

## SEC Continues its Focus on Digital Asset Securities

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March 11, 2021 Shelley Rosensweig, Victoria Lee

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**PRACTICES** Fund Formation and Management, Private Equity, Investment Management

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On February 26, 2021, the Securities and Exchange Commission (“**SEC**”) issued a risk alert (“**Risk Alert**”) relating to the offer, sale, and trading of digital assets that are securities (“**Digital Asset Securities**”), which include certain virtual currencies, coins, and tokens. Digital Asset Securities and distributed ledger technology present many unique and distinctive features that investment advisers and broker-dealers should be mindful of when designing regulatory compliance programs. Where Digital Asset Securities are concerned, investment advisers and broker-dealers should note the following key areas the SEC’s Division of Examinations (“**Division**”) will focus on in future examinations and adjust and update their compliance programs as necessary. While the Risk Alert details a variety of key focus areas, this article focuses only on the impact to investment advisers and broker-dealers.

### Investment Advisers

Investment advisers should note that the following six areas will be of particular focus in relation to Digital Asset Securities or other digital assets and derivative products in future examinations:

- **Portfolio management:** Policies, procedures, and practices, particularly as related to classification (including whether the digital assets are classified as “securities”); due diligence; risk evaluation and mitigation associated with trading venues, trade execution, and settlement facilities; risk management related to “forked” and “airdropped” digital assets; and the fulfillment of fiduciary duties, all of which an investment adviser should expect, will be reviewed.

Read the full article [here](#).