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## **Compliance Alert - SEC Announces 2015 Examination Priorities**

On January 13, 2015, the SEC announced the OCIE's priorities for the New Year. Advisers should pay close attention when the SEC publishes the priorities for the Office of Compliance Inspections and Examinations (OCIE). Registered Investment Advisers (RIAs), broker-dealers, and other registered entities will benefit by becoming familiar with the areas that examiners will target during compliance examinations. State-registered advisers will also benefit by familiarizing themselves with these priorities, since state securities regulators may focus on the same risks and issues.

The SEC will devote a great deal of resources to address areas which include:

- Protection of retail investors, especially persons saving for retirement and retirees;
- Assessment of market-wide risks; and
- Use of data analytics to spot red flags that warn of illegal activity.

The SEC's release can be found at:

<http://www.sec.gov/about/offices/ocie/national-examination-program-priorities-2015.pdf>

### **Protecting retail investors is a top priority for OCIE**

Examiners are particularly concerned about the wide range of products, advice, information, and services offered to retail investors. In many instances, these new offerings include private funds, illiquid investments, and structured products intended to produce higher yields despite the current low interest rate environment. Since investors are increasingly reliant upon themselves to fund their retirement, these alternative products are appealing to them.

OCIE's examination initiatives will help examiners take stock of the risks faced by retail investors such as higher fees. Examiners are likely to focus on potential issues such as:

1. Whether fee arrangements and accounts recommended are in the client's best interest;
2. Whether registrants are using improper or misleading practices to encourage investors to use retirement assets to invest in complex or structured products; and
3. Whether a firm is adequately supervising its branch offices.

### **Assessment of market-wide risks and analyzing data are high priorities**

OCIE examiners will be looking to uncover structural risks and trends involving multiple firms or entire industries. They will identify potential issues and risks on the horizon by monitoring large asset managers and broker-dealers.

Firms can expect examiners to evaluate RIAs' and broker-dealers' efforts to protect clients from cyber threats.

OCIE will be using high tech approaches to uncovering wrongdoing. Data analytics gives OCIE the ability to identify registrants and firms that seem to be involved in fraudulent or illegal activity. By analyzing the data, OCIE will identify individuals with a history of misconduct and will examine the firms that employ them.

### **OCIE's priorities list is not exhaustive**

The SEC publicizes these priorities to encourage RIAs and other registered entities to be compliant. The SEC has found that when it announces these priorities, firms are likely to review their controls in these areas.

Examiners will not limit their inspections to these priorities. Examinations will also be based upon market developments, complaints, tips, and referrals from other regulators.