

## Statement

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# Modernizing Oversight of Internet Advisers



Commissioner Jaime Lizárraga

**July 26, 2023**

The Commission is proposing reforms that would modernize oversight over investment advisers that provide investment advice to clients over the internet.

Currently, firms can register with the SEC by claiming that they provide investment advice exclusively through an interactive website. Many of these firms have misused the SEC registration process by claiming they meet the qualifications allowing them to register. Making such claims suggests that they maintain a national presence commensurate with the need for SEC oversight.

Firms seek the imprimatur of the SEC to gain the credibility that doing so conveys.

However, the Commission staff has observed numerous instances where advisers do not operate nationally and have failed to qualify for SEC registration. In 2021, the Examinations staff found that nearly half of those firms relying on the exemption were ineligible to do so. This problem had been occurring for several years. The Commission has also taken enforcement actions against several firms for these violations.

I commend the Commission staff for identifying these deficiencies, and the staff in the Division of Investment Management for harnessing that experience in crafting today's proposal.

The rule permitting these firms to register as Internet Advisers was adopted more than 20 years ago. It is outdated, and in much need of reform.

Today's proposal is designed to bring that rule into the modern age. As Congress intended, it promotes the right balance between state and federal regulation.

I am pleased to support this proposal.

