

## Daren Domina and Timothy Piscatelli Publish Article in Review of Securities & Commodities Regulation

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In 2003, the U.S. Securities and Exchange Commission adopted Rule 206(4)-7 under the Investment Advisers Act of 1940, frequently referred to as the “Compliance Rule” for SEC-registered investment advisers. In more recent years, the financial services industry has faced increasing regulatory oversight from the SEC enforcing compliance with the Compliance Rules, as well as self-regulatory bodies like the Financial Industry Regulatory Authority, Inc. (FINRA) enforcing compliance with their respective versions of such rules. Financial services firms incur significant costs ensuring compliance with the wide variety of intricate regulatory requirements to which they are subject. In an attempt to help alleviate their regulatory burdens, certain financial services firms are increasingly utilizing outsourced compliance firms to some degree.

Whether financial services firms should keep compliance functions in-house or outsource certain tasks has come to the forefront of industry conversations, as financial services firms grapple with the potential benefits and shortcomings of utilizing firms. While recognizing that there may be significant benefits to utilizing outsourced compliance firms, a financial services firm must also consider that it retains the ultimate responsibility for delegated services, and that violations of rules and regulations can result in significant penalties and other negative repercussions for the firm.

Excerpted from The Review of Securities & Commodities Regulation. To read the full article, click on the PDF linked below.

[Domina-Piscatelli-Outsourcing-Compliance-Functions-Risks.PDF](#)