

August 21, 2020 | Business, Corporate & Securities,
COVID-19, Insights

SEC Releases Analysis of Compliance Risks for Broker-Dealers and Investment Advisers Related to COVID-19

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Last week, the SEC's Office of Compliance Inspections and Examinations ("OCIE") issued a Risk Alert summarizing its findings on compliance risks for registered broker-dealers and investment advisers, specifically related to the ongoing COVID-19 pandemic.

OCIE noted that because most firms' usual operating procedures have changed as a result of office closures, remote work and other impacts of COVID-19, firms may need to update their compliance policies and procedures to reflect adjustments in areas such as collecting and processing investor checks and transfer requests, verifying the identity of persons sending instructions and confirming the authenticity of those instructions. The fact that employees are working remotely may also present new challenges for supervision and monitoring, including communications and transactions that may occur on employees' personal devices. Remote operations will also likely impact firms' existing business continuity and data security policies.

Beyond the direct impacts of the pandemic, OCIE also focused on indirect effects such as market volatility, which may create more risk in investor transactions, and also increase financial pressures on firms whose revenues have declined. Thus, firms should be particularly vigilant in assessing financial conflicts of interest in areas including their investment recommendations and disclosure of risks and fees to investors. Firms should also be on the lookout for fraudulent offerings, which may be more prevalent during uncertain economic times.

The above risks and OCIE's recommendations for addressing them are detailed more fully in the [Risk Alert](#). If you would like to undertake a compliance review or amend your firm's operating procedures, our investment management practice group would be happy to help.

Disclaimer: This summary is provided for educational and informational purposes only and is not legal advice. Any specific questions about these topics should be directed to attorney [David Glod](#).



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