

## NEWS ALERT

### SECURITIES GROUP



#### 2020 SEC Examination Priorities To Focus On New And Never Before Examined Investment Advisors

By Anthony R. Leone | January 8, 2020

Yesterday, the Securities and Exchange Commission’s Office of Compliance, Inspections, and Examinations published its 2020 examination priorities. Many of the identified examination priorities directly impact investment advisors—and new investment advisors in particular. According to OCIE’s 2020 examination priority list, new investment advisors and those investment advisors registered but never examined prior, can expect a greater likelihood of examination in 2020.

When it comes to the examination itself, OCIE has signaled that in 2020 it will focus on an investment advisor’s security policies and procedures, and implementation of those policies and procedures. Included in OCIE’s focus on security is once again cyber-security, including an advisor’s use of cloud based storage. In addition, OCIE has signaled that it will review an investment advisor’s use of FinTech, e.g. management of client assets by “robo-advisors” and digital assets.

Overarching each of these areas of emphasis is a clear indication by OCIE that it will continue to focus on retail investors—and once again seniors in particular. Concrete examples of the SEC’s efforts to protect this subset of clients will likely materialize through examination of investment advisor fees (including the appropriateness and disclosure of fees) and conflicts of interest (including the potential need to disclose conflicts of interest or abstain from providing investment advice). Other priorities identified by the SEC include reviewing current FINRA examinations and MSRB operations, ensuring security and resiliency of market infrastructure entities, and implementation of anti-money laundering programs.

In light of this guidance, it is never too early for an investment advisor to be prepared for an SEC examination. In the end, prior preparation will cause fewer disturbances to business operations when an examination notice letter is received from the SEC. If you have not done so in connection with year-end reviews, now is a perfect time to review and assess your policies and procedures, the implementation of your policies and procedures, and need to correct any deficiencies.

If you have any questions, please feel free to contact us. If you are a Massachusetts investment advisor please follow the Massachusetts Association of Investment Advisors at <https://www.linkedin.com/company/massinvestmentadvisor> for further discussion.

*If you have questions about this bulletin, please contact:  
Anthony R. Leone at [aleone@murthallaw.com](mailto:aleone@murthallaw.com) or 617.457.4117*

**Edward B. Whittemore, Chair**  
860.240.6075  
[ewhittemore@murthallaw.com](mailto:ewhittemore@murthallaw.com)

**Anthony R. Leone, Vice Chair**  
617.457.4117  
[aleone@murthallaw.com](mailto:aleone@murthallaw.com)

**Matthew C. Douglass**  
617.457.4015  
[mdouglass@murthallaw.com](mailto:mdouglass@murthallaw.com)

**Nisha Kapur**  
860.240.6165  
[nkapur@murthallaw.com](mailto:nkapur@murthallaw.com)

**James W. McLaughlin**  
203.772.7790  
[jmclaughlin@murthallaw.com](mailto:jmclaughlin@murthallaw.com)

**David A. Menard**  
860.240.6047  
[dmenard@murthallaw.com](mailto:dmenard@murthallaw.com)

**Willard F. Pinney, Jr.**  
860.240.6016  
[wpinney@murthallaw.com](mailto:wpinney@murthallaw.com)

**Mark J. Tarallo**  
617.457.4059  
[mtarallo@murthallaw.com](mailto:mtarallo@murthallaw.com)