

# Legal Risk Management Tip – February 2019: How Risk Alerts Can Help You Prepare for Your Next Examination

By Michelle L. Jacko



**Michelle L. Jacko, Esq.** is the Managing Partner and CEO of Jacko Law Group, PC, which offers corporate and securities legal services to broker-dealers, investment advisers, investment companies, hedge/private funds and financial professionals. In addition, Ms. Jacko is the Founder and CEO of Core Compliance & Legal Services, Inc., a compliance consultation firm.

Ms. Jacko specializes in investment advisory and broker-dealer firm formation, hedge and private fund development, mergers and acquisitions, transition risks and investment counsel on regulatory compliance and securities law. Her practice is focused on the areas of corporate and compliance risk management, contracts, policies and procedures, testing of compliance programs (including evaluation of internal controls and supervision), performance advertising, soft dollar arrangements, best execution, separation agreements and much more.

Each year the SEC’s Office of Compliance Inspections and Examinations (“OCIE”) publishes *Risk Alerts* as part of its National Exam Program. The intent of the *Risk Alert* is to remind advisers of their regulatory responsibilities and to advance compliance efforts through education about what OCIE has observed during its examinations in terms of internal control systems, policies and procedures – both good and bad.

Since 2015, OCIE has issued twenty-one (21) *Risk Alerts*<sup>1</sup>, four (4) of which focused on cybersecurity issues<sup>2</sup>, two (2) of which focused on disclosures related to fees and expenses<sup>3</sup> and one (1) of which focused on senior investor issues coming off the heels of the OCIE-FINRA Report on National Senior Investor Initiative.<sup>4</sup> Each of these areas has consistently been in the SEC Examination Priorities Lists since 2015, and 2019 is no exception.<sup>5</sup> In comparing the *Risk Alerts*, to the ongoing SEC examination priorities, and the National Examination Program’s routine initial document requests, a trend is apparent – in nearly all cases, each *Risk Alert* highlights issues that are areas of emphasis for the SEC staff.

In this article, we will discuss how *Risk Alerts* can help you prepare for your next examination. We will explore recent SEC examination focus areas and include practical tips for mitigating risks, relating to three specific areas: advisory fees, senior client issues and cybersecurity. We will then provide practical guidance on steps you can take to help best prepare you for a regulatory examination.

## How Risk Alerts Can Help You Prepare for Your Next Examination

### The Advisory Fee Risk Alert

The April 12, 2018 Risk Alert entitled, Overview of the Most Frequent Advisory Fee and Expense Compliance Issues Identified in Examinations of Investment Advisers (the “Advisory Fee Risk Alert”), highlights some of the most common, repeated compliance issues related to fees and expenses observed by the SEC staff. Most investment advisers provide information related to their advisory service fees in a firm’s advisory contracts, Form ADV Part 2A, marketing disclosures and/or during

client meetings. But what has surfaced during recent OCIE examinations is that the disclosure of an adviser's fee is not always consistent or at an enterprise level, is not adhered to or is inconsistently applied. Moreover, OCIE found that the internal controls at advisory firms relating to reviewing billing methodologies were not effective, which resulted in incorrect calculations of advisory fees or assessing fees not reflecting associated discounts.<sup>6</sup>

## *We will explore recent SEC examination focus areas and include practical tips for mitigating risks, relating to three specific areas: advisory fees, senior client issues and cybersecurity.*

The Advisory Fee Risk Alert emphasizes six (6) compliance issues for investment advisers to review, which include the following:

- *Fee-Billing Based on Incorrect Account Valuations* – Most investment advisers assess advisory fees based on a percentage of the value of the assets in client accounts. The SEC staff found that advisers were valuing assets based on original costs (rather than fair market value) or were using market values at the end of the billing cycle (instead of average daily balance of the account) or including assets that should have been excluded from the fee calculation (e.g., cash or alternatives) as specified in the firm's advisory agreement.
- *Billing Fees in Advance or with Improper Frequency* – In some instances, the staff found that advisers were not billing in accordance with the time period stated in their advisory agreements and Forms ADV – such as billing monthly instead of quarterly, billing in advance instead of arrears or not pro-rating advisory fees for clients who opened or terminated an advisory account mid-billing cycle.
- *Applying Incorrect Fee Rate* – This was noted when an adviser applied a higher rate than what was agreed to in an advisory agreement

or did not comply with Section 205(a)(1) of the Investment Advisers Act of 1940 (“Advisers Act”), which prohibits compensation to investment adviser based on a share of capital gains (with exception given to qualified clients).<sup>7</sup>

