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SEC Exam Priorities Include Muni Advisors, Retail Investor Protection.

WASHINGTON - The Securities and Exchange Commission's examination priorities for 2015 include protecting retail investors and assessing the compliance of municipal advisor firms, commission officials said Tuesday.

SEC exams are handled by the Office of Compliance Inspections and Examinations, known as OCIE. The office checks whether firms registered with the SEC are complying with federal securities laws, and passes its findings along to the enforcement division if it thinks it has uncovered wrongdoing.

SEC chair Mary Jo White and Commissioners Daniel Gallagher and Michael Piwowar have all recently and repeatedly expressed interest in bulking up protection for the retail investors who dominate the muni market and OCIE's 2015 priorities reflect that.

"Our examination program collects information for the commission on a range of important trends, issues, and risks," White said in a release about the priorities, which was followed by a press conference. "OCIE helps us to maintain a strong presence with SEC registrants and to make a positive impact for the benefit of investors and our markets."

Besides evaluating securities firms' sales practices and recommendations to retail investors, OCIE is also interested in examining whether mutual funds with exposure to interest rate increases are being transparent with investors in the face of a likely rate climb in future months. The Federal Reserve Board of Governors has held rates at artificial low levels for years, but is expected to move off that policy.

"With interest rates expected to rise at some point in the future, we will review whether mutual funds with significant exposure to interest rate increases have implemented compliance policies and procedures and investment and trading controls sufficient to ensure that their funds' disclosures are not misleading and that their investments and liquidity profiles are consistent with those disclosures," the SEC said in its announcement about the priorities.

OCIE will also be conducting examinations of municipal advisors, who have been required to register with the SEC since July of last year. The SEC in August announced a two-year exam program focusing on MAs who are not members of the Financial Industry Regulatory Authority. FINRA will examine and discipline firms affiliated with its member-dealers. FINRA announced its own exam priorities last week.

Andrew Bowden, director of OCIE, said sharing his office's priorities with the public has a positive effect on compliance behavior. This will mark the third time OCIE has published its priorities for the coming year, he said.

"We share our annual examination priorities to promote compliance," Bowden said. "We have observed that when we share our areas of focus, many industry participants independently review their controls in the areas we have identified."

THE BOND BUYER

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JAN 13, 2015 2:48pm ET

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