SEWARD & KISSEL

2026 EDITION

RIA Enforcement Analysis

Seward & Kissel studies all enforcement actions brought by the SEC against investment advisers[1] to identify enforcement trends and risks. In FY 2026,[2] the SEC initiated 23 actions against advisers or their supervised persons, continuing a downward trend.

However, in April, a new sheriff came to town: David Woodcock, who previously served as Director of the SEC's Forth Worth office, was named Director of Enforcement. In his first public remarks after assuming the new role, Woodcock said the SEC would prioritize "quality over quantity" and "protecting investors and safeguarding markets from real harm."

With respect to private funds, Woodcock emphasized that the SEC "will continue to pursue matters involving misappropriated client assets, inadequate safeguarding of assets, misleading strategy disclosures, undisclosed fees and expenses, fraudulent valuations and mismarking, prohibited trading practices, and undisclosed conflicts of interest."

RIA/ERA ENFORCEMENT ACTIONS			
	FY 2024	FY 2025	FY 2026
Total Enforcement Actions[3]	98	46	23
MONETARY SANCTIONS			
Penalties	$474,354,842	$322,465,000	$105,895,079
Disgorgement[4]	$21,606,803	$25,207,252	$1,048,867
Total	$495,961,645	$347,672,252	$106,943,946

The chart below identifies the number of actions involving each violation type:

ACTIONS BY TYPE[5]			
Category	FY2024	FY2025	FY2026
204A, MNPI Policies and Procedures	3	1	1
Beneficial Ownership Reporting	3		
Books and Records	29	8	5
Compliance Rule	24	19	7
Custody Rule	10	2	2
Failure to Supervise	1	4	2
Form 13F, Institutional Investment Manager	7		1
Form 13H, Large Trader Reporting	1		

[1] The study includes all enforcement actions involving a registered investment adviser (RIA) or an exempt reporting adviser (ERA), including actions against individuals where the adviser was not charged. It does not include Ponzi schemes or frauds in which a person otherwise held themselves out to be an investment adviser.
[2] The SEC fiscal year is Oct. 1—Sept. 30.
[3] Each proceeding or action is counted once even if more than one entity/individual is charged.
[4] Disgorgement totals include prejudgment interest paid by the adviser.
[5] Column totals exceed total actions for each year because most actions involve more than one violation type.

Form ADV	2	1	
Form D, Private Placement Offering		1	
Form PF, Large Investment Advisors		7	
Form RN, Registered Open-End Funds			1
Fraud, Negligent	22	16	18
Fraud, Scienter	6	6	7
Marketing Rule	18	4	
Pay-to-Play Rule	2		
Principal Transactions			3
Prohibited Affiliate Transactions			1
Eligibility to Register/Failure to Register	1		2
Rule 105	2	1	
Unregistered BD Activity		2	1
Unregistered Sales of Securities			2
Whistleblower, Impeding	2	1	

Highlights

Several actions charging intentional or knowing (scienter) fraud involved inducing investments through false or misleading statements, including in connection with investments in pre-IPO shares of private companies. The one insider trading case charged an individual—an associate at an adviser who shared confidential information about companies he had access to through his employment with a relative—not the firm. And there were two misallocation cases, involving the rebooking of trades between allegedly favored or disfavored accounts.

Advisers were repeatedly charged with breaching fiduciary duties owed to clients and investors in connection with quantifiable conflicts of interest, meaning conflicts allegedly resulting in economic harm, including the allocation cases, overcharging fees, and failure to disclose conflicts related to referrals, affiliated ownership interests in client investments, or rebates paid back to the adviser.

Spotlight Case

In re Madison Cap. Funding LLC: In February, the SEC entered a settled order against an adviser for failing to reassess fair value when selling newly originated loans to private fund clients—in what are commonly referred to as season and sell transactions—during the market disruption caused by the coronavirus pandemic. The firm's historic practice had been to use the par value of the loan less the unamortized loan fee, which it continued to do, from March through May 2020, despite downward price pressure in the credit markets at the time. The SEC found the transactions violated the adviser's fiduciary obligations to its clients and were inconsistent with representations made to investors, specifically that such transactions would be effected at

fair value and be no less favorable to them than arm's-length transactions. The matter demonstrates how routine market practices can be scrutinized when the impacts of extraordinary events are not considered.

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In this new fiscal year, with the SEC staff's Statement on Fair Value Measurement and Disclosure Considerations for Private Assets and "Responsible Retailization" plan, we expect a continued focus on private credit and retail access to alternatives. With a new Enforcement Director, who is a seasoned SEC veteran, we also expect an uptick in enforcement activity.

For more insight into Seward & Kissel's RIA Enforcement Study, please contact your primary Seward & Kissel Attorney.

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