- *Omitting Rebates and Applying Discounts Incorrectly* – Perhaps one of the most commonly cited deficiencies observed is investment advisers who do not appropriately provide breakpoints to clients as specified in their disclosures to clients, resulting in overcharges, which are not detected or rebated. This occurs, for example, when an investment adviser fails to aggregate client account values for members of the same household (as the term “household” is defined by the firm) or does not apply the firm's tiered breakpoint schedule resulting in lower fee rates as a result of an increased value in the client's assets under management.
- *Disclosure Issues Involving Advisory Fees* – Generally, this compliance issue arises if the disclosures made within an adviser's contract or Form ADV are inconsistent with the adviser's actual fee practices (such as applying more than the stated maximum fee) or disclosures are omitted related to additional markups and fees to be assessed (e.g., for third-party execution) or additional compensation earned by the adviser (such as for fee sharing arrangements with affiliates).
- *Adviser Expense Misallocations* – This was observed when an adviser to a private or registered fund, misallocated expenses to the fund; such as an allocation for marketing expenses and regulatory filing fees, rather than to the adviser.

Advisers were put on notice during 2Q2018 to pay particular attention to these areas and to evaluate disclosures as well as policies, procedures and other controls used by the firm for its advisory fee billing practices. Now, in 1Q2019, JLG is observing OCIE's focus on these exact areas during SEC examinations of investment advisers. A sampling of the staff's initial document requests during recent investment adviser examinations include:

- Current standard client advisory contracts or agreements;
- The general ledger detail of the account(s) into which fees are being booked; provide the monthly reconciliation of fees received against fees billed;

- A list of revenue sharing and expense sharing agreements indicating the entity the agreement is with and the dollar amount involved for the **most recent fiscal year**;
- Current fee schedule for your advisory programs, if not otherwise stated in advisory contracts or in Form ADV, Part 2A; indicate if the standard fee schedule has changed within the past two years, and if so, please provide details regarding such changes. If fees are tiered, explain the tiered billing process and whether accounts are grouped or household for breakpoint purposes;
- Compliance and operational policies and procedures in effect for the Adviser and its affiliates **for the period of January 1, 2014 through the present**. These should include, but not be limited to, any written procedures (including operational or desktop procedures) for calculating and billing advisory fees. If Adviser does not maintain any of the aforementioned policies, provide a written statement to that effect;
- A description of the current fee billing process, including, but not limited to: identifying the person(s) who calculates advisory fees, sends the invoice to the custodian, and tests advisory fee calculations; identifying any software programs or systems that are used in calculating fees; description of any reconciliation processes that are completed. If this process has changed during the **period of January 1, 2014 through the present**, please describe the changes made;
- For the billing period ending **December 31, 2018**, provide a spreadsheet that includes advisory fee calculations for each advisory client. Include the billing rate, market value used to calculate the advisory fee, and total nominal fee billed. Please also identify which accounts, if any, are grouped together for fee billing purposes, and from which account the fee is paid;
- A copy of any on-going analysis or documentation during the most recent fiscal year of client accounts and fee billing practices to ensure clients are being billed the correct fees;
- Names of any securities in client portfolios for which a market value is not readily available and must be determined by you or a third party, if applicable. If so, please provide a list of those securities; and

- Names of any security or account types that, as a matter of policy or practice, the Adviser does not charge a fee on.

From this list, it is apparent that the SEC staff is assessing those compliance issues identified in the Advisory Fee Risk Alert. If the adviser reviewed its compliance program practices considering this *Risk Alert*, the adviser will be better prepared to respond to these examination requests. Risk Management Tips for investment advisers to consider include:

- Review disclosures relating to advisory fees and whether there are omissions of material fact;
- Consider policies and procedures or protocols for calculating and reconciling advisory fees for accuracy; and
- Test to see if “householding” rules are consistently applied.

#### Senior Investors and the ReTire Risk Alert

The June 22, 2015 *Risk Alert* entitled, *Retirement-Targeted Industry Reviews and Examinations Initiative* (the “ReTire Risk Alert”) highlights what the staff’s examinations will focus on with advisers who service retiring retail clients, which includes seniors as the largest sub-set of that group. The ReTire Risk Alert provides insight into what the SEC staff will focus on during its examinations as it relates to retirement products and services, including sales to retirees and oversight processes related thereto.

The ReTire Risk Alert emphasizes four (4) compliance areas for investment advisers and broker-dealers to review, which include the following:

- *Reasonable Basis for Recommendations* – During examinations, OCIE staff will consider (a) the type of retirement account a client is recommended to hold retirement investments (e.g., either remaining at the plan, through an IRA rollover, taking distributions or a combination of these); (b) the due diligence performed on investment options; (c) the firm’s initial investment recommendations; and (d) ongoing account management provided.
- *Conflicts of Interest* – Generally, compensation arrangements can create conflicts. Therefore, during its exams, OCIE staff will analyze the sales and account selection practices of the adviser or broker-dealer. They will also consider the fees and expenses assessed, services

provided, conflict of interest disclosures made and strength of the compliance program to identify and mitigate such conflicts.

