

RESEARCH · OCTOBER 2026

The State of the ADV Brochure 2026

What 16,424 current Form ADV Part 2A brochures disclose, read topic by topic. Where the gaps are, what the SEC is looking at now, and what to expect before the 2027 amendment season.

16,424

current brochures, from 94.7% of SEC-registered advisers

48

disclosure topics; 99.3% of addressed readings tied to their source passage

1 in 4

brochures appear to leave out a topic most comparable firms address

Data as of the SEC's public Form ADV files, September 30, 2026. Luna reads brochures; it does not decide whether any brochure meets any rule. Nothing in this report is legal advice, and no finding concerns a named firm.

lunacompliance.io/resources/state-of-the-brochure

CONTENTS

- 1 Ten findings
- 2 The dataset: what was read, and how
- 3 What brochures say: the core, the long tail, and the gaps
- 4 Size, business model, and the smallest SEC advisers
- 5 Length, templates, and amendment season
- 6 What this SEC is looking at, and what the brochures say about it
- 7 What Luna expects before March 31, 2027
- 8 Methodology and limitations
- 9 Appendix: all 48 topics by peer segment
- 10 Sources

Every adviser rewrites this document once a year, and almost none of them know what the firm down the street says in theirs.

This report is a public reading of what the industry's brochures actually contain. Its findings name no firm, and it quotes no brochure to anyone but its owner.

How to read the percentages

Every topic rate is the share of comparable advisers whose brochure addresses a topic: either describes the practice, or says the firm does not do it. Only firms the topic applies to are counted, firms using the same vendor template count once, and no figure rests on fewer than 20 peers. A topic most peers cover is common practice, not a requirement. Section 8 has the method in full.

SECTION 1

Ten findings

The current Part 2A of 94.7% of SEC-registered advisers, read for 48 disclosure topics. Percentages count only firms a topic applies to; vendor templates count once.

1 · THE CORE

99%+

The basics are near-universal.

Fee schedule (99.3%), code of ethics (99.8%), personal trading (99.3%), strategies and risk of loss, the custody statement. 93.6% of the brochures read contain all 18 items.

2 · THE GAPS

73%

The gaps are in the economics, not the basics.

Among advisers without private funds, 73% address revenue sharing or cash sweep conflicts (a topic read with lower accuracy; Section 2) and 78% custodian economic benefits. The June 2026 risk alert names exactly these.^[4]

3 · POINTS TO CONSIDER

1 in 4

One brochure in four appears to leave out something most peers address.

Under a strict test, 4,082 brochures (24.9%) carry at least one point to consider, 5,918 in all. Most common: trade allocation safeguards (993), cybersecurity risk (785), trade aggregation (628) and refunds of prepaid fees (602).

4 · AI

69%

AI is described mostly as a risk, rarely as a service.

20.7% of advisers (vendor templates counted once) address AI tools. Of the 3,442 brochures that do, 69% name a specific risk in the text around the cited passage, and 5% mention AI in Item 4, which describes the service (2.5% of all brochures). Exam staff "will review for accuracy registrant representations regarding their AI capabilities."^[3]

5 · CYBERSECURITY

66% vs 27%

A story of two industries.

66% of advisers serving pooled vehicles describe cybersecurity risk; 27% of advisers serving individuals do. Amended Regulation S-P, which reached every adviser by June 3, 2026, requires a program, not a brochure sentence.^[13]

6 · THE SMALLEST ADVISERS

83% vs 95%

Among advisers without private funds, the smallest have the thinnest fee disclosure.

Under \$100 million, without private funds: fee calculation 83% (vs 95% at \$100M to \$500M), refunds of prepaid fees 75% (vs 93%), custodian benefits 57% (vs 85%). Nearly half of this segment (49%) first registered with the SEC in the last three years, against 22% of all advisers; newly registered advisers are a Division priority.^[3]

7 · SAYING NO

53%

"We do not" is half of disclosure.

Of advisers that address performance fees (vendor templates counted once), 53% say the firm charges none; for brokerage for referrals, 89%; for product-sales compensation, 35%. Silence and "no" read very differently to an examiner.

8 · OPERATIONS

21%

Operational topics are the quietest.

Trade error policy: 21%. Standing letters of authorization: 26% (46% among advisers serving individuals). Trades between client accounts: 29%. Best execution review: 46%, and 28% of readings were too unclear to count.

9 · LENGTH

22 pages

Longer is fuller, up to a point.

The median brochure addresses 75% of the topics that apply to it. The shortest fifth: 68%. The fourth fifth: 78%. The longest fifth does no better. Template-built brochures cover more, not less.

10 · SEASON

56%

Amendment season is one month.

9,228 of the 16,424 current brochures were filed in March 2026, the month the annual updating deadline falls due (March 31) for calendar-year firms.^[2] It will repeat in March 2027.

The dataset: what was read, and how

17,344

SEC-registered advisers active on September 30, 2026^[1]

The SEC publishes every registered adviser's Form ADV, including the Part 2A brochure, in bulk.^[1] On September 30, 2026, 17,344 advisers were active SEC registrants. 16,612 of them had a primary Part 2A brochure filed between October 2025 and September 2026; 16,434 could be split into items and read (178 were held back because fewer than 12 of the 18 items could be found), and 10 where the reader found almost nothing were set aside, leaving 16,424. State-registered advisers are not in the data: the bulk brochure files used here cover SEC registrants only.^[1]

Each brochure was paired with the firm's latest Part 1A: regulatory assets under management, whether it advises private funds, client types, custody, affiliations, and the other yes-or-no answers that decide whether a topic can apply.

For each of 48 topics (the full list is in the appendix), the reader recorded one of four statuses: **disclosed** (the brochure describes the practice), **says it does not apply** (the brochure says the firm does not do it), **not found**, or **unclear**. Nearly every (99.3%) disclosed or negated reading is tied to the passage of the brochure it came from. A topic is **addressed** when the status is disclosed or says-it-does-not-apply; both tell a reader where the firm stands.

16,424

brochures counted, 94.7% of advisers; 10 more set aside for review

22 pages

median brochure; a quarter run 30 or more, one in ten past 45

10

segments: with or without private funds, five asset bands, 265 to 5,533 firms each

Three rules that shape every percentage

Only firms a topic applies to are counted. A question about audited private fund statements counts only advisers that report private funds and custody on Part 1A. Where Part 1A has no matching question, nothing is gated off.

Shared templates count once. Many brochures use the same vendor or consultant wording. Where the passage for an item sits in the same template cluster, those firms count as one voice, so a template copied by forty firms does not look like forty independent choices.

Small groups are left out. No figure rests on fewer than 20 template-adjusted peers. Every rate carries a 95% Wilson interval; the appendix shows the point estimates and the intervals are available on the benchmark page.^[19]

How accurate the reading is

On a held-out reference set of 54 brochures labeled by a separately prompted model and never used to tune the reader, the readings used in this report agree on whether a topic is addressed with an F1 score of 0.947 (precision 0.941, recall 0.952). Errors run in both directions: a reading that counts a topic as addressed when the reference does not (110 cases) is a little more common than a miss (88), so the "not found" figures in this report are, if anything, slightly low. Two topics scored below 0.85 and are marked where the report leans on them: revenue sharing and cash sweep (0.73) and principal or agency cross transactions (0.84).

Firms per segment, without private funds: 1,312 under \$100M; 5,533 at \$100M to \$500M; 1,485 at \$500M to \$1B; 1,496 at \$1B to \$5B; 615 at \$5B and over. With private funds: 265; 1,780; 881; 1,666; 1,391. Regulatory assets from Part 1A Item 5.F.(2)(c); private funds from Item 7.B. Firms below \$100 million are SEC-registered through an exception such as the mid-sized adviser, multi-state, or pension consultant provisions. Within this report, "advisers serving individuals" means firms where individuals and high-net-worth individuals (Part 1A Item 5.D(a) and (b)) hold at least half of the regulatory assets reported by client type (8,942 firms); "pooled" means pooled investment vehicles other than registered funds and BDCs (5.D(f)) hold at least half (4,581); the rest of the firms that report 5.D assets are "institutional" (2,278). 623 firms report no assets by client type and are in none of the three.

