BLANKROME

Investment Management

APRIL 15, 2026

Regulatory Update and Recent SEC Actions

RECENT SEC ADMINISTRATION CHANGES

Paul Tzur and David Morrell Named Deputy Directors of Division of Enforcement

On January 12, 2026, the Securities and Exchange Commission (the "SEC" or the "Commission") announced that Paul Tzur and David Morrell have been named as Deputy Directors of the Division of Enforcement.

Mr. Tzur will serve as the Deputy Director overseeing the agency's enforcement program in Chicago, Atlanta, and Miami Regional Offices. Mr. Tzur joins the SEC from Blank Rome LLP, where he focused on white collar defense and complex commercial litigation. Before that, he served as an Assistant U.S. Attorney in the Northern District of Illinois, where he was a prosecutor in the Securities and Commodities Fraud Section. Mr. Tzur clerked for the Honorable Steven M. Colloton of the U.S. Court of Appeals for the Eighth Circuit. Mr. Tzur received his J.D. from Northwestern University School of Law and his B.S. from Duke University.

Mr. Morrell joined the SEC as the Deputy Director overseeing the agency's enforcement program in the New York, Boston, and Philadelphia Regional Offices. Mr. Morrell joins the Commission after his return to private practice where he focused on civil litigation and government disputes. Before that, he served as Deputy Assistant Attorney General in the U.S. Department of Justice, Civil Division, where he led the Federal Programs Branch. Mr. Morrell clerked for Justice Clarence Thomas of the U.S. Supreme Court and clerked for Chief Judge Edith H. Jones of the U.S. Court of Appeals for the Fifth Circuit. Mr. Morrell received his J.D. from Yale University and his B.A. from Hillsdale College.

J. Russell McGranahan Named SEC General Counsel

On January 15, 2026, the SEC announced that J. Russell "Rusty" McGranahan has been named SEC General Counsel. Jeffrey Finnell, who served as Acting General Counsel, remains at the SEC as Deputy General Counsel. Mr. McGranahan recently served as the General Counsel of the U.S. General Services Administration and, prior to that, the General Counsel of a large wealth management firm. Mr. McGranahan earned his J.D. from Yale Law School and his B.A. from the Catholic University of America.

Keith E. Cassidy Named Director of Division of Examinations

The SEC announced on January 20, 2026, that Keith Cassidy was appointed Director of the Division of Examinations (the "Division"). Mr. Cassidy has served as Acting Director since May 2024 and previously was the Division's Deputy Director, Acting Co-Director, and National Associate Director of the Technology Controls Program. Mr. Cassidy joined the Division in 2017 to lead the Technology Controls Program, where he oversaw technology-focused examinations as well

as the SEC's CyberWatch Program and the Cybersecurity Program Office. He previously served as Director of the SEC's Office of Legislative and Intergovernmental Affairs. Mr. Cassidy is a Lieutenant Colonel in the U.S. Marine Corps Reserve, currently serving as the Commanding Officer of 4th Reconnaissance Battalion. He holds a J.D. from the George Washington University Law School, an LL.M. in Securities and Financial Regulation from Georgetown Law Center, and a B.A. in history from the University of Virginia.

Christina M. Thomas to Rejoin Division of Corporation Finance as Deputy Director

On January 20, 2026, the SEC announced that Christina Thomas will rejoin the Division of Corporation Finance as Deputy Director and Chief Advisor on disclosure, policy, and rulemaking. Ms. Thomas returns to the SEC from private practice, where she represented public companies in capital markets transactions, SEC disclosure and compliance, and corporate governance matters. She previously served as counsel to SEC Commissioner Elad L. Roisman and was detailed to the Office of International Affairs and Office of the General Counsel at the U.S. Department of the Treasury. Ms. Thomas started her legal career as an attorney-adviser in the Division of Corporation Finance. Ms. Thomas received her J.D. from New York Law School and her B.A. from Fordham University.

SEC Appoints New Chairman and Board Members to PCAOB

The SEC, on January 30, 2026, announced the appointment of Demetrios ("Jim") Logothetis as Chairman and Mark Calabria, Kyle Hauptman, and Steven Laughton as Board members of the Public Company Accounting Oversight Board ("PCAOB"). George Botic will continue his service as a Board member and will remain as Acting Chairman until Mr. Logothetis is sworn in. The SEC's press release, which can be accessed here, includes additional biographical information on each of the new members.

Enforcement Division Director Judge Margaret Ryan Resigns

On March 16, 2026, the SEC announced that Judge Margaret Ryan resigned from her role as Director of the Division of Enforcement, and that Principal Deputy Director Sam Waldon has been named Acting Director of the Division.