- *Supervision and Compliance Controls* – The compliance rules governing investment advisers and broker-dealers require registrants to have strong internal controls, including oversight and supervision of personnel. Consequently, OCIE staff will review the supervisory and compliance controls of registrants, with focus on multiple and branch office safeguards as well as outside business activities of associated persons.
- *Marketing and Disclosure* – The staff will be reviewing marketing and disclosure documents to assess the adequacy of disclosures to confirm that omissions of material fact are not occurring, that representations are true and correct, that credentials and endorsements are valid, and that fee disclosures are accurate.

Since the ReTire Risk Alert, the SEC has focused its attention on how advisers are servicing senior investors and the unique compliance challenges associated with this demographic. In recent examinations, the SEC staff's examination of advisers addresses not only the ReTire risks, but also the internal controls that investment advisers and broker-dealers should implement if they are serving senior investor clients. Recent initial documentation requests have consisted of the following:

- Indicate the approximate percentage of clients who are 62 or older<sup>8</sup> (including grantors to trusts). Provide a brief description as to how the approximate percentage was determined;
- Indicate the approximate percentage of Adviser's regulatory assets under management that are for advisory clients age 62 or older (including grantors to trusts). Provide a brief description as to how the approximate percentage was determined;
- Provide any policies and procedures designed to address issues associated with clients who are Senior Clients and perceived by the Adviser to have possible issues associated with diminished capacity or competence;
- Provide any policies and procedures concerning the handling of client requests for changes to beneficiaries, including all policies and procedures concerning monitoring and supervision relating to changes to beneficiaries;
- Provide any policies and procedures concerning powers of attorney, including all policies and procedures concerning monitoring and supervision relating to changes in power of attorney as they relate to the adviser and/or third parties with power of attorney authority;
- Provide any policies and procedures concerning trustees, including all policies and procedures concerning monitoring and supervision relating to changes of a trustee as they relate to the adviser and/or third parties;
- Provide any policies and procedures that contemplate or consider establishing a trusted point of contact in the case the client(s) have diminished capacity or competence;
- Provide any policies and procedures designed to address what steps are taken with client account(s) upon death (e.g., establishing communication with beneficiary or trustee, repapering of account information, liquidation of account, or the transferring of assets to appropriate parties);
- Provide any policies and procedures designed to facilitate the transition of a Senior Client from actively employed to a retired status (e.g., communication with a client to setup an updated investment profile);
- Provide any policies and procedures that discuss how often the Adviser communicates with its clients (e.g., adviser speaks with its client on a quarterly basis to update the client's investment guidelines); and
- Provide a list of any training provided by the firm to its employees during the review period that related to Senior Clients and indicate the nature of the training method (e.g., in person, computer-based learning, or email alerts). Please identify the dates, topics, and groups of participating employees for these training events and provide a copy of any written guidance or training materials provided.

Similar to the Advisory Fee Risk Alert, the ReTire Risk Alert foreshadowed many of the examination "hot areas" that the staff is assessing during its examinations. Had a broker-dealer or investment adviser reviewed their compliance program practices considering the ReTire Risk Alert, it would be better positioned to quickly respond to these types of examination requests. Risk Management Tips to consider include:

- Develop an escalation system for reporting elder abuse matters;
- Have a disclosure form for your senior and retirement investors explaining investment options available to them (e.g., they can stay in a 401(k), do an IRA rollover or take a lump sum distribution); and
- Add language to advisory contracts that addresses safeguards, such as trusted contacts, that the firm has established for retirees and senior clients.

### The Cybersecurity Risk Alerts

As previously mentioned, there have been four (4) *Risk Alerts* focused on cybersecurity areas, each worthy of its own focus. For purposes of analysis, JLG believes that the latest of the *Risk Alerts* entitled, *Observations from Cybersecurity Examinations* (the “Cyber Risk Alert”), best highlights those areas JLG is seeing in recent document requests of SEC registrants.

During the Cybersecurity 1 Initiative, the SEC staff analyzed whether registrants were inventorying cyber risks and mapping them to cyber controls. For the Cybersecurity 2 Initiative, the SEC staff reviewed registrants’ cybersecurity governance structure, access rights, data loss prevention, vendor management, training and incident response. Among other things, there were several issues found including:

- Policies and procedures were not reasonably tailored for employees, nor did they articulate necessary procedures to follow to implement the policy;
  - Policies were not reflective of the firm’s actual practices or were not adhered to or enforced;
  - Systems were not maintained, patches were not done, and cyber risk assessments not conducted; and
  - Cybersecurity vulnerabilities were not addressed.
- Recent initial documentation requests include:
- Indicate whether the Adviser conducts periodic risk assessments to identify cyber security threats, vulnerabilities, and potential business consequences. If such assessments are conducted please also:
    - Identify who (individual(s), business group(s), and title(s)) conducts them, and the month and year in which the most recent assessment completed; and
    - Describe any findings from the most recent risk assessment that were deemed to be

potentially moderate or high risk and have not yet been fully remediated.