3

What brochures say: the core, the long tail, and the gaps

Sixteen topics are near-universal. Seven are addressed by fewer than half of advisers. The gap between them is the economics and the operations of the firm.

99.3%

of brochures give a fee schedule

46%

describe a best execution review

5,918

points to consider across 4,082 brochures

What brochures say

Figure 1 ranks all 48 topics by the share of template-adjusted peers that address them. Three tiers are visible. Sixteen topics sit above 95% (two more round to 95% in Figure 1): the things the Part 2A instructions ask for by name and every drafter knows to include. Twenty-five sit between 50% and 95%: topics that are standard in some business models and absent in others, or that the form asks about in words drafters do not always recognize. Seven sit below 50%.

The near-universal core

Fee schedule, other fees clients pay, billing timing, the code of ethics and personal trading, methods of analysis, strategies, the risk-of-loss statement, performance fees, the custody statement, broker selection factors and referral compensation (among firms that report it) are each addressed by 97% or more of peers, and promoter arrangements by 95%. Most of these vary little by firm size; billing timing and other fees are the exceptions, lower among the smallest advisers (Section 4). This is the part of the brochure the industry has standardized, and it is also, not coincidentally, the part that maps most directly onto the form's own item headings.^[2]

The long tail

Below the core, the pattern is consistent: the further a topic sits from an item heading, the less often it appears. Trade aggregation (91%) and allocation safeguards (88%) are addressed by most firms. Directed brokerage (78%) and fee deduction as a form of custody (76%) are addressed by three in four. Refunds of prepaid fees (79% after accounting for firms that bill only in arrears) sit with them; the risks of options, margin and leverage (68%) fall further. Then the drop: concentration risk (62%), custodian economic benefits (58%), revenue sharing and cash sweep (64%) and principal and agency cross transactions (55%), the two topics read with lower accuracy (Section 2), best execution review (46%), cybersecurity (42%).

Reading the gaps. A topic most peers cover is common practice, not a requirement, and a brochure that does not address it may have nothing to say: a firm with no trade errors policy because it never trades, or no cash sweep revenue because it receives none. The question for a reader is narrower. Where the practice exists at the firm, is it in the brochure? The 2023 risk alert on newly registered advisers described disclosure documents with "omissions or inaccurate information" and named fees, affiliates, aggregated trading and conflicts among the gaps.^[8] The 2026 alert on economic conflicts found disclosures that "omitted" revenue the adviser already received.^[4] Both are describing the long tail.

The further a topic sits from an item heading, the less often it appears.

Sixteen topics above 95%. Twenty-five between 50% and 95% (two of them round to 95%). Seven below 50%.

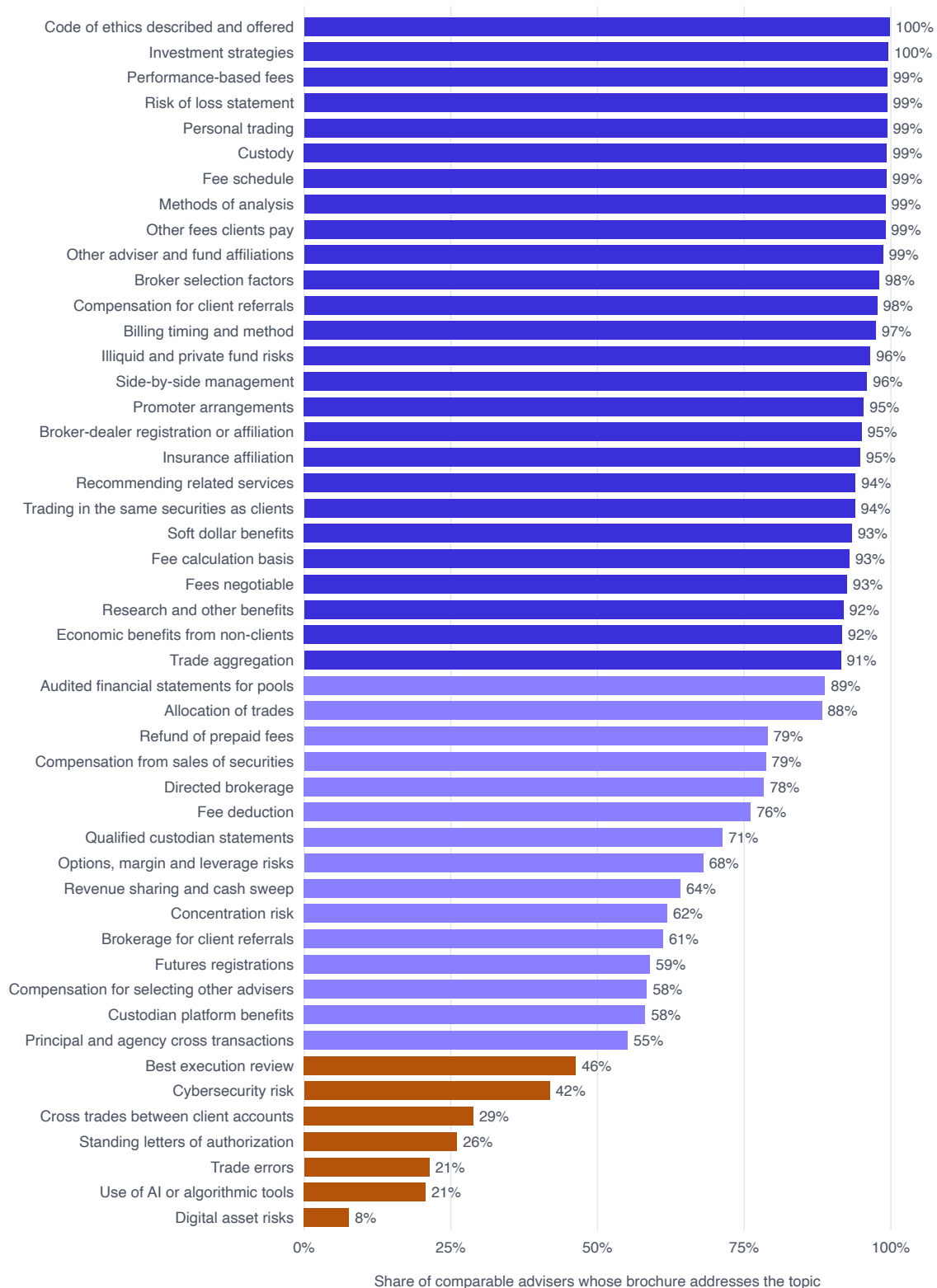


Figure 1. All 48 topics, all 16,424 brochures, template-adjusted and counting only firms each topic applies to. Dark purple: 90% and above. Light purple: 50% to 89%. Amber: below 50%. Four topics (refund of prepaid fees, fee calculation, allocation safeguards, revenue sharing) use the benchmark's adjusted figures, which read Item 5, 12 and 14 text to settle cases another reading answers, for example a firm that bills only in arrears has no refund question. Trade aggregation excludes advisers whose private funds are all private equity, venture, real estate or securitized vehicles.

One in four: the points to consider

Luna raises a point to consider only when four conditions hold at once: the firm's own Part 1A answers do not rule the topic out; the reader is confident (0.8 or higher) that the brochure does not address it; the topic carries regulatory weight (Luna's catalogue of 2022-or-later SEC exam, risk alert and enforcement signals rates it 2 or 3 on a 3-point scale); and, under two peer definitions, the lower bound of the 95% interval on peer prevalence is at least 60% with at least 20 template-adjusted peers. The test is deliberately conservative, and it still reaches a quarter of the industry.

