settled insider trading charges against a biopharmaceutical company employee who allegedly purchased stock in a target company while serving on his employer's due diligence team evaluating the acquisition, despite completing annual insider trading policy and code of conduct trainings that expressly prohibited such trading.
- **April 6, 2026** – The SEC settled insider trading charges against an employee of a clinical-stage biotechnology company who allegedly sold company stock after learning from a colleague, in a late-evening call, that the FDA had issued a Complete Response Letter delaying approval of the company's lead immunotherapy, avoiding losses of approximately $157,000 when the stock declined 55% following public disclosure.

Q3 Key Reporting & Disclosure Deadlines

08/14/26 Quarterly Form 13F Filing Due

08/31/26 Annual Form N-PX Filing for "Say-on-Pay" Executive Compensation Due

08/31/26 Quarterly Form PF for Large Hedge Fund Advisers Due; Quarterly Form PF Event Reporting for Private Equity Advisers Due

Key Rulemaking Tracker

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

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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.