

PUBLICATION

SEC and FINRA Regulatory Priorities: Common Goals for 2017

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Each year, both the United States Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA) issue guidance concerning their regulatory priorities for the coming year. This year, FINRA issued its [2017 Annual Regulatory and Examination Priorities Letter on January 5](#) and the SEC Office of Compliance Inspections and Examinations (OCIE) issued its [Examination Priorities for 2017 on January 12](#). Summaries of each priority letter are available [HERE](#) and [HERE](#) respectively.

In order to provide additional insight into the evolution of the SEC's and FINRA's regulatory and examination priorities, we have also prepared detailed comparisons of FINRA's priorities between 2007 and 2017, and the SEC's priorities between 2013 and 2017. The comparison of the SEC's priorities is available [HERE](#). The comparison of FINRA's priorities is available [HERE](#).

Set forth below are some of the areas where the SEC's and FINRA's focuses in 2017 overlap. Because both agencies have indicated that they intend to focus on the topics identified below, it may be prudent for firms to place additional emphasis on these areas throughout 2017. These areas include:

- **Recidivist Representatives and Their Employers:** Both agencies will devote particular attention to firms' hiring and monitoring of brokers with a track record of misconduct. This attention will focus on identifying and examining such brokers' interactions with customers and compliance with applicable rules, and assessing the compliance, oversight controls and supervision related to hiring and retaining such brokers.
- **Cybersecurity:** Both the SEC and FINRA have identified cybersecurity as one of the most significant risks many firms face. Therefore, in 2017, both agencies will continue to scrutinize cybersecurity programs and firms' implementation of risk management procedures and controls.
- **Senior Investors:** Both agencies have increased their oversight with respect to senior investors and will continue to do so throughout 2017, emphasizing suitability and concentration in light of concerns regarding seniors' vulnerability to fraud, sales practice abuse and financial exploitation. Protecting senior investors remains a "top priority" for these regulators.
- **AML:** Both agencies emphasized their continued assessment of the adequacy of firms' monitoring for suspicious activity. Among other things, this assessment will pay particular attention to foreign currency transactions and transactions that flow through suspicious accounts and accounts held by nominee companies. These regulators will also continue to assess firms' compliance with suspicious activity report (SAR) requirements and the timeliness and completeness of SARs filed.
- **Municipal Advisors:** Both agencies will focus on the registration of municipal advisors, as well as evaluating conflicts of interest and actions that appear to benefit an advisor at the expense of investors.

- **Best Execution:** FINRA and the SEC have made it a priority to examine whether firms are complying with their best execution duties when receiving, handling or routing customer orders for execution. FINRA also encourages broker-dealers to consider how the continuing automation of the markets for equity securities, standardized options and recent advances in trading technology and communications in the fixed income markets affect their order-handling decisions and factor those changes into their review of the execution quality they provide customers.

In light of these shared interests, firms should assess their compliance and supervisory programs in the context of these key risk areas. Firms must also evaluate their sales practices, as well as their policies and procedures with respect to these areas, in order to ensure they are in compliance with all applicable rules and securities laws.

If you have any questions regarding these issues or any other securities-related issues, or need assistance in evaluating your company's policies and procedures, please contact the authors of this article, or any of the attorneys in Baker Donelson's [Broker-Dealer/Registered Investment Adviser Group](#).