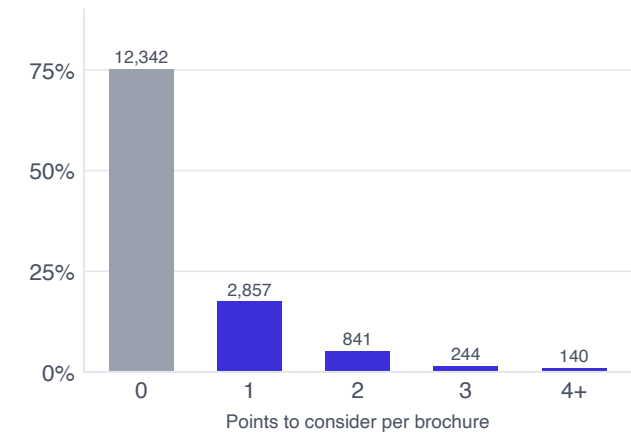


Figure 2. Points to consider per brochure. 12,342 brochures (75.1%) carry none; 4,082 (24.9%) carry at least one; 1,225 (7.5%) carry two or more.

TOPIC	POINTS RAISED
Trade allocation safeguards	993
Cybersecurity risk	785
Trade aggregation	628
Refund of prepaid fees	602
Fees negotiable	589
Fee calculation basis	548
Custodian platform benefits	467
Audited financial statements for pools	332
Billing timing and method	244
Revenue sharing and cash sweep	235
All other topics	495

5,918 points across 4,082 brochures. Each is a prompt to check the brochure against the firm's practice, never a conclusion about the firm.

4

Size, business model, and the smallest SEC advisers

Bigger firms write fuller risk sections. Mid-sized firms write fuller custodian sections. And the smallest SEC advisers without private funds write less about fees than their larger peers, on exactly the topics in this year's risk alerts.

63% vs 42%

cybersecurity risk, \$5B+ against under \$100M

78% vs 19%

custodian benefits, without against with private funds

83%

under-\$100M advisers without private funds that explain how fees are calculated

Size, business model, and the smallest SEC advisers

Bigger firms write fuller risk sections. Mid-sized firms write fuller custodian sections.

Firm size moves disclosure in two directions, and the direction tells you why. Topics that describe the adviser's own operations and risks rise with size from \$100 million upward (the under-\$100 million band, discussed below, sits higher than the next band on most of them): cybersecurity risk from 42% under \$100 million to 63% at \$5 billion and over, use of AI tools from 24% to 43%, trade error policy from 17% to 39%, best execution review from 41% to 64%, concentration risk from 57% to 80%, trades between client accounts from 18% to 55%. Larger firms have more staff, more counsel, and more of these practices to describe.

Topics tied to the retail custodian platform peak between \$100 million and \$1 billion and fall above it (the under-\$100 million band sits lower on all four): custodian economic benefits from 70% at \$100 million to \$500 million to 28% at \$5 billion and over, standing letters of authorization from 32% at \$500 million to \$1 billion to 14%, directed brokerage from 83% to 70%. That is a business-model effect. A \$10 billion institutional manager typically does not receive a custodian's practice-management support, so it often has nothing to disclose. The size gradient is not a quality gradient; it is a map of which firms do which things.

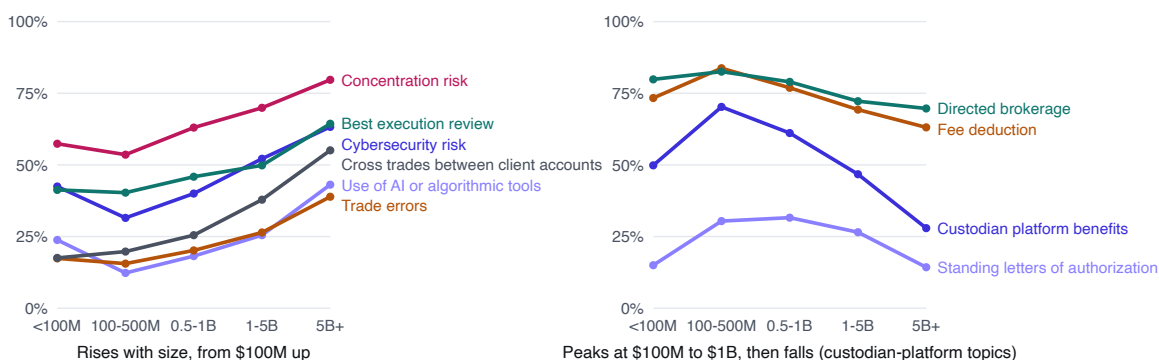


Figure 3. Share of peers addressing each topic, by regulatory-assets band, advisers with and without private funds combined. Left: topics that rise with size from the \$100 million band upward. Right: topics tied to retail custodian platforms, which peak between \$100 million and \$1 billion and fall above it.

Two industries in one form

The sharper divide is between advisers that manage private funds and those that do not. The two populations use the same form to describe different businesses, and the brochure reflects it. Private fund advisers address concentration risk (85% against 47%), cybersecurity (63% against 29%), AI tools (33% against 13%), trades between client accounts (43% against 19%) far more often, and allocation safeguards somewhat more often (92% against 86%). Advisers without private funds address custodian economic benefits (78% against 19%), fee deduction as custody (92% against 52%), direct custodian statements (89% against 44%), directed brokerage (90% against 58%) and standing letters of authorization (39% against 8%) far more often. Neither population is "better." Each is describing its own conflicts, and a reader who benchmarks a wealth manager against a hedge fund adviser learns nothing. That is why every figure on Luna's benchmark page is segmented by private funds first and size second.^[19]

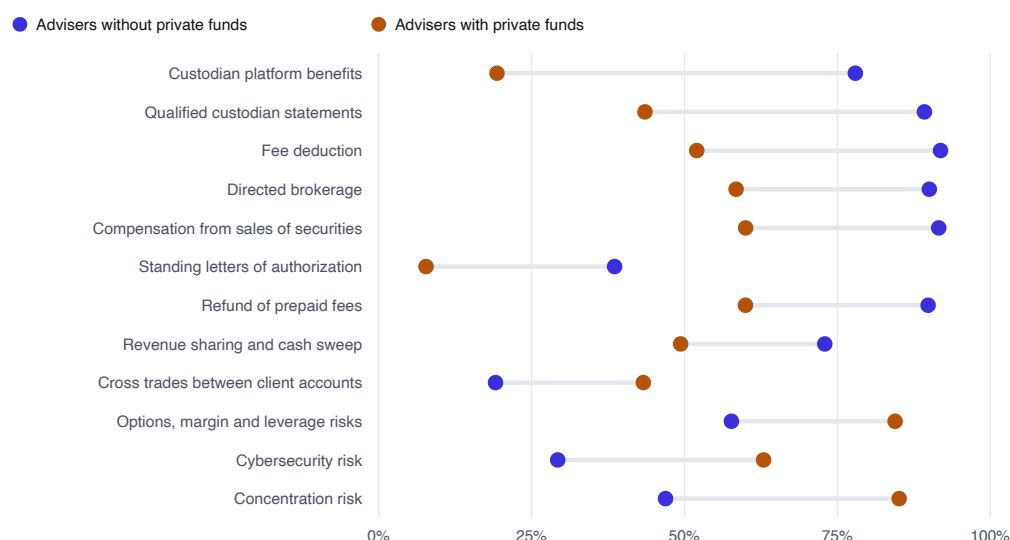


Figure 4. The twelve topics with the largest difference between advisers with private funds (amber) and without (purple), among firms each topic applies to. Private-fund-only topics (fund audits, illiquid fund risks) are excluded.

Among advisers without private funds, the smallest have the thinnest fee disclosure

1,312 advisers without private funds report under \$100 million in regulatory assets and are SEC-registered anyway: mid-sized advisers in states that do not examine, multi-state advisers, pension consultants, internet advisers, and firms that have fallen below the threshold since registering. On the topics that the June and September 2026 risk alerts named, fee calculation, billing, refunds and custodian economics, this segment trails the \$100 million to \$500 million advisers without private funds by margins the 95% intervals do not explain, and on fee calculation, billing and refunds it has the lowest rates of any segment without private funds. ^{[4][5]}

TOPIC	UNDER \$100M	\$100M TO \$500M
Fee calculation basis	83%	95%
Fees negotiable	83%	95%
Refund of prepaid fees	75%	93%
Billing timing and method	94%	99%
Other fees clients pay	95%	99%
Custodian platform benefits	57%	85%
Compensation from product sales	81%	96%
Insurance affiliation	87%	96%
Cybersecurity risk	40%	22%
Use of AI tools	24%	9%

Two readings fit the data. The first is resources: a two-person firm writes its brochure from a template once and updates the date. The second is heterogeneity: the under-\$100 million SEC segment contains internet advisers, newly registered firms, and firms that have shrunk, and some of them have genuinely simpler fee arrangements. The exam priorities do not distinguish. The Division "will prioritize examinations of advisers that have never been examined," with particular emphasis on recently registered ones, ^[3] and nearly half of this segment (49%) first registered with the SEC in the last three years, against 22% of all advisers.

