COLORADO
Department of Regulatory Agencies
Division of Securities

Colorado Division of Securities
2026 Investment Adviser Examination Priorities

The examination staff of the Colorado Division of Securities (the Division) is issuing its 2026 investment adviser examination priorities.[1] These priorities are a non-exhaustive list of compliance matters the staff plans to focus on in the new year based on common and/or high-risk deficiencies revealed during examinations.

You can find additional information on the Division's website page: For Firms and Industry Professionals. Below are the staff 2026 Investment Adviser Examination Priorities:

1. Written Suitability Information Rules 51-4.6(IA)(A)(17) and 51-4.8(IA)(A)

This priority is included for the third consecutive year and continues to be an area where staff consistently see inadequate recordkeeping by investment advisers. Investment advisers must maintain written information that supports all recommendations. This "suitability" information generally forms the basis of an adviser's individually tailored recommendations to clients and is requested and reviewed on all examinations. An adviser's diligent maintenance of suitability documentation assures the firm can support the validity of their recommendations to regulators and to clients alike.
Advisers should consider the following:

- Advisers are expected to continually update and maintain written suitability information throughout the client relationship and not only at inception of the relationship. Common deficiencies include failure to continually update suitability information and failure to have written information about each client.

- Written client notes (meeting notes, phone call notes, emails, etc.) may be helpful and should be kept in a suitability file. If there are no suitability changes, make a note that you reviewed suitability and that there were no changes.

- Advisers must capture significantly robust suitability information for clients. For example, the Custodian account opening form may not include sufficient information to form a basis for the adviser's recommendations. In that case, an adviser would be responsible for gathering additional information.

[1] The views expressed herein are those of the staff and are intended to be informational and not inclusive of an investment adviser's responsibilities. The investment adviser is responsible for and must comply with all required rules and regulations. This document does not supersede any part of the Colorado Revised Statutes, Colorado Securities Act, and/or the related rules. The contents of this document do not constitute legal advice.

- Advisers who recommend complex products, riskier, or unusual trading strategies should maintain adequately robust written information to support their recommendations, particularly if clients' funds may be subject to substantial losses.

- When giving advice to a client to transfer their brokerage account(s) or rollover an employer-sponsored plan to the adviser's custodian, the staff will look for documentation to verify that advisers have reviewed relevant information, including analysis of the employer plan, to support this advice.

- Advisers who offer financial planning or consulting should also maintain written information that is the basis for their recommendations to clients if those recommendations are in connection with their investment advisory activity.

- Suitability information must be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the client relationship.

Rules relevant to suitability include:

- **Rule 51-4.6(IA)(A)(17)** requires advisers to maintain written information about each investment advisory client that is the basis for making any recommendation or providing any investment advice to such client.

- **Rule 51-4.8(IA)(A**) states that dishonest and unethical conduct includes recommending to a client, to whom investment supervisory, management or consulting services are provided, the purchase, sale, or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation and needs, and any other information known by the investment adviser.

2. Annual Obligations Rules 51-4.3(IA)(E)&(G), 51-4.4.1(IA)(A), 51-4.7(IA)(C), 51-4.12(IA)(A)(3)(c)(i), and 51-4.12(IA)(A)(3)(d)

A core compliance task for investment advisers is completing the Form ADV Annual Updating Amendment (AUA). This filing is extremely important as it provides the Division with current information on an adviser's business operations (ADV Part 1) and indicates that advisers are reviewing and updating the disclosure document provided to clients (ADV Part 2 or brochure). Throughout the year, examination staff monitor advisers filing of the AUA and compliance with other annual obligations such as the payment of licensing fees and completion of investment adviser representative continuing education (IAR CE) credits. Division staff strongly recommend that all investment advisers maintain a dedicated compliance calendar to ensure these, and other requirements discussed below, are met on time.

Periodically, the Division will select a significant number of investment advisers to

examine based on the firm's failure to timely file its AUA, many of which have been notified of this requirement on prior exams. This selection process has started and will continue through 2026. Even if there are no changes to your advisory business or ADV Forms, these amendments must be filed annually. It is also recommended that advisers take the opportunity at that time to review representatives' Form U4's to confirm that the forms are current and accurate. Advisers should also keep in mind that the ADV Forms and the Form U4's are required to be kept materially accurate throughout the year by filing an Other than Annual Updating Amendment or a Form U4 Amendment. Advisers may also be required to deliver an interim amendment to clients (see Instructions for Part 2A of your ADV). Further, as a fiduciary, advisers have an ongoing obligation to inform clients of any material information that could affect the advisory relationship even if those changes do not trigger delivery of an interim amendment.

