

OCIE 2015 Examination Priorities

<p>WHAT HAPPENED?</p>	<p>The Office of Compliance Inspections and Examinations (“OCIE”) of the Securities and Exchange Commission (“SEC”), along with Commissioners and other senior SEC staff, recently identified its 2015 examination priorities for investment advisers, broker-dealers, and transfer agents. As discussed below, the OCIE identified three areas of concentration, as well as additional exam initiatives within each of the three concentrations.</p>
<p>WHAT ARE THE 2015 EXAM PRIORITIES?</p>	<p>i. Examining safeguards for retail and retirement investors</p> <p>With investors becoming increasingly dependent on their own retirement investments, the SEC will focus on the risks presented by the “new products and services that were formerly characterized as alternative or institutional, including private funds, illiquid investments, and structured products intended to generate higher yields in a low-interest rate environment.” Additional focus will likely be placed on (a) “fee selection and reverse churning”; (b) unfair and misleading sales practices; (c) suitability of investment recommendations; (d) supervision of branch offices; (e) alternative investment companies; and (f) fixed income investment companies.</p> <p>ii. Evaluating market-wide risks</p> <p>The SEC will seek to preserve fair and orderly markets by inspecting structural risks that involve several firms or an entire industry. Particular focus will be placed on (a) large firms; (b) clearing agencies; (c) cybersecurity; and (d) potential equity order routing conflicts.</p> <p>iii. Detecting potential illegal activity through data analytics.</p> <p>Examiners will use enhanced technology to efficiently analyze large amounts of data in order to identify potential illegal activity. The OCIE placed initiatives on (a) recidivist representatives; (b) microcap fraud; (c) excessive trading; and (d) anti-money laundering.</p> <p>The OCIE identified other areas of focus, in addition to those areas discussed above, which include municipal advisors, never-before examined investment companies, and transfer agents, especially where microcap securities and private offerings are involved.</p>

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	<p>Private equity fees and expenses will also be a focus area, “given the high rate of deficiencies” associated. Lastly, examiners are likely to evaluate proxy service providers and whether investment advisers are adhering to the fiduciary duties related to proxy voting.</p>
WHAT IS NEXT?	<p>It is industry best practice to independently review controls in the areas identified as 2015 exam priorities. As always, Fairview can assist clients in the review process and increase scrutiny to the identified areas as it may relate to your firm.</p>

Sources:

Examination Priorities for 2015 as Attached

[SEC Press Release dated January 13, 2015](#)

[IAWatch Article dated January 13, 2015](#)