The same segment is also more likely than the \$100 million to \$500 million band to describe cybersecurity risk (40% against 22%) and AI use (24% against 9%). The smallest SEC advisers include internet advisers and many of the newest firms, which may explain the difference; the data do not separate them.

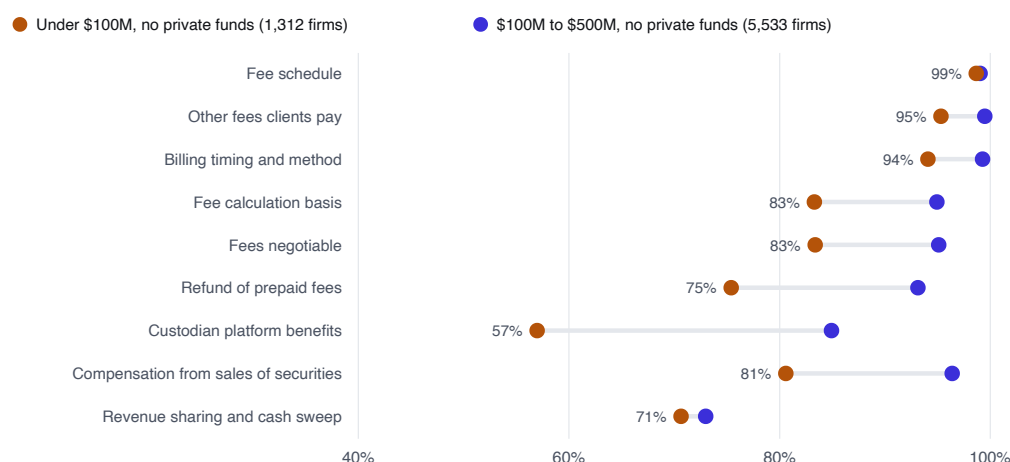


Figure 5. Fee and conflict topics, advisers without private funds, under \$100 million (amber) against \$100 million to \$500 million (purple). The label gives the under-\$100M rate.

The size gradient is not a quality gradient. It is a map of which firms do which things.

From \$100 million upward, risk and operations topics rise with size; above \$1 billion, custodian-platform topics fall. Neither population is "better."

"We do not" is half of disclosure

A brochure can address a topic by saying the firm does not engage in the practice. The benchmark counts that as addressed, and the share of "no" answers is itself informative. Counting vendor templates once, among advisers that address performance fees, 53% say the firm charges none. For brokerage in exchange for client referrals, 89% of addressing advisers say the firm does not do it; for commodity registrations, 92%; for compensation from selecting other advisers, 77%; for economic benefits from non-clients, 35%; for compensation from product sales, 35%; for soft dollars, 24%. These are not throwaway sentences. The 2024 marketing risk alert found brochures that said no referral arrangements existed when they did,^[7] and the 2026 conflicts alert found advisers that said they "may" receive revenue they already received.^[4] A "no" that is wrong is a different problem from a silence, and the fix is different too.

5

Length, templates, and amendment season

The median brochure is 22 pages and addresses three quarters of what applies to it. Almost half the industry shares wording with other firms, mostly where the form asks for standard language. And 56% of brochures were filed in one month.

22

pages, the median brochure

49%

share an item's wording with five or more other firms

9,228

current brochures filed in March 2026

Length, templates, and amendment season

Length

The median brochure is 22 pages. A quarter run 30 pages or more and one in ten past 45. Length tracks size (median 19 pages under \$100 million, 36 pages at \$5 billion and over) and model (private fund advisers write longer Item 8 risk sections).

Length also tracks completeness, up to a point. Sorting brochures into fifths by page count, the shortest fifth (median 14 pages) addresses 68% of the topics that apply to it; the next (18 pages), 74%; the middle (22 pages), 76%; the fourth (28 pages), 78%; the longest fifth (45 pages), 77%. Past about thirty pages, extra length is explanation, not coverage.

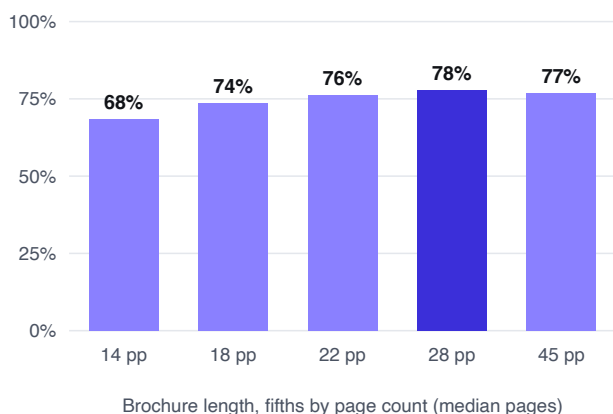


Figure 6. Median share of applicable topics addressed, by brochure length (fifths of the 16,424 brochures by page count; median pages under each bar).

Templates

Almost half of all brochures (49%) share at least one item's wording with five or more other firms. The sharing is concentrated where the form asks for standard language: disciplinary information (24% of brochures share Item 9 wording), financial information (22%), proxy voting (19%), performance fees (16%), the code of ethics (14%), discretion (13%) and custody (13%). It is rare in the items that describe the business: services (0.2%), fees (0.3%), and brokerage (5%).

Only 3.3% of brochures lean on shared wording for half or more of their items, and those brochures address *more* topics (median 79%) than the rest (74%). Vendor templates are built to cover the checklist. What they cannot do is describe the firm, and the 2023 alert's "omissions or inaccurate information" is the gap between the checklist and the practice. [\[8\]](#)

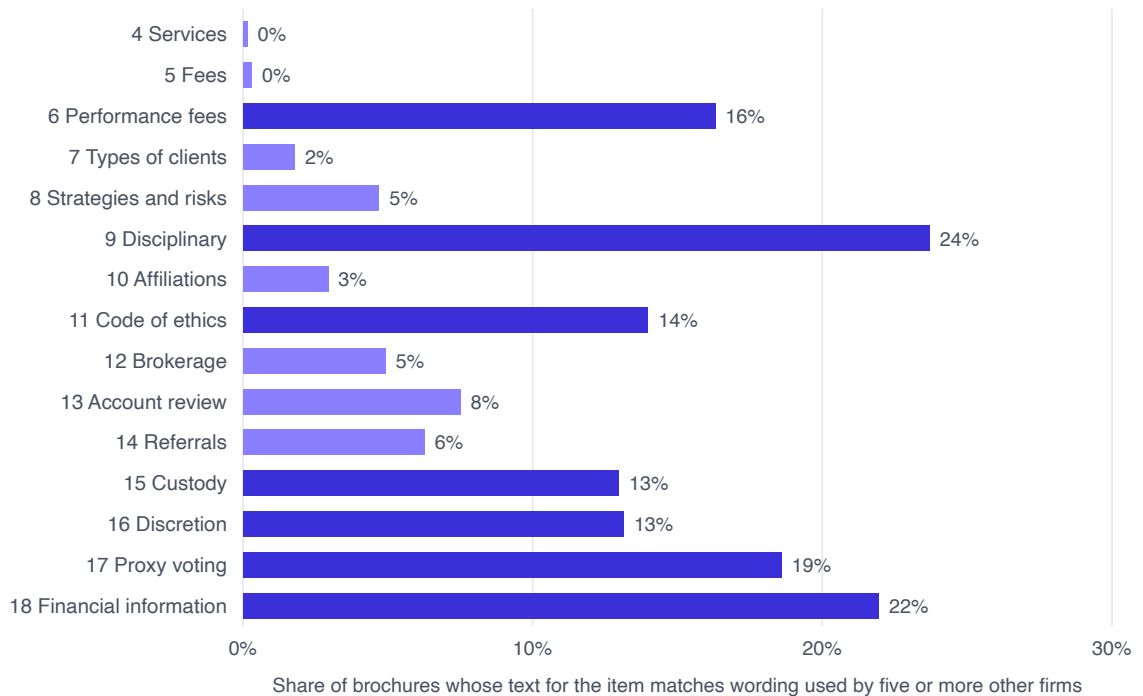


Figure 7. Share of brochures whose text for an item matches wording used by five or more other firms. Dark bars: 13% and above.

