

SEC Office of Compliance Inspections and Examinations Announces 2020 Examination Priorities

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Washington D.C., Jan. 7, 2020 —The Securities and Exchange Commission’s Office of Compliance Inspections and Examinations (OCIE) today announced its 2020 examination priorities. OCIE publishes its examination priorities annually to enhance the transparency of its examination program and to provide insights into its risk-based approach, including the areas it believes present potential risks to investors and the integrity of the U.S. capital markets.

“OCIE’s 2020 examination priorities identify key areas of risk, both existing and emerging, that we expect self-regulatory organizations (SROs), clearing firms, investment advisers and other market participants to identify and mitigate. I applaud OCIE’s thoughtful, strategic and efficient focus, which is critical to the fulfillment of the SEC’s mission and our service to Main Street investors,” said SEC Chairman Jay Clayton.

“As markets evolve, so do risks and potential harm to investors. OCIE continually works to adjust its examination focus areas to target these risks and publishes its annual priorities to communicate where we see the potential for increased risk and related harm. We hope that this transparency helps firms evaluate and improve their compliance programs, which ultimately helps protect investors,” said OCIE Director Pete Driscoll.

OCIE’s 2020 examination priorities are:

Retail Investors, Including Seniors and Those Saving for Retirement – OCIE will continue its focus on the protection of retail investors, including the various intermediaries that serve and interact with retail investors and the investments marketed to, or designed for, retail investors. Examinations in these areas will include reviews of disclosures relating to fees, expenses, and conflicts of interest.

Market Infrastructure – OCIE will continue its focus on entities that provide services critical to the functioning of our capital markets, including clearing agencies, national securities exchanges, alternative trading systems, and transfer agents. Particular attention will be focused on the security and resiliency of entities’ systems.

Information Security – OCIE will continue to prioritize cyber and other information security risks across the entire examination program.

Focus Areas Relating to Investment Advisers, Investment Companies, Broker-Dealers, and Municipal Advisors – OCIE will continue its risk-based examinations for each type of these registered entities. In particular, examinations of registered investment advisers (RIAs) will focus on RIAs that have never been examined, including new RIAs and RIAs registered for several years that have yet to be examined. These examinations will include RIAs advising retail investors as well as private funds. Investment company examinations will focus on mutual funds and exchange-traded funds, the activities of their RIAs, and the oversight practices of their boards of directors. Broker-dealer examinations will focus on issues relating to the preparation for and implementation of recent rulemaking, along with trading practices. Municipal advisor examinations will include review of registration and continuing education requirements and municipal advisor fiduciary duty obligations to municipal entity clients.

Anti-Money Laundering Programs – OCIE will continue to review for compliance with applicable anti-money laundering (AML) requirements, including whether entities are appropriately adapting their AML programs to address their regulatory obligations.

Financial Technology (Fintech) and Innovation, Including Digital Assets and Electronic Investment Advice – OCIE recognizes that advancements in financial technologies, methods of capital formation and market structures, as well as registered firms’ use of new sources of data (often referred to as “alternative data”), warrant ongoing attention and review. OCIE also will continue to identify and examine SEC-registered firms engaged in the digital asset space, as well as RIAs that provide services to clients through automated investment tools and platforms, often referred to as “robo-advisers.”

FINRA and MSRB – OCIE will continue its oversight of the Financial Industry Regulatory Authority (FINRA) by focusing examinations on FINRA’s operations, regulatory programs, and the quality of FINRA’s examinations of broker-dealers and municipal advisors. OCIE will also continue to examine the Municipal Securities Rulemaking Board (MSRB) to evaluate the effectiveness of its operations and internal policies, procedures, and controls.

The published priorities for FY 2020 are not exhaustive and will not be the only areas OCIE focuses on in its examinations, risk alerts, and investor and industry outreach. While the priorities drive OCIE’s examinations, the scope of any examination is determined through a risk-based approach that includes analysis of a given entity’s history, operations, services, products offered, and other risk factors.

The collaborative effort to formulate the annual examination priorities starts with feedback from examination staff who are uniquely positioned to identify the practices, products, services and other factors that may pose risk to investors or the financial markets. OCIE staff also takes into account input and advice from the Chairman and other Commissioners, staff from other SEC divisions and offices, and other federal financial regulators.

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