

# SEC Issues Risk Alert on Investment Adviser Economic Conflicts of Interest

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On June 9, 2026, the staff (**Staff**) of the Division of Examinations of the Securities and Exchange Commission (the **SEC**) published a Risk Alert summarizing certain observations from its recent examinations of SEC-registered investment advisers (**Advisers**) relating to one of its examination priorities—economic conflicts of interest. As the Staff noted, as fiduciaries, Advisers are obligated to either eliminate, or expose through full and fair disclosure, all conflicts of interest that might incline an Adviser to render advice that is not disinterested. Such disclosures are typically found in an Adviser’s Form ADV brochure, client advisory agreements and related client documentation.

The Staff identified certain economic conflicts of interest and fee issues that were undisclosed or for which disclosures were incomplete, contradictory or misleading. The Staff further highlighted certain Adviser practices that were inconsistent with advisory agreements, as well as examples of client disclosures and Adviser compliance programs that did not fully address advisory fees and economic conflicts of interest. The Staff’s Risk Alert is intended to assist Advisers in strengthening appropriate client disclosures and effective compliance programs and does not establish any new legal requirements.

## Key Takeaways

- **The Staff continues to prioritize the importance of robust client disclosures regarding Adviser fees and economic conflicts of interest arising in connection with an Adviser’s advice and advisory business, including related to revenue sharing arrangements, particular recommendations, advisory fee calculations, broker/custodian selection and economic benefits received by its affiliates.**
- **The Staff specifically criticized disclosures stating that an Adviser “may” receive revenue in situations where the Adviser was in fact already receiving such revenue.**
- **These types of deficiencies have been highlighted by the Staff in the past and in certain cases have been the subject of investigations and enforcement actions by the staff of the SEC’s Division of Enforcement.**
- **Given the Staff’s continued focus, Advisers should revisit their client disclosures and their policies and procedures regarding fees and economic conflicts of interest.**

In brief, the Staff’s observations covered several areas:

### I. Disclosure Issues Related to Economic Conflicts of Interest

The Staff identified a number of examples of inadequate disclosure of relevant conflicts of interest and economic benefits received by the Adviser or an affiliate related to its brokerage, custodial or clearing relationships, including the existence of revenue sharing for certain cash balances or sweep vehicles, certain expense or fee transaction mark-ups and benefits related to margin loans.

The Staff observed insufficient disclosures regarding mutual fund selection, including in cases where Advisers selected higher-cost mutual fund share classes paying fees to, or that had revenue sharing with, the Adviser or its affiliates when lower-cost share classes of the same fund were available. These failures included a lack of robust disclosure about the receipt of Rule 12b-1 fees by an Adviser's broker-dealer affiliate.

The Staff noted various deficiencies related to an Adviser's disclosure about its cash management practices, including that certain clients' cash balances were still subject to the Advisers' asset-based fees or lack of robust disclosure regarding Advisers' recommendations for moving clients' uninvested cash into interest-bearing accounts which were held at affiliated entities and/or for which the Adviser received revenue or some other economic incentives.

The Staff also commented about inadequate or inconsistent compensation-related disclosures under Form ADV Part 2A Item 10 (relating to an Adviser's financial industry activities and affiliations) and Item 12 (relating to an Adviser's brokerage practices).

## II. Advisory Fee Practices and Related Disclosures

The Staff observed instances where Advisers charged advisory fees that were inconsistent with advisory agreements and/or client disclosures or with the actual advisory services rendered. This included instances of incorrect fee calculations, duplicative billing, imposing fees on excluded assets and inactive accounts, and failures to refund or rebate unearned fees in accordance with client disclosures.

## III. Compliance Programs

In connection with the deficiencies noted above, the Staff noted accompanying issues with Advisers' written compliance policies and procedures, including missing, inadequate or unimplemented policies and procedures relating to advisory fees, economic conflicts of interest and client disclosures. The Staff also observed policies and procedures that conflicted with other client disclosures or had no procedures for monitoring or testing for accurate assessments, inactive accounts and properly applied rebates/refunds.

Read the Staff's Risk Alert [HERE](#).

The Investment Management Group at Haynes Boone regularly counsels SEC-registered investment advisers on conflicts of interest and other disclosures, Form ADV preparation and compliance matters. Please contact [Daren Domina](#) or another member of the [Investment Management Group](#).