Amendment season is one month

Every adviser must file an annual updating amendment within 90 days of its fiscal year end and, if the brochure has material changes, deliver the updated brochure or a summary of material changes to clients within 120 days.^[2] For calendar-year firms the filing deadline is March 31 and the delivery deadline April 30. The current brochures show how literally the industry takes it: 9,228 of 16,424 (56.2%) were filed in March 2026, 1,309 in February, 485 in January. The other 5,402 were filed in other months (144 of them in late 2025): other-than-annual amendments, new registrations, and firms with non-calendar fiscal years.

Brochures filed in March 2026 address cybersecurity risk more often (45% against 37% for brochures filed in other months of 2026) and AI tools slightly more often (22% against 19%). The March filers are the firms that wrote during the season when the FY2026 priorities were fresh.^[3] The off-season filers include more firms amending for a specific change.

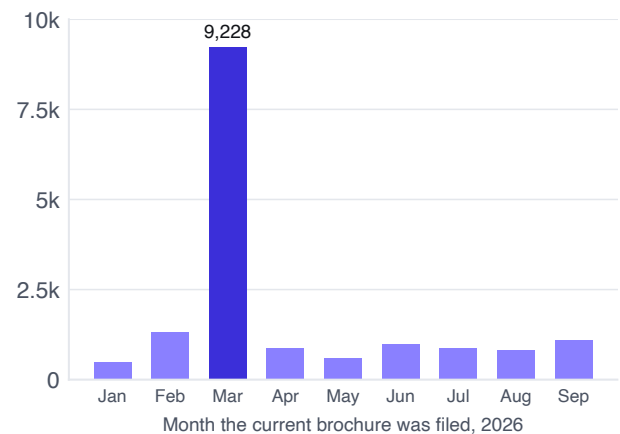


Figure 8. Month the current brochure was filed, 2026 filers (16,280 of 16,424; the remaining 144 were filed in late 2025).

6

What this SEC is looking at, and what the brochures say about it

Fewer enforcement actions, a deregulatory rulemaking agenda, and two 2026 risk alerts that read like a brochure checklist. The exam program has not changed its subject.

72

adviser and fund enforcement actions in fiscal 2025, down 26%

2

adviser risk alerts in 2026 on fee conflicts and annual compliance reviews

21%

of brochures address the firm's use of AI

What this SEC is looking at

The SEC under Chairman Paul Atkins has withdrawn the 2022 and 2023 proposals on adviser cybersecurity, outsourcing, safeguarding and predictive data analytics,^[14] designated every investment management item on its 2026 rulemaking agenda as deregulatory,^[16] and brought 26% fewer actions against advisers and funds in fiscal 2025 than the year before, with 72 in all.^[15] The Chairman's stated standard for issuer disclosure is the "minimum effective dose" of disclosure, rooted in financial materiality.^[17]

Little of that reaches the brochure. The Division of Examinations' FY2026 priorities, the first issued under the current Chair, keep "disclosure and filings" among the "core areas of advisers' compliance programs," name fee-related conflicts, dual registrants, AI representations, cybersecurity and never-examined advisers,^[3] and the Division has published at least two risk alerts in 2026 that read like a brochure checklist.^{[4][5]} Enforcement is smaller and aimed at fraud and "breaches of fiduciary duty by investment advisers."^[15] Fewer cases, same subject. The table below sets each signal against what the brochures currently say.

SIGNAL	WHAT IT SAYS	WHAT THE BROCHURES SAY
RISK ALERT · JUN 2026 Economic conflicts of interest ^[4]	Cash sweep and custodian revenue omitted or hedged with "may"; 12b-1 share classes without lower-cost alternatives disclosed; Part 2A Items 10 and 12 incomplete; fee calculations departing from the ADV; prepaid fees not refunded.	Revenue sharing or cash sweep (a lower-accuracy topic): 73% of advisers without private funds, 49% with. Custodian economic benefits: 85% of advisers serving individuals. Compensation from product sales: 79% where it applies. Fee calculation: 93%. Refund of prepaid fees: 90% of advisers without private funds.
RISK ALERT · SEP 2026 Annual compliance reviews ^[5]	Billing practices that deviated "from policies and procedures and/or client disclosures (e.g., advisory agreements and Form ADV)" (proration, breakpoints, refunds); proxy policies that promised voting the firm did not do; custody accounts not identified for surprise exams; marketing procedures not updated for the Marketing Rule.	Billing timing and method: 97%. Fees negotiable: 93%, but 83% under \$100 million. Custody statement: 99%. The consistency the alert asks for is between the brochure and the practice; a benchmark can only show that the words are there.
EXAM PRIORITIES · FY2026 AI representations ^[3]	Staff "will review for accuracy registrant representations regarding their AI capabilities or AI" and whether operations match disclosures. Two 2024 settled cases, including alleged false AI claims in one adviser's "SEC filings," made overstated AI capability an enforcement matter. ^[9]	Use of AI tools addressed by 21%. Of the 3,442 that address AI, 69% name a specific risk in the text around the cited passage, 12% state human oversight and 4% name a specific AI product. Only 2.5% of brochures mention AI in Item 4, the description of the service.
EXAM PRIORITIES · FY2026 Cybersecurity, Reg S-P ^{[3][13]}	Operational resiliency, incident response, data loss prevention; after the compliance dates (December 3, 2025 for larger advisers, June 3, 2026 for smaller), whether policies and procedures are "in accordance with the rule's new provisions."	Cybersecurity risk described by 42%: 66% of pooled-vehicle advisers, 27% of advisers serving individuals. The amended rule requires a program, not a brochure sentence; the brochure gap is in Item 8 risk language.
RISK ALERTS · DEC 2025, APR 2024 Marketing Rule, promoters ^{[6][7]}	Testimonials, endorsements and ratings without clear and prominent disclosures; promoter compensation and conflicts not described; Item 14 with outdated cash-solicitation language, or saying no referral arrangements existed when they did.	Among firms that report referral or promoter arrangements on Part 1A, 98% address referral compensation and 95% promoter arrangements. The alerts' finding is accuracy, not presence; the words are almost always there.

PROPOSED RULE · OCT 1, 2026

Custody and crypto custody^{[11][12]}

Would permit adviser self-custody of crypto under conditions; codify the surprise-exam exception for SLOA-only custody that advisers have relied on under a 2017 staff no-action letter, with conditions similar to that letter's; drop the PCAOB registration and inspection requirement for accountants performing required audits and surprise examinations; add Part 1A questions on crypto self-custody; and may call for added Part 2A Item 4 and 8 disclosure. Comments due December 7, 2026.

Custody statement: 99%. Standing letters of authorization: 26% overall, 46% among advisers serving individuals. Audited financial statements for pools: 89% of private fund advisers with custody. Digital asset risks: 7.6%.

EXAM PRIORITIES · FY2026

Private fund advisers, dual registrants^[3]

Allocation favoritism, side-by-side conflicts, fees and expenses, side letters; compensation incentives of dually licensed representatives.

Side-by-side conflicts: 96%. Allocation safeguards: 92% of private fund advisers. Principal and agency cross transactions (a lower-accuracy topic): 55% where Part 1A reports them. Broker-dealer affiliation: 95% where reported. Insurance affiliation: 95%.

EXAM PRIORITIES · FY2026

Never-examined advisers^[3]

Continued priority on advisers that have never been examined, especially recently registered ones.

