

SEC Office of Compliance Inspections and Examinations Announces Examination Priorities for 2017

February 1, 2017 Kit Addleman, Tim Newman, Carrington Giammittorio

The SEC's Office of Compliance Inspections and Examinations recently announced its 2017 examination priorities for broker-dealers, investment advisers, and investment funds. OCIE, which serves as the "eyes and ears" of the Commission, identified the current staff's priorities as a focus on (i) matters of importance to retail investors, (ii) risks specific to elderly and retiring investors, and (iii) assessing market-wide risks. With the change in the presidential administration and the departure of key SEC officials, including the Commission's chair, and the impending departure of OCIE's Director, it is uncertain whether new priorities will be added to OCIE's exam outlook or whether old priorities will be dropped later this year. But, with the 2017 exam year already underway and staffing changes likely to be slow, registrants should expect the OCIE staff to focus its resources on the identified priorities.

OCIE's 2017 examination priorities reveal a continuing focus on many areas from previous years. The broker-dealer examination program will be targeting, among other things, a review of clearing agencies, recidivist representatives and their employers, anti-money laundering, never-before examined investment advisers, regulation systems compliance and integrity, and the multi-year ReTIRE initiative, which focuses on services offered to investors with retirement accounts.

This year, OCIE has "incorporated data analytics into the vast majority" of its examination initiatives, and cybersecurity continues to be a major focus. Registrants can expect OCIE to test their cybersecurity compliance procedures and controls. In fact, registrants have already seen examinations in risk-based and data-driven areas identified as priorities this year, including "robo-advisers" and electronic advice platforms. Examination of both the advisers and the broker-dealers that offer the automated advisory programs will be focused on compliance programs' cybersecurity and conflicts of interest as well as on the methodology for investment recommendations.

OCIE also announced an increased focus on share class selection and related conflicts of interest. This priority is a renewed commitment to the concerns expressed in its July 13, 2016 [Risk Alert](#). OCIE identified the specific, high-risk areas of fiduciary duty and best execution, disclosures, and compliance programs as areas of focus. With this increased examination activity and the referral of many such matters to enforcement in 2016, registrants should review their practices and related disclosures to ensure compliance.

Finally, OCIE announced that it would continue its examination of municipal advisers and their compliance with rulemaking boards. This continuing [Municipal Advisor Examination Initiative](#) will include industry outreach and education.

Read OCIE's full list of 2017 Examination Priorities [here](#).

For more information please contact one of the lawyers listed below.