Renewal Fees for the upcoming year are always due in the November/early December time frame (Renewal Period). While the IARD/CRD System operator provides notification of this, advisers should keep in mind that, even if they do not receive this notification, the fees are still due on time. The Renewal Statement detailing firm fees will be in the adviser's Renewal Account on the IARD/CRD System during the Renewal Period.

Other annual obligations include completing annual IAR CE requirements, providing the updated Form ADV Part 2 brochure to clients along with the privacy policy, conducting an annual risk assessment including the adviser's physical security and cybersecurity, and potentially updating client suitability (see suitability rules above).

Rules relevant to annual compliance obligations include:

- **Rule 51-4.3(IA)(E)** states that the annual license fee required by section 11-51-404, C.R.S., for an investment adviser shall be filed with IARD.

- **Rule 51-4.3(IA)(G)** states that within ninety (90) days after the end of the investment adviser's fiscal year, an investment adviser shall file with IARD an Annual Updating Amendment of Form ADV, which includes updating all information within the Form ADV Part 1A, 1B, 2A (Firm Brochure), and 2B (Brochure Supplement).

- **Rule 51-4.4.1(IA)(A)** states that every investment adviser representative registered under 11-51-401(1.5), C.R.S. must complete the following IAR continuing education requirements each Reporting Period:

  1. IAR Ethics and Professional Responsibility Requirement. An investment adviser representative must complete six credits of IAR Regulatory and Ethics Content offered by an Authorized Provider, with at least three hours covering the topic of ethics; and

  2. IAR Products and Practice Requirement. An investment adviser representative must complete six Credits of IAR Products and Practice Content offered by an Authorized Provider.

- **Rule 51-4.7(IA)(C)** ANNUAL DELIVERY: An investment adviser and its investment adviser representative, except as provided in section (F)

must:

1. Deliver within one hundred twenty days of the end of your fiscal year a free, updated Part 2 of the investment adviser's Form ADV disclosure statement required by this section which include or are accompanied by a summary of the material changes; or

2. Deliver within one hundred twenty days of the end of your fiscal year a free summary of material changes that includes an offer to provide a copy of the updated Part 2 of the investment adviser's Form ADV disclosure statement and information on how the client may obtain a copy of the disclosure statement.

- **Rule 51-4.12(IA)(A)(3)(c)(i)** states cybersecurity policies must provide for an annual assessment by the firm or an agent of the firm of the potential risks and vulnerabilities to the confidentiality, integrity, and availability of Confidential Personal Information.

- **Rule 51-4.12(IA)(A)(3)(d)** Privacy Policy. The investment adviser must deliver upon the investment adviser's engagement by a client, and on an annual basis thereafter, a privacy policy to each client that is reasonably designed to aid in the client's understanding of how the investment adviser collects and shares, to the extent permitted by State and Federal law, non-public personal information. The investment adviser must promptly update and deliver to each client an amended privacy policy if any of the information in the policy becomes inaccurate.

3. Use of Client Login Credentials Rules 51-4.8(IA), 51-4.8(IA)(U), and 51-4.8(IA)(X)

It is a priority for exam staff to ensure that advisers are not using client login credentials directly or indirectly in violation of the rules and that they are complying in a fiduciary manner to protect their clients'interests.

On examinations, staff has found an increase in advisers retaining client login credentials. These credentials have been found on handwritten notes in client files, communications in an email inbox, designated electronic folders containing multiple clients' credentials, in desk drawers, and even in an adviser's vehicle to be transported to the next client meeting. Retaining client login credentials puts client assets at risk in violation of the rules and doing so in an unsecure manner exacerbates that risk.

In addition, with the increased use and rapid advancement of technology, the staff has seen more advisers asking for clients to share their login credentials with platforms that the adviser then uses to manage held-away assets in custodian accounts. In these instances, where there is no agreement between the platform and the custodian, advisers are on notice that asking clients to share their login credentials with these platforms is considered credential sharing by the adviser. This may put the client at risk of losing protections from the custodians, may mask who is accessing custodian accounts, and therefore may violate the rules of fiduciary conduct.