SEC RULEMAKING

SEC Proposes Amendments to Small Entity Definitions for Investment Companies and Investment Advisers

The SEC proposed amendments to the rules that define which registered investment companies, investment advisers, and business development companies qualify as small entities for purposes of the Regulatory Flexibility Act. The proposal, released January 7, 2026, would raise the small entity thresholds for investment companies and advisers. Specifically, the proposal would: (1) increase the asset-based thresholds under which investment companies and investment advisers are deemed small entities; (2) update the way that related funds' assets are aggregated for purposes of defining small entities; and (3) provide for inflation adjustments to the asset-based thresholds by order every ten years. With respect to investment companies, the proposal would raise the threshold from $50 million to $10 billion in net assets, applicable to a fund together with other related funds. With respect to investment advisers, the proposal would raise the threshold from $25 million to one billion dollars in assets under management.

The full rule proposal can be accessed here.

SEC Publishes New Frequently Asked Questions ("FAQ") on Names Rule

On February 18, 2026, the SEC published a new FAQ providing further guidance on the 2023 amendments to Rule 35d-1 under the Investment Company Act of 1940, as amended (the "Names Rule"). The guidance included:

- Notice Requirements: The 2026 FAQ clarifies when a change to an 80 percent policy would not require 60 days' notice to shareholders. In particular, the Staff will not object if a fund does not provide shareholders with 60 days' notice for non-material changes to an existing non-fundamental 80 percent policy made solely to comply with the 2023 Amendments or to make an existing 80 percent policy more stringent in light of the name's treatment under the amended rule.

- Additional Guidance on "Growth" or "Value" in a Fund's Name: The updated FAQ indicates an 80 percent policy is not required in limited circumstances where these terms are paired with a modifying term that clearly indicates "growth" or "value" investments are not predominant components of the fund's portfolio.

Larger fund groups have a compliance date of June 11, 2026, and smaller fund groups will have until December 11, 2026, although the actual compliance date is as of the next "on-cycle" registration statement update for open-end funds, or shareholder report for closed-end funds, required to be filed after such dates.

The full FAQ can be accessed on the SEC's website, here.

SEC Proposes Amendments to Reporting of Fund Portfolio Holdings

The SEC proposed amendments on February 18, 2026, to Form N-PORT. The proposed amendments would:

- Provide reporting funds with an additional 15 days to file monthly reports of portfolio-related information on Form N-PORT, which is designed to reduce the potential for errors and resubmissions.
- Retain the quarterly publication of reports (rather than require monthly publication, as provided in prior amendments to Form N-PORT adopted in 2024 but for which the effective date had been subsequently delayed by the SEC), a change designed to protect a fund's shareholders by reducing the risks of more frequent public disclosure, such as external parties using information about a fund's portfolio holdings in ways that increase costs for the fund and its shareholders.
- Modify Form N-PORT reports to streamline or remove certain reported information, including removing "Names Rule" reporting, and add information about funds with share classes that operate as exchange-traded funds.

The SEC, in a related but separate action, is also extending the compliance dates for those Form N-PORT reporting requirements related to the Names Rule. The new compliance dates are November 17, 2027, for fund groups with net assets of $10 billion or more, and May 18, 2028, for fund groups with less than $10 billion in assets as of the end of their most recent fiscal year.

The full proposed rule can be found here.

SEC Clarifies Status of CLO Debt Under Fund of Funds Rule

The SEC's Division of Investment Management issued a FAQ on March 5, 2026, with respect to Rule 12d1-4, including the status of debt securities issued by collateralized loan obligations ("CLOs") under the fund-of-funds rule's investment limit relating to underlying investments of acquired funds. Rule 12d1-4(b)(3)(ii) generally prohibits an "acquired fund," as defined in Rule 12d1-4(a)(1), from purchasing or otherwise acquiring the securities of an investment company or "private fund" if, immediately after such purchase or acquisition, the securities of investment companies and private funds owned by the acquired fund have an aggregate value in excess of 10 percent of the value of the total assets of the acquired fund, with certain limited exceptions (the "10 percent bucket"). The guidance states that funds do not have to count debt securities issued by CLOs towards the 10 percent bucket. The FAQ also addressed certain questions with respect to fund-of-fund investment agreements including that an acquiring fund must execute an investment agreement with an acquired fund before purchasing securities in reliance on Rule 12d1-4.

The full, updated FAQ can be accessed here.

SEC Clarifies the Application of Federal Securities Laws to Crypto Assets

On March 17, 2026, the SEC issued an interpretation (the "Interpretation") clarifying how the federal securities laws apply to certain crypto assets and transactions involving crypto assets. The Commodity Futures Trading Commission joined the Interpretation.

Notably, the Interpretation:

- Provides a coherent token taxonomy for digital commodities, digital collectibles, digital tools, stablecoins, and digital securities.
- Addresses how a "non-security crypto asset"—which is a crypto asset that itself is not a security—may become subject to, and how it may cease to be subject to, an investment contract.
- Clarifies the application of federal securities laws to airdrops, protocol mining, protocol staking, and the wrapping of a non-security crypto asset.

