

Sneak Peek at 2015 Exam Priorities

At a recent luncheon with securities industry compliance and legal professionals, the National Associate Director of the SEC's broker-dealer examination program, Kevin Goodman, reportedly provided a "sneak peek" on areas of focus for the SEC's upcoming examination priorities for the year 2015.

At the outset of each year, the SEC publishes its examination priorities to communicate with investors, broker-dealers, registered investment advisers and investment companies and other market participants, areas in which the SEC staff perceives there to be heightened compliance risk. The examination priorities may be utilized by legal and compliance professionals to evaluate areas of concern or that may need improvement. The 2014 edition, published in January, is available [here](#).

At the luncheon, Goodman reportedly explained that the preliminary draft of the 2015 examination priorities is in the process of being drafted and previewed several areas of concern that the SEC may include in the forthcoming examination priorities to be published next January. Areas of concern that Goodman identified reportedly included:

- **Fees on Different Share Classes of Mutual Funds and Variable Annuities:** Goodman described an increase in "L-shares," a type of mutual fund shares held in variable annuities that have short surrender periods, but higher upfront costs. The SEC is interested to know whether investors are aware of fees paid on different types of

share classes and whether such charges are appropriate.

- **Examination of Brokerage Firm Branch Offices:** The SEC is considering placing a greater focus on brokerage firm branch offices “on a standalone basis” (as opposed to focusing on whether firms are supervising those branches). Branch offices would be selected for standalone examination based on factors such as their size, trading activities, or sales in certain products, such as complex or alternative securities.
- **Disciplinary History:** Similar to one of the priorities mentioned in the SEC’s 2014 publication, Goodman was quoted as stating that brokerage firms and brokers with a history of disciplinary violations can expect a “laser-like focus” during firm examinations.

For further reference, the report on which this post is based is available [here](#).