Colorado licensed investment advisers are encouraged to review their use of any online third-party platform to access and manage clients' held-away accounts that require clients to share their unique login credentials. To address the client's login credential issues discussed above, the staff recommends that advisers consider obtaining the necessary entitlements for each account from each custodian or use a platform authorized by the custodian to access clients' accounts.

For more information on the risks involved with third-party platforms and how such use may violate Colorado rules, see a recent Adviser Alert released by staff.

Rules Relevant to the Use of Client Log-in Credentials

- **Rule 51-4.8(IA)** Dishonest and Unethical Conduct. A person who is an investment adviser, an investment adviser representative or a federal covered adviser is a fiduciary and has a duty to act primarily for the benefit of its clients. The provisions of this subsection apply to federal covered advisers to the extent that the conduct alleged is fraudulent, deceptive, or as otherwise permitted by the National Securities Markets Improvement Act of 1996 (Pub. L. No. 104-290). While the extent and nature of this duty varies according to the nature of the relationship between an investment adviser or an investment adviser representative and its clients and the circumstances of each case, an investment adviser, an investment adviser representative or a federal covered adviser shall not engage in unethical business practices, including the following:

- **Rule 51-4.8(IA)(U)** Engaging in conduct or any act, indirectly through or by another person, which would be unlawful for such person to do directly under the provisions of this act or any Rule thereunder.

- **Rule 51-4.8(IA)(X)** Accessing a client's account by using the client's own unique identifying information (such as username and password).

4. Considerations for use of Generative Artificial Intelligence (AI) Rule 51-4.12(IA)(A)(3), 4.12(IA)(A)(3)(d), and Rule 51-4.8 (IA)(N)

AI has enormous potential to shape, change, and benefit the investment adviser landscape. As this space rapidly develops, compliance practices will also need to be adapted. An investment adviser must establish and maintain written procedures designed to ensure physical security and cybersecurity. The investment adviser must deliver a privacy policy to each client that is reasonably designed to aid in the client's understanding of how the investment adviser collects and shares, to the extent permitted by State and Federal law, non-public personal information. Advisers should consider the following:

- Data security and privacy considerations: What are you uploading (such as confidential information)? Is the AI storing that information securely and how is the information being used by AI? Did your clients consent to their information being used by the AI application? Your clients must consent even if their information is anonymized. Free AI applications may be adding your clients' confidential information to the AI corpus and

so may paid AI platforms. It is up to the investment adviser to understand how information is stored and what AI is doing with the information the firm is uploading. It is also the adviser's responsibility to accurately explain use and storage of clients' information by an AI application and to get consent. The policies and procedures should address the due diligence required to vet AI and how AI is being used by the firm.

- Meeting note taking/Summarization/Suitability collection considerations: If you use AI to take notes, summarize, or collect suitability information, you are responsible for the accuracy of that information. Check that the information is accurate as this may become part of your firm's books and records. As mentioned before, it is advised that your firm knows where the information is stored on the AI platform and how it is being used by the AI platform. The firm is responsible for accurate books and records along with understanding the security of the AI platform, and how the uploaded data will be used by AI.

- Investment recommendations or ideation considerations: Check the AI output and confirm the recommendation is appropriate, suitable, and explainable to a client or regulator. It is up to the investment adviser to fully understand and supervise the recommendations they are making to their clients (see suitability rules above).

Rules relevant to AI include:

- **Rule 51-4.12(IA)(A)(3)** Physical Security and Cybersecurity Policies and Procedures. An investment adviser must establish and maintain written procedures reasonably designed to ensure physical security and cybersecurity.

- **Rule 51-4.12(IA)(A)(3)(d)** Privacy Policy. The investment adviser must deliver upon the investment adviser's engagement by a client, and on an annual basis thereafter, a privacy policy to each client that is reasonably designed to aid in the client's understanding of how the investment adviser collects and shares, to the extent permitted by State and Federal law, non-public personal information. The investment adviser must promptly update and deliver to each client an amended privacy policy if any of the information in the policy becomes inaccurate.

- **Rule 51-4.8(IA)(N)** Disclosing the identity, affairs, or investments of any client, unless required by law to do so, or unless consented to by the client.

Reach Out: Investment advisers can always call or email the Division with questions. If you call, ask the main desk to speak with an examination staff member. We interact with hundreds of investment advisers every year and while the staff cannot offer legal advice, we can offer best practice recommendations on complying with certain regulations and direct you to relevant rules to review. The Division can be reached at 303-894-2320 or by email at dora_SecuritiesWebsite@state.co.us.