The full Interpretation is available here.

> *"After more than a decade of uncertainty, this interpretation will provide market participants with a clear understanding of how the Commission treats crypto assets under federal securities laws. This is what regulatory agencies are supposed to do: draw clear lines in clear terms," said SEC Chairman Paul S. Atkins. "It also acknowledges what the former administration refused to recognize – that most crypto assets are not themselves securities. And it reflects the reality that investment contracts can come to an end. This effort serves as an important bridge for entrepreneurs and investors as Congress works to advance bipartisan market structure legislation, which I look forward to implementing with Chairman Selig in the near future."*

OTHER INDUSTRY HIGHLIGHTS

Division of Enforcement Announces Updates to Enforcement Manual

On February 24, 2026, the SEC's Division of Enforcement (the "Division") announced significant updates to its Enforcement Manual. The updates include changes to the investigative procedures and to the Wells notice process, including those summarized below.

- *Ensuring a uniform Wells process.* The Enforcement Manual updates provide that recipients of Wells notices will ordinarily receive four weeks to make Wells submissions. The update also gives guidance on what makes a Wells submission most helpful to the staff and the SEC. The updated Enforcement Manual provides that Wells meetings will be scheduled within four weeks of receipt of a Wells submission and will include a member of senior leadership within the Division.
- *Facilitating simultaneous consideration of settlement recommendations and waiver requests.* The updated Enforcement Manual reflects that the Commission recently restored its prior practice of permitting a settling party to request that the Commission simultaneously consider an offer of settlement and any related request for a Commission waiver from automatic disqualifications and other collateral consequences that result from the underlying enforcement action.
- *Other Changes.* The updated Enforcement Manual details the Division's framework for evaluating cooperation, including the impact of cooperation on civil penalties. It also updated the formal order process and the framework for referrals to criminal authorities.

The full Enforcement Manual can be found here.

> *"This is an important and long-overdue step that builds on the Division of Enforcement's commitment to transparency, fairness, and process while ensuring it remains able to fulfill its mission," said SEC Chairman Paul S. Atkins. "I applaud Judge Ryan's and the staff's work on revisions to the manual and their commitment to a continued review of the manual going forward to ensure its procedures remain current, effective, and relevant."*

Department of Labor Proposed Rule Expands 401(k) Access to Alternative Assets

On March 30, 2026, the Department of Labor proposed a new rule (the "Proposed Rule") to amend the Employee Retirement Income Security Act of 1974, as amended ("ERISA") following President Trump's Executive Order "Democratizing Access to Alternative Assets for 401(k) Investors" issued on August 7, 2025. The Proposed Rule lays out steps that 401(k) plan fiduciaries should take when considering the selection of alternative assets (including private market investments, real estate interests, holdings in actively managed investment vehicles that are investing in digital assets, and direct or indirect investments in commodities) for a participant-direct individual account plan. The Proposed Rule includes a non-exhaustive list of six factors a plan fiduciary should consider, including specific processes with respect to each factor that, if followed by the plan fiduciary, creates a presumption that the plan fiduciary has met its fiduciary duties under ERISA (the "Safe Harbor"). The Safe Harbor includes:

1. Performance: The plan fiduciary must consider a reasonable number of similar alternatives and determine that the risk-adjusted expected returns, over an appropriate time horizon and net of anticipated fees and expenses, further the purposes of the plan.

2. Fees: The plan fiduciary must consider a reasonable number of similar alternatives and determine that fees and expenses are appropriate, taking into account risk-adjusted expected returns and any other value the investment brings.

3. Liquidity: The plan fiduciary must consider and determine that the designated investment alternative will have sufficient liquidity to meet the anticipated needs of the plan at both the plan and individual levels.

4. Valuation: The plan fiduciary must consider and determine that the designated investment alternative has adopted adequate measures to ensure it is capable of being timely and accurately valued in accordance with the needs of the plan.

5. Performance Benchmark: The plan fiduciary must consider and determine that each designated investment alternative has a "meaningful benchmark"—defined as an investment, strategy, index, or other comparator with similar mandates, strategies, objectives, and risks—and compare the risk-adjusted expected returns of the investment to that benchmark.

6. Complexity: The plan fiduciary must consider the complexity of the designated investment alternative and determine whether it has the skills, knowledge, experience, and capacity to comprehend it sufficiently to discharge its ERISA obligations, or whether it must seek assistance from a qualified investment professional.

The full Proposed Rule, which includes additional discussion of these factors, can be accessed here. Comments on the proposed rule will be due on or before May 30, 2026.

For additional information or assistance, contact Thomas R. Westle, Stacy H. Louizos, or another member of Blank Rome's Investment Management Group.

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Thomas R. Westle *and* ***Stacy H. Louizos*** *would like to thank* ***Tyler K. Buchholz*** *and* ***Margaret M. Murphy*** *for their contributions to this update.*

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