

The Seven SEC Compliance Examination Priorities for 2020

January 28, 2020

At the start of every year, the SEC Office of Compliance Inspections and Examinations (OCIE) announces a list of its priorities for the next examination cycle. These represent the areas they feel are key sources of risk for investors and markets. For 2020, they named seven focus areas.

1- Retail Investors, Including Seniors and Those Saving for Retirement

OCIE put protecting retail investors at the very top of their list. They specifically mentioned that examinations will look at firm disclosures for fees and expenses to make sure they are appropriate, and any conflicts of interest.

2 - Market Infrastructure

OCIE will also focus on the security and resiliency of the entities providing services needed for well-functioning capital markets. These include clearing agencies, national securities exchanges, alternative trading systems and transfer agents.

3 - Information Security

To offset the growing risk of cybercrime in the financial sector, cyber and information security will continue to be an examination priority for OCIE.

4 - Focus Areas Relating to Registered Entities

OCIE outlined priorities for four types of registered entities:

Investment advisers - Their 2020 focus will be on RIAs who have never been examined, either because they are new to the industry or because they have operated for several years without an examination. This covers both RIAs working with retail investors and those advising private funds.

Investment companies - Examinations will focus on mutual funds and Exchange

Traded Funds (ETFs), along with the fund's RIAs and will include the oversight practices of the fund's board of directors.

Broker-dealers -OCIE will look at their trading practices and how they are implementing recent rule changes.

Municipal advisers - Examinations will make sure municipal advisers are keeping up with registration and continuing education requirements, and importantly, performance of their fiduciary obligations.

5 - Anti-Money Laundering Programs

2020 examinations will check adherence to OCIE's anti-money laundering requirements and whether firms update their in-house programs to meet new regulations.

6 - Financial Technology (Fintech) and Innovation

As financial technology continues to improve, OCIE acknowledged that it needs to keep up with new methods of capital formation and market structures, while tracking how firms use new sources of "alternative data." OCIE will continue to identify and examine firms working in the digital asset space as well as RIAs that provide automated tools and platforms (robo-advisers).

7 - FINRA and MSRB

Finally, OCIE has oversight over both the Financial Industry Regulatory Authority (FINRA) and the Municipal Securities Rulemaking Board (MSRB), two self-regulatory organizations. OCIE announced that it will inspect FINRA's operations, regulatory measures and the quality of their examinations for broker-dealers and municipal advisers. For the MSRB, the examinations will check the effectiveness of their policies, procedures, controls and operations.

While OCIE named these as their top 2020 priorities, they noted that examinations could look at other areas and risk factors. Minimally, firms should make sure they are compliant across these seven categories because they will be a regulatory focus throughout the year.

If you have questions about OCIE's announcement, please contact your Anchin Relationship Partner or Anchin contact who can help you through the regulatory maze.