Section 4: the under-\$100 million segment, where new registrants concentrate (49% registered in the last three years), has the lowest fee-calculation, billing and refund rates among advisers without private funds.

Risk alerts state the views of the Division of Examinations staff and are not rules. Settled enforcement matters are cited for what the SEC alleged; respondents neither admitted nor denied the findings. Weight pills follow Luna's regulatory-signal catalogue: green for signals directly about Part 2A content or disclosure accuracy; purple for other exam and risk-alert signals.

AI: described as a risk, rarely as a service

3,408 brochures describe the firm's use of AI and 34 more say the firm does not use it: 20.7% of advisers after template adjustment. The content is strikingly uniform. In the text around the passages the reader cited, two in three name a specific risk (inaccuracy or errors, bias, "hallucination," privacy or confidentiality, data security, cybersecurity, unreliability, regulatory risk or uncertainty). Half mention third parties or vendors, two in five machine learning or models, a third research or data analysis. Fewer than one in five mentions operations, note-taking or meeting transcription, a common everyday use of these tools. One in eight states that a human reviews the output. 18% mention generative AI or large language models, and 4% name a specific product.

Item 4, which describes the advisory service, mentions AI in 2.5% of all brochures, and in 5% of those that address AI. The brochures are hedging. That is a rational response to the 2024 "AI washing" cases, which turned an overstated capability into an enforcement matter.^[9] It is a less comfortable fit with the FY2026 priority, which checks whether operations match disclosures, and which Luna reads as cutting both ways. And the withdrawn predictive-analytics proposal leaves no AI-specific rule: AI disclosure

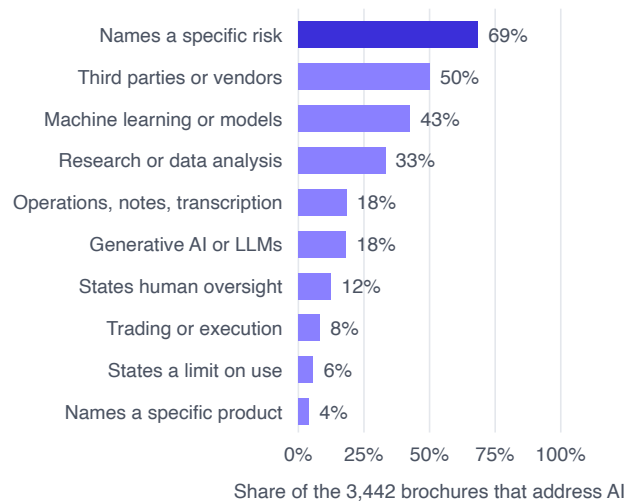


Figure 9. What the 3,442 brochures that address AI mention, by keyword group: a pattern match on the text around the cited passage (Section 8). A brochure can match several groups.

falls under the fiduciary duty, Form ADV and the Marketing Rule like any other practice.^{[3][14]}

The use is unevenly distributed. Advisers serving pooled vehicles: 35%. Serving institutions: 24%. Serving individuals: 11%. Firms with 100 or more employees: 43%; with one to four: 12%. New York 30%, Massachusetts 31%, Texas 19%, Pennsylvania 19%. And AI disclosure travels with cyber disclosure: 43% of brochures that address cybersecurity risk also address AI use; 5% of those the reader found silent on it.



Figure 10. Cybersecurity risk (purple) and AI tools (amber), by employee count and by main client type.

Digital assets: the quietest topic

7.6% of brochures address digital asset risk, and the rate barely moves by size (7% to 9% across the five asset bands) or model (8% without private funds, 7% with). Those that address it mostly describe the asset: of the 1,247 brochures that address it, 71% mention volatility, 59% regulation, 33% ETFs, ETPs or crypto funds, 31% fraud, hacking or theft, and 18% custody, wallets or private keys. The FY2026 priorities dropped the crypto section that FY2025 carried,^{[3][20]} and the October 2026 custody proposal would, if adopted, add Part 1A questions on crypto self-custody and may call for added Item 4 and Item 8 disclosure on crypto risks and conflicts.^{[11][12]} The brochure language is ahead of neither; it is waiting.

Best execution and trade errors: common practices, rarely described

Advisers with brokerage discretion are expected to seek best execution, and any firm that trades will sometimes make an error. The brochures describe a best execution review 46% of the time and a trade error policy 21% of the time. Best execution is also the topic the reader finds hardest: 28% of readings were too unclear to count, because brochures describe the factors considered in selecting brokers (98% address those) without saying whether and how execution is reviewed afterwards. The 2023 newly-registered-adviser alert described an adviser that said it sought best execution but had no procedures to evaluate execution quality, and the September 2026 alert lists more thorough best execution analysis among annual review recommendations that advisers did not carry out, sometimes after reporting them done.^{[5][8]} Neither is a brochure requirement. Both are the kind of practice that, once it exists, is easy to describe in one sentence in Item 12.

What Luna expects before March 31, 2027

These are Luna's expectations, drawn from the data and the regulatory calendar. They are not predictions about any rule's adoption, and each says what would have to be true for it to hold.

1

AI language starts describing the service in Item 4, and the rate passes 30%.

Today's disclosures mostly describe risks: two in three name a specific risk in the text around the cited passage, and 5% of brochures that address AI mention it in Item 4. The FY2026 priority is accuracy of representations about capability, which Luna reads as cutting both ways: a firm that uses an AI note-taker on every client call and says nothing in Item 4 is as exposed as one that overstates. Among advisers with 100 or more employees, 43% already address the topic, against 12% of firms with one to four; the move is in the long tail of small firms.

2

"May receive" leaves the cash sweep paragraph.

The June 2026 alert faulted advisers that said they "may" receive cash sweep revenue they did receive, citing the Commission's 2019 position that "may" is "not adequate when the conflict actually exists."^[4] A March 2026 settled order, about an allegedly undisclosed conflict in a robo-adviser's cash allocation, traced the firm's Part 2A disclosures from 2019 to their 2025 correction.^[10] Expect the addressed rate to rise and the conditional phrasing to fall.

3

Item 15 changes shape if the custody proposal is adopted.

The proposal would write the 2017 SLOA no-action relief into the rule, with a client authorization of specified contents.^[12] Only 46% of advisers serving individuals describe standing letters today. If the rule is adopted in 2027, that rate should rise within one cycle. Comments close December 7, 2026; adoption before March 31 would be unusually fast.^[11]

4

Cybersecurity risk language stays flat for advisers serving individuals.

Amended Regulation S-P requires an incident response program, not a brochure disclosure, and the withdrawn 2022 proposal is what would have required one.^{[13][14]} Expect the pooled-vehicle rate (66%) to drift up and the individuals rate (27%) to stay within a few points.

5

The smallest advisers close part of the fee gap, under examination rather than rulemaking.

Never-examined advisers remain a priority.^[3] First examinations produce findings letters, and findings letters produce brochure amendments. Expect the under-\$100 million fee-topic rates to move toward the \$100 million to \$500 million rates over two seasons, not one.

6

Digital asset risk disclosure rises from 7.6% toward 12%, led by advisers serving individuals.

The driver is product, not rule: spot ETFs and model-portfolio sleeves put crypto exposure into retail accounts that never held it. Advisers serving individuals already lead this topic (9.4%, against 5.5% for pooled-vehicle advisers), the only Item 8 risk topic where they do.

7

Fewer enforcement actions, the same brochure questions.

Fiscal 2025 brought 72 adviser and fund actions, down 26%.^[15] The Division of Examinations has not slowed: at least two adviser risk alerts in 2026 and a priorities document that names disclosure as a core area.^{[3][4][5]} Brochure questions arrive as exam letters rather than orders.

8

The FY2027 priorities, due around November, keep the list.

As of October 17, 2026 the Division has published no FY2027 priorities.^[18] FY2025 and FY2026 share almost every adviser theme.^{[3][20]} Expect fee conflicts, AI representations, cybersecurity, dual registrants and never-examined advisers to carry over, with crypto possibly returning alongside the custody rulemaking.

