

Regulatory Update

US, September 2026

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This edition includes – SEC Proposes Sweeping Reforms to Transfer Agent Operations, Recordkeeping, and Compliance Requirements, NFA Amends Business Continuity Rule to Permit Cloud-Based Recovery Sites, SEC Proposes Rescission of Investment Adviser Pay-to-Play Rule, and SEC Risk Alert Highlights the Importance of a Robust Annual Compliance Review

SEC Proposes Major Overhaul of Transfer Agent Rules

On September 1, 2026, the Securities and Exchange Commission (“SEC”) proposed a broad package of amendments intended to modernize the regulatory framework governing registered transfer agents. The proposal would amend numerous existing transfer agent rules under the Securities Exchange Act of 1934, revise Forms TA-1 and TA-2, rescind an existing transfer-agent rule, and establish new rules addressing compliance obligations and restrictive legends on securities. According to the SEC, the proposed reforms are designed to reflect significant changes in securities ownership, technology, and transfer agent operations that have occurred since many of the current requirements were adopted.

The proposal would enhance registration and annual reporting requirements, update recordkeeping and safeguarding standards, revise processing requirements, and establish new compliance program obligations for registered transfer agents. The SEC stated that the amendments are intended to improve operational resiliency, increase transparency, strengthen investor protections, and promote the accurate maintenance and transfer of securities ownership records. If adopted, transfer agents would need to review and potentially update their policies, procedures, internal controls, and regulatory reporting practices to comply with the revised framework. The proposal is subject to a 60-day public comment period following publication in the Federal Register.

Read the proposed rule: <https://www.sec.gov/files/rules/proposed/2026/34-106246.pdf>

NFA Embraces Cloud-Based Recovery Solutions

On September 2, 2026, the National Futures Association (NFA) amended Compliance Rule 2-38 and related Interpretive Notice 9052 governing Business Continuity and Disaster Recovery (BCDR) Plans. Effective immediately, NFA Members are no longer required to maintain physical primary and back-up data recovery sites. Instead, firms may utilize cloud-based applications and data recovery environments as their primary and/or secondary data-recovery sites. NFA noted that cloud-based solutions can provide comparable data protection and resiliency while offering firms greater flexibility to design business continuity programs that align with their operational needs.

The September 2 amendment modernizes NFA's BCDR framework to reflect current technology practices. Prior to the amendment, Rule 2-38 required Members' written BCDR plans to identify physical recovery site locations that could be used during a significant business disruption. Under the revised rule, firms may satisfy this requirement through cloud-based recovery environments rather than maintaining dedicated physical facilities. NFA's Board unanimously approved the change, recognizing that advances in cloud infrastructure have made these solutions a viable alternative to traditional disaster recovery sites while preserving firms' ability to maintain effective recovery capabilities.

NFA Members that currently identify physical primary and backup recovery sites in their BCDR plans may wish to review their business continuity documentation to determine whether updates are appropriate in light of the amendment. Firms utilizing cloud-based recovery environments should ensure that their written BCDR plans

accurately describe their recovery arrangements and are consistent with current practices. The amendment provides additional flexibility by permitting cloud-based applications for primary and/or backup data recovery sites but does not alter the requirement to maintain a written BCDR plan.

Read the notice here:

<https://www.nfa.futures.org/newsnotices/newsArticle.aspx?MT=&Topic=&AllYrs=0&Year=2026&ArticleID=5851>

SEC Proposes Elimination of Pay-to-Play Rule

On September 3, 2026, the SEC proposed rescinding Rule 206(4)-5 under the Investment Advisers Act, commonly known as the "pay-to-play" rule. Adopted in 2010, the rule currently prohibits an investment adviser from receiving compensation for advisory services provided to a government client for two years following certain political contributions made by the adviser or its covered associates. The proposal would rescind Rule 206(4)-5 in its entirety and amend the Advisers Act recordkeeping rule to eliminate the corresponding political-contribution recordkeeping provisions.

In announcing the proposal, the SEC stated that more than fifteen years of experience administering the rule revealed operational challenges, unintended consequences, and compliance burdens for advisory firms. The Commission noted concerns that the rule functions as a de facto strict liability standard and may discourage legitimate political participation by advisers and their employees. Although the SEC has proposed rescinding the pay-to-play rule, advisers would remain subject to existing fiduciary duties, anti-fraud provisions, compliance program requirements, and code of ethics obligations under the Advisers Act. The proposal is subject to a 60-day public comment period and, until any final rule is adopted, investment advisers must continue to comply with the current pay-to-play requirements.

Read the proposal here: <https://www.sec.gov/newsroom/press-releases/2026-85-sec-proposes-rescission-political-contribution-rule-investment-advisers>

SEC Highlights Expectations for Annual Compliance Reviews

On September 14, 2026, the SEC's Division of Examinations issued a Risk Alert, *Examinations Observations Regarding Investment Adviser Annual Compliance Reviews*. The Risk Alert addresses the requirement under Rule 206(4)-7 that SEC-registered investment advisers review their compliance policies and procedures at least annually to assess their adequacy and the effectiveness of their implementation. The staff encouraged advisers to consider whether their annual-review practices, policies, and procedures are appropriately tailored and whether modifications to the review process may be warranted.

The Risk Alert emphasizes consideration of compliance matters that arose during the prior year, changes in the business activities of the adviser or its affiliates, and regulatory developments that may suggest the need to revise policies and procedures. It also reminds advisers to consider interim reviews following significant compliance events, changes in business arrangements, or regulatory developments and to maintain required books and records documenting their reviews.

Advisers may wish to use the staff's observations to evaluate whether their annual-review process is appropriately risk-based, reflects the adviser's current business and conflicts, and is supported by documentation sufficient to demonstrate the scope and results of the review.

Key Considerations for Investment Advisers

- Annual reviews should be tailored to the adviser's specific business model, services, conflicts, and compliance risks.
- Annual reviews should consider business changes, regulatory developments, and compliance matters that arose during the prior year.
- Annual reviews should address identified incidents of noncompliance and assess whether corrective actions recommended in current or prior annual reviews have been implemented and whether previously identified issues persist.
- Compliance policies and procedures should be assessed for both adequacy and the effectiveness of their implementation.
- Firms should maintain documentation supporting the scope, methodology, testing, findings, recommendations, and corrective actions associated with the annual review.

Read the risk alert here: [examinations-observations-regarding-investment-adviser-annual-compliance-review-091426.pdf](#)

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In the United States, Waystone brings over 20 years of experience supporting investment advisers and funds regulated by the SEC, CFTC, and FINRA. Our US-based team delivers tailored, risk-focused, and cost-effective compliance solutions. With deep regulatory expertise, we help enhance your firm's governance framework while adding measurable value to your compliance program.

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This Regulatory Update provides information about the consultative documents and publications issued by various regulators which are still current, proposed changes to the Rules and Guidance set out in Handbooks, actual changes to Rules and Guidance that have occurred in the months leading up to the update and other matters of relevance to regulated firms. This Regulatory Update is intended to provide general summarized guidance only, and no action should be taken in reliance on it without specific reference to the regulators' document referred to therein.