

## Investment Management & Funds Regulatory Update - February 2026

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In this issue, we discuss proposed amendments to Form N-PORT reporting requirements, the SEC enforcement director's first public remarks and a recent enforcement action involving compliance failures by two registered investment advisers.

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## Rules and regulations

### SEC proposes amendments to reduce burdens in Form N-PORT reporting, and extends compliance dates for Form N-PORT reporting related to Investment Company Act names rule.

On February 18, 2026, the SEC [proposed amendments](#) to Form N-PORT reporting requirements that apply to certain registered investment companies. If finalized, the amendments would provide an additional 15 days for these funds to file monthly Form N-PORT reports, restore the quarterly publication frequency of such reports, and streamline or remove

certain reported information. Additionally, the amendments would require the reporting of certain additional information for funds with share classes that operate as ETFs and information about funds' ticker symbols and certain class-level identifiers. According to the proposing release, the proposed amendments are aimed at "reducing reporting burdens in ways that would not significantly affect the [SEC]'s uses of the data and are not expected to significantly affect the public's ability to assess relevant information about a fund."

## Amending filing time frame and publication frequency

Pursuant to amendments adopted on August 28, 2024 (the 2024 Amendments), Form N-PORT reports are required to be filed within 30 days of the relevant month end. The proposed amendments would provide funds with an additional 15 days to file such reports, up to 45 days after the end of the relevant month. In the proposing release, the SEC noted that this additional time would reduce the reporting burdens on registered funds and their service providers, as well as reduce the potential for errors in Form N-PORT filings. The SEC stated that "[o]verall, we anticipate that providing registered funds with 15 additional days to file monthly reports would not have a significant negative effect on the utility of the information, and the potential increase in data accuracy and reliability could provide benefits to the [SEC]."

In addition, the proposed amendments would restore the quarterly publication frequency that had been in place since 2004, as opposed to the monthly publication frequency adopted under the 2024 Amendments. The proposal would require public disclosure of registered funds' portfolio holdings for the third month of each fiscal quarter with a 60-day delay, instead of monthly public disclosure with a 60-day delay. According to the proposing release, more frequent publication may increase the risk that "external parties may use information about a registered fund's portfolio holdings to trade in a way that harms the fund." Thus, the SEC noted that the proposal "takes into account our review and rebalancing of the benefits of information available for investors with the potential harms caused by more frequent publication of portfolio holdings, such as free riding or front running."

## Amending information reporting requirements

According to the proposing release, the proposed amendments would also:

- Modify certain information collected on portfolio-level risk metrics and returns to narrow their scope;
- Eliminate certain information collected, including information related to:
  - compliance with Rule 35d-1 under the Investment Company Act (the Names Rule);
  - payoff profiles of non-derivatives instruments;
  - convertible securities; and
  - the reasons for attributing multiple liquidity classifications to a single holding;
- Modify how registered funds with ETF share classes report net assets and shareholder flows to require separate reporting for ETF share classes; and
- Require registered funds to provide certain additional identifying information, such as ticker symbols and class-level information, as applicable.

In addition, the SEC has issued a [release](#) extending the compliance date for amendments to Form N-PORT reporting requirements that were adopted on September 20, 2023 relating to the Names Rule. For fund groups with net assets of \$10 billion or more as of the end of their most recent fiscal year, the compliance date has been extended to November 17, 2027. For fund groups with less than \$10 billion in net assets as of the end of their most recent fiscal year, the compliance date has been extended to May 18, 2028. For further information on the 2023 amendments to the Names Rule, please see our [client update](#) on that topic.

## Industry update

### SEC enforcement director outlines priorities in first public remarks.

On February 11, 2026, Judge Margaret Ryan, the Director of the SEC's Division of Enforcement, gave remarks to the Los Angeles County Bar Association outlining her guiding principles. These were her first public remarks since becoming Director in September 2025 and are a timely guide to the enforcement priorities of the current administration. For further information, please see our recent [client update](#) on this topic.

# Litigation

## **SEC charges two registered investment advisers for custody rule violations and compliance failures involving hedge clauses and assignment provisions in retail advisory agreements.**

On January 20, 2026, the SEC issued an [order](#) (the Order) instituting and settling administrative and cease-and-desist proceedings against two registered investment advisers (the Advisers) that advise mainly retail clients. According to the Order, the Advisers' advisory agreements with retail clients contained improper hedge clauses purporting to limit the Advisers' liability, which was inconsistent with the Advisers' fiduciary duties. The Order noted that in a prior interpretive statement published by the SEC in 2019, the SEC stated that the use of hedge clauses in retail client agreements that purport to "relieve the adviser from liability for conduct as to which the client has a non-waivable cause of action against the adviser provided by state or federal law" is generally likely to mislead such retail client into not exercising its legal rights "even where the agreement otherwise specifies that the client may continue to retain its non-waivable rights."<sup>1</sup>

Accordingly, the SEC found that the Advisers' use of such hedge clauses in their retail advisory agreements violated the antifraud provisions in Section 206(2) of the Advisers Act. The SEC also found that the Advisers' advisory agreements failed to provide that the Advisers could not assign the agreements without the client's consent, and therefore also violated Section 205(a)(2) of the Advisers Act. In addition, according to the Order, the Advisers failed to comply with policies and procedures in their compliance manuals regarding the use of hedge clauses and assignment provisions in advisory agreements. As such, the SEC found that the Advisers failed to implement policies and procedures reasonably designed to prevent Advisers Act violations, and therefore violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.

The SEC also found that the Advisers violated the annual examination requirement in the custody rule under the Advisers Act. According to the Order, the Advisers had custody of client assets for purposes of the custody rule because the Advisers had authority under the advisory agreements to give instructions regarding the withdrawal of client funds or securities. The SEC found that from at least 2019 through 2024, the Advisers failed to obtain verification of such client funds and securities by annual examinations by an independent public accountant, and therefore violated Section 206(4) of the Advisers Act and Rule 206(4)-2 thereunder.

The Advisers were ordered to cease and desist from committing or causing any violations and any future violations of such requirements under the Advisers Act, and each Adviser agreed to pay a civil money penalty of \$85,000 and \$65,000, respectively.

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<sup>1</sup> Commission Interpretation Regarding Standard of Conduct for Investment Advisers, IA Rel. No. 5248 (June 5, 2019).