Before the 2027 amendment: six questions for any brochure

1. Does every "may" in Items 5, 10, 12 and 14 describe something that might happen, or something that does?
2. If the firm uses AI anywhere, including note-taking, does Item 4 say what it is used for, and does Item 8 say what can go wrong?
3. Does Item 12 say whether and how execution quality is reviewed, and what happens when a trade is wrong?
4. If any client has a standing letter of authorization, does Item 15 describe it?
5. Do the billing sentences in Item 5 (timing, proration, refunds, breakpoints) match the advisory agreement and the billing system?
6. Is every "we do not" still true?

See your own brochure the same way.

The ADV Brochure Review in Luna reads a firm's brochure the way this report reads the industry, compares it with firms of the same size and model, and raises each point to consider with the passage, or absence, it rests on. Every point is checked against the brochure before the firm sees it, and the firm decides. lunacompliance.io

Methodology and limitations

Sources

Form ADV Part 1A and Part 2A filings of SEC-registered advisers, from the SEC's public bulk files and monthly compilation reports.^[1] The Part 1A warehouse holds 552,176 filings from 2011 through September 30, 2026; Part 1A facts come from each firm's latest filing. Part 2A brochures are each firm's latest primary brochure in the SEC's monthly brochure files from October 2025 through September 2026. Only the published bulk files were used; no per-firm pages were fetched.

Population

17,344 advisers active as of September 30, 2026 (on the SEC's list of September 1, 2026, or registered by a later filing with no subsequent withdrawal). 17,064 firms had a primary Part 2A in the files, 16,612 of them active on September 30; 452 belonged to firms that had since withdrawn or lapsed, and 178 could not be split into at least 12 items. 22,140 brochure documents were processed (including supplements and wrap brochures). 16,434 brochures were read; 10 with over 80% of topics not found were set aside as likely extraction problems, leaving 16,424. Of all 17,064 primary brochures in the files, 92.6% contained all 18 items and 98.5% at least 15.

Reading

Each brochure was split into items using its own headings, and each of 48 topics was read from the items where the form places it, using a large language model with a fixed prompt (version 3, October 10, 2026). Applicability rules and topic weights follow taxonomy 0.5.1 (October 16, 2026). Each reading records a status, a certainty (definite, conditional, general), a confidence, and the character span of the evidence. Readings with confidence below 0.6 or status "unclear" are excluded from rates and reported as unclear. The reader was given Items 5, 6, 8, 10, 11, 12, 14 and 15, which hold all 48 topics; Item 4 was not read, so the Item 4 AI figure is a keyword match.

Derived measures

Keyword groups (AI, digital assets) are case-insensitive pattern matches on the text around the cited passage: from the start of its sentence (looking back at most 600 characters) to the first sentence end at least 800 characters past it (at most 1,400), within the item. Cited passages are short, so most matches come from the surrounding sentences, and a window can reach a neighboring paragraph on another subject. **Coverage** is a brochure's share of applicable topics addressed, counting unclear readings as not addressed. **Client type** is from Item 5.D, **employees** from Item 5.A. The patterns and a script that reproduces these figures are kept with the report.

Intervals and minimums

Every rate is k/n over template-adjusted units with a 95% Wilson interval. No rate is shown on fewer than 20 units. Points to consider additionally require the interval's lower bound to reach 60% under two peer definitions (same segment and band; same segment, all bands).

Applicability

Each topic has a rule over Part 1A answers (for example, audited financial statements for pools apply only where the firm reports private funds and custody; trade aggregation does not apply where every private fund the firm reports is a private equity, venture, real estate or securitized vehicle). Apart from unclear readings, items not found and the adjusted topics below, a firm is excluded from a topic's denominator only when the rule evaluates false; where a needed answer is missing, the firm is included.

Template adjustment

Items were clustered by text similarity across the corpus. Where two or more firms' text for an item falls in one cluster, they count as one unit for every topic read from that item, taking the cluster's majority status.

Adjusted topics

Four topics use readings of the Item 5, 12 and 14 text to settle cases another reading answers: a firm whose brochure says it bills only in arrears has no refund question (2,949 brochures); a firm that says it does not aggregate orders has no allocation question (1,141); a firm whose brochure says it charges no advisory fee, or omits the fee item, has no calculation question (106); a blanket statement that the firm receives no economic benefit from anyone but clients answers the revenue sharing question (1,068). These counts are of the 16,434 brochures read. Figures for these four topics in this report are the adjusted ones.

Accuracy

The prompt was developed on a 36-brochure development set and scored on a separate 54-brochure held-out set. The full-corpus readings this report uses score F1 0.947 on addressed versus not on that set (precision 0.941, recall 0.952; exact status agreement 89.5%); an earlier pilot run of the same prompt on the same set scored 0.966. The reference labels were produced by a separately prompted model; they are not a human gold standard. Two topics scored below 0.85: revenue sharing (0.73) and principal or agency cross transactions (0.84). The revenue sharing reference labels predate the rule under Adjusted topics.

What the data cannot say

- Whether any brochure meets any rule. A topic most peers address is common practice, not a requirement.
- Whether a disclosure is accurate. The reader records what the brochure says, not whether the firm does it.
- Anything about state-registered advisers, or about a named firm: nothing in this report, the benchmark, or Luna's public pages identifies a firm's readings.

SECTION 9

Appendix: all 48 topics by peer segment

Share of template-adjusted peers that address each topic (describes it, or says it does not apply), by segment. A dot means fewer than 20 peers or the topic does not apply to the segment. Black: 90% and above. Purple: 50% to 89%. Amber: below 50% (colors follow the rounded value shown). Columns: NPF = no private funds, PF = private funds; 0 = under \$100M, 1 = \$100M to \$500M, 2 = \$500M to \$1B, 3 = \$1B to \$5B, 4 = \$5B and over. Firms per segment: NPF 1,312 / 5,533 / 1,485 / 1,496 / 615; PF 265 / 1,780 / 881 / 1,666 / 1,391.

ITEM	TOPIC	NPF 0	NPF 1	NPF 2	NPF 3	NPF 4	PF 0	PF 1	PF 2	PF 3	PF 4
5	Billing timing and method	94	99	99	99	98	93	95	96	96	98
5	Compensation from sales of securities	81	96	94	88	83	61	59	56	57	64
5	Fee calculation basis	83	95	94	95	92	88	91	92	93	94
5	Fee schedule	99	99	99	99	99	100	100	100	100	100
5	Fees negotiable	83	95	94	94	95	82	87	92	91	95
5	Other fees clients pay	95	99	99	99	99	98	99	99	99	100
5	Refund of prepaid fees	75	93	91	90	85	53	54	58	60	71
5	Revenue sharing and cash sweep	71	73	74	72	77	47	51	49	47	51
6	Performance-based fees	99	99	99	99	99	100	100	100	100	100
6	Side-by-side management	87	93	95	95	96	91	95	97	98	99
8	Concentration risk	54	42	46	51	66	74	83	89	86	86
8	Cybersecurity risk	40	22	25	38	54	52	59	64	65	68
8	Digital asset risks	9	7	9	9	10	7	6	6	7	8
8	Illiquid and private fund risks	.	.	.	.	.	93	95	97	97	97
8	Investment strategies	99	100	100	99	100	100	100	100	100	100
8	Methods of analysis	99	99	99	99	100	99	98	99	99	100
8	Options, margin and leverage risks	53	55	61	64	67	73	82	83	87	88
8	Risk of loss statement	98	99	100	99	99	99	99	100	100	100
8	Use of AI or algorithmic tools	24	9	10	15	31	23	22	31	35	49
10	Broker-dealer registration or affiliation	96	97	98	92	94	93	97	96	92	95
10	Compensation for selecting other advisers	67	67	61	60	62	45	50	50	47	45
10	Futures registrations	66	64	52	48	42	61	62	63	58	56
10	Insurance affiliation	87	96	96	96	96	.	88	.	94	.
10	Other adviser and fund affiliations	98	95	96	99	99	99	99	99	99	100
10	Recommending related services	92	92	95	95	97	90	91	93	94	98
11	Code of ethics described and offered	99	100	100	100	100	100	100	100	100	100
11	Cross trades between client accounts	15	16	20	26	36	29	30	34	48	64
11	Personal trading	98	99	100	100	100	99	99	99	100	100
11	Principal and agency cross transactions	54	42	44	46	57	46	50	52	56	67
11	Trading in the same securities as clients	90	97	96	97	93	90	89	90	91	96
12	Allocation of trades	81	85	90	90	87	87	87	91	93	97
12	Best execution review	41	41	49	55	67	43	37	41	45	64
12	Broker selection factors	97	99	99	99	98	96	95	97	97	99
12	Brokerage for client referrals	68	68	64	58	54	55	57	55	53	54
12	Custodian platform benefits	57	85	84	74	52	15	22	18	18	16
12	Directed brokerage	84	92	93	89	87	59	56	56	57	62
12	Research and other benefits	87	95	95	94	91	84	86	87	89	93
12	Soft dollar benefits	91	91	89	89	96	95	98	97	98	98
12	Trade aggregation	89	96	96	95	91	87	78	81	84	88
12	Trade errors	17	15	21	28	39	20	17	19	25	39
14	Compensation for client referrals	98	97	98	98	98	97	97	98	99	98
14	Economic benefits from non-clients	90	97	96	95	91	77	85	86	86	91
14	Promoter arrangements	95	94	95	95	96	96	95	96	97	97
15	Audited financial statements for pools	.	.	.	.	.	88	90	91	89	85
15	Custody	99	99	99	100	99	98	99	99	99	99
15	Fee deduction	79	96	95	91	81	50	51	50	50	55
15	Qualified custodian statements	72	94	92	90	82	42	40	39	40	54
15	Standing letters of authorization	18	40	48	48	29	4	7	8	9	8

