

2017 SEC Examination Priorities

Initiatives from the Office of Compliance Inspections & Examinations

The Securities and Exchange Commission's Office of Compliance Inspections and Examinations (OCIE) has released its 2017 Examination Priorities, a collection of practices, products and services which the Office perceives as having potentially heightened risks for investors and the integrity of the market. The 2017 priorities are divided into three overarching categories: (1) examining matters of importance to retail investors, (2) focusing on risks specific to elderly and retiring investors, and (3) assessing market-wide risks.

Protecting Retail Investors

For the first time ever, the OCIE has listed "Electronic Investment Advice" as a top priority in exam initiatives. "We will examine registered investment advisers and broker-dealers that offer such services, including "robo-advisers" that primarily interact with clients online and firms that utilize automation as a component of their services while also offering clients access to financial professionals." The Office goes on to explain that the examinations of robo-advisers and hybrid advisers will likely focus on "compliance programs, marketing, formulation of investment recommendations, data protection, and disclosures relating to conflicts of interest", as well as explicit reviews of the underlying algorithms that generate client investment recommendations. Other exam focuses aimed at protecting retail investors include Wrap Fee Programs, Exchange-Traded Funds, and Conflicts of Interest (namely in share class selection). The OCIE is pursuing these efforts to assess the potential risks that investors face in the investment landscape.

To learn more about Robo-Advisers, consult our featured article, ["Robos, Regulation, & Reality"](#).

Focusing on Seniors & Retirement Investments

Today's workers are more dependent on their personal savings to fund their retirement than prior generations. The OCIE is devoting significant examination resources and focus to issues that impact senior investors and workers investing for their retirement. In 2015, the OCIE launched a multi-year initiative called Retirement-Targeted Industry Reviews and Examinations, known as [ReTIRE](#). For 2017, this initiative will continue to focus on SEC-registered investment advisers and broker-dealers, the services they provide for retirement accounts, the sale of variable insurance products, and the sale and management of target date funds. Additionally, the OCIE will prioritize examinations of public pension plan advisers to assess how they manage conflicts of interest and fulfill their fiduciary duties. Lastly for this category, the OCIE will concentrate on firms that interact directly with senior investors to evaluate how these interactions are managed, including the ability of these advisers to identify potential financial exploitation of seniors.

Assessing Market Risks

To round out their priorities list, the Office will examine structural risks and trends that could jeopardize the operation and efficiency of the U.S. market. Examination initiatives will focus on money market funds, broker-dealer order flow, clearing agencies, anti-

money laundering (AML), cybersecurity, and national security exchanges. Additionally, the OCIE will enhance oversight of FINRA, the Financial Industry Regulatory Authority. Oversight activities will include inspection of FINRA's operations and regulatory programs as well as the quality of FINRA's examination of individual broker-dealers.