Sources

1. U.S. Securities and Exchange Commission, Investment Adviser Public Disclosure: Form ADV compilation reports and the monthly Form ADV Part 1 and Part 2 brochure files. <https://adviserinfo.sec.gov/compilation>; <https://adviserinfo.sec.gov/adv>. Data as of September 30, 2026; SEC registered-adviser list as of September 1, 2026.
2. SEC, Form ADV: General Instructions (General Instruction 4: annual updating amendment within 90 days of fiscal year end) and Part 2 Instructions (Items 1 to 18); Advisers Act Rule 204-3(b) (annual delivery of the updated brochure or a summary of material changes within 120 days of fiscal year end, where there are material changes), 17 CFR 275.204-3. <https://www.sec.gov/about/forms/formadv-instructions.pdf>; <https://www.sec.gov/about/forms/formadv-part2.pdf>.
3. SEC Division of Examinations, Fiscal Year 2026 Examination Priorities, November 17, 2025. <https://www.sec.gov/files/2026-exam-priorities.pdf>. Quotations at pages 5 to 7 and 12 to 13.
4. SEC Division of Examinations, Risk Alert: Examinations Observations of Investment Adviser Obligations Related to Economic Conflicts of Interest, June 9, 2026. <https://www.sec.gov/files/observations-ia-obligations-related-economic-conflicts-interest-060926.pdf>.
5. SEC Division of Examinations, Risk Alert: Examinations Observations Regarding Investment Adviser Annual Compliance Reviews, September 14, 2026. <https://www.sec.gov/files/examinations-observations-regarding-investment-adviser-annual-compliance-review-091426.pdf>.
6. SEC Division of Examinations, Risk Alert: Additional Observations Regarding Advisers' Compliance with the Advisers Act Marketing Rule, December 16, 2025. <https://www.sec.gov/files/exams-riskalert-mrkt-rule-2512-508.pdf>.
7. SEC Division of Examinations, Risk Alert: Initial Observations Regarding Advisers Act Marketing Rule Compliance, April 17, 2024. <https://www.sec.gov/files/exams-risk-alert-marketing-observation-2024.pdf>.
8. SEC Division of Examinations, Risk Alert: Observations from Examinations of Newly-Registered Advisers, March 27, 2023. <https://www.sec.gov/files/risk-alert-newly-registered-ias-032723.pdf>.
9. SEC Press Release 2024-36, SEC Charges Two Investment Advisers with Making False and Misleading Statements About Their Use of Artificial Intelligence, March 18, 2024 (Delphia (USA) Inc. and Global Predictions Inc.). <https://www.sec.gov/newsroom/press-releases/2024-36>. Settled; respondents neither admitted nor denied the findings.
10. In the Matter of Ally Invest Advisors Inc., Advisers Act Release No. 6954, March 23, 2026. <https://www.sec.gov/files/litigation/admin/2026/ia-6954.pdf>. Settled; the respondent neither admitted nor denied the findings.
11. SEC, Proposed Rule: Adviser and Regulated Fund Custody Rules; Crypto Custody Rules, Release Nos. IA-7023 and IC-36353, File No. S7-2026-35, October 1, 2026; Federal Register October 6, 2026; comments due December 7, 2026. <https://www.sec.gov/rules-regulations/2026/10/s7-2026-35>.
12. Latham & Watkins, SEC Proposes Changes to Adviser Custody Rules, Including New Cryptoasset Custody Framework, October 12, 2026. <https://www.lw.com/en/insights/sec-proposes-changes-to-adviser-custody-rules>.
13. SEC Press Release 2024-58, SEC Adopts Rule Amendments to Regulation S-P to Enhance Protection of Customer Information, May 16, 2024, <https://www.sec.gov/newsroom/press-releases/2024-58>; compliance dates of December 3, 2025 (larger entities) and June 3, 2026 (smaller entities) per Sidley Austin, U.S. SEC Regulation S-P: Compliance Deadline Approaching for Smaller Entities, April 30, 2026, <https://www.sidley.com/en/insights/newsupdates/2026/04/us-sec-regulation-s-p-compliance-deadline-approaching-for-smaller-entities>.
14. SEC, Withdrawal of Proposed Regulatory Actions, Release Nos. 33-11377, 34-103247, IA-6885, IC-35635, June 12, 2025 (withdrawing, among others, the predictive data analytics, adviser cybersecurity, outsourcing and safeguarding proposals). <https://public-inspection.federalregister.gov/2025-11110.pdf>.
15. Cooley LLP, SEC Announces FY2025 Enforcement Results, Emphasizing Focus on Fraud, April 14, 2026 (456 total actions; 72 actions against investment advisers and investment companies, down 26%; stated priorities). <https://investigations.cooley.com/2026/04/14/sec-announces-fy2025-enforcement-results/>.
16. K&L Gates, The SEC's New Rulemaking Agenda: A Deregulatory Road Map for Advisers and Funds, July 8, 2026. <https://www.klgates.com/The-SECs-New-Rulemaking-Agenda-A-Deregulatory-Road-Map-for-Advisers-and-Funds-7-8-2026>.
17. Winston Taylor (formerly Winston & Strawn), Chairman Atkins' NYSE Speech and the SEC's 2026 Examination Priorities: A Reset for U.S. Capital Markets, December 18, 2025 (speech of December 2, 2025, on public company disclosure). <https://www.winstontaylor.com/insights/chairman-atkins-nyse-speech-and-the-secs-2026-examination-priorities-a-reset-for-us-capital-markets>.
18. SEC Division of Examinations, Examination Priorities (listing page), checked October 17, 2026: most recent report is 2026, published November 17, 2025. <https://www.sec.gov/exams/examination-priorities>.
19. Luna Compliance, Brochure Benchmark: how this is counted (methodology, peer rates with 95% intervals, and the full topic taxonomy). <https://lunacompliance.io/resources/benchmark>.
20. SEC Division of Examinations, Fiscal Year 2025 Examination Priorities, October 21, 2024 (its contents include a Crypto Assets section). <https://www.sec.gov/files/2025-exam-priorities.pdf>.

© 2026 Imperium Advisors, LLC, publishing as Luna Compliance. This report may be quoted with attribution. Luna is software, not a law firm, and gives no legal advice. Using Luna does not create an attorney-client relationship. Rule 206(4)-7 requires a firm to designate a chief compliance officer; Luna supports that person and does not replace them. All readings are for human review and decision.