- Indicate whether the Adviser provides clients with on-line account access. If so, please provide the following information:
  - The name of any third party or parties that manage the service;
  - The functionality for clients on the platform (e.g., balance inquiries address and contact information changes, beneficiary changes transfers among the clients’ accounts, withdrawals or other external transfers of funds);
  - How clients are authenticated for on-line account access and transactions;
  - Any software or other practice employed for detecting anomalous transaction requests that may be the result of compromised client account access;
  - A description of any security measures used to protect client PINs stored on the sites; and
  - Any information given to clients about reducing cybersecurity risks in conducting transactions/business with the registrant.
- Describe the adviser’s reaction to the following cyber issues.
  - Malware was detected on one or more Adviser devices. Please identify or describe the malware;
  - The availability of a critical Adviser web or network resource was impaired by a software or hardware malfunction. (Down time resulting from routine maintenance and equipment upgrades should not be included in this response.) Please identify the service affected, the nature and length of the impairment, and the cause;
  - The Adviser’s network was breached by an unauthorized user. Please describe the nature, duration, and consequences of the breach, how the Adviser learned of it, and how it was remediated;
  - The compromise of a client’s or vendor’s computer used to remotely access the Adviser’s network resulted in fraudulent activity, such as efforts to fraudulently transfer funds from a client account or the submission of fraudulent payment requests purportedly on behalf of a vendor;

The *Cyber Risk Alert* foreshadowed those areas of particular focus on recent SEC exams. To prepare, it is important for firms to:

- Review incident response plans for thoroughness;
- Consider vendor management internal controls, such as cybersecurity risk provisions in servicing agreements; and
- Develop customized policies and procedures and training materials related to cyber risks identified for the firm (e.g., concentrate on higher risk areas, such as client portals).

## Steps You Can Take to Help You Prepare for Your Next Examination

Ensuring you have ample time to prepare is one of the most important things investment advisers can do prior to the SEC staff's arrival. Below are best practices to consider before and during the actual examination.

### First Impressions

**Establish and Revisit Your Tone at the Top.** The SEC's examination program focuses strongly on the firm's compliance culture, including the "tone at the top" and the effectiveness of the compliance program. During your preparations, meet with senior management to discuss how the business has changed since the last examination, the compliance and internal controls the firm has put in place, and the type of interaction that senior management has with one another, particularly as it relates to addressing higher risk areas. The SEC staff frequently reviews various items, such as firm e-mail communications (particularly to and from senior management team members), the compliance program's Annual Review report, lists of material and/or repeat minor violations unveiled by the firm during the examination period, and actions taken by the firm to address violations and higher risk areas (such as enhancements to the policies and procedures manual). Think about how the firm has supported compliance efforts and be able to articulate this in your opening meeting with the staff.

**Employee Preparations.** It is critical for key employees to be prepared and understand the examination process. In particular, senior management must be able to demonstrate

their knowledge about the firm's policies and procedures for the areas in which they oversee and be able to articulate how they supervise that area and hold personnel accountable. Generally, the SEC examiners will ask to interview various personnel, including those who oversee portfolio management and trading, sales and marketing, compliance, cybersecurity, finance and billing and operations. Prior to meeting with the staff, it is important to identify which employee is the most appropriate and well-informed person to speak about processes, systems, documentation, supervisory controls and tests used for that subject area. Also, firms should consider conducting a "practice" interview, with particular focus on higher risk areas and exam priority initiatives to help better prepare employees for Staff questions. This will provide employees an opportunity to identify areas that they should review prior to the staff's arrival so that they can clearly articulate internal controls within their respective areas of management. Mock interviews also allow employees the opportunity to acclimate to the Staff interview process so that they know what to expect. Remind them to always be honest and forthcoming with the SEC.

**The Opening Presentation.** First impressions say a lot about the firm and its culture toward compliance. The opening interview often sets the tone for the examination. Firms are at an advantage when they prepare an opening presentation. Often in the form of a PowerPoint presentation, having an "opening ceremony" allows the firm to showcase what they do – and do not do. Generally, topics cover an overview of the organization and its vision and mission statements; the products and services offered; information related to your affiliates; the firm's internal control environment (often segmented by departments, such as portfolio management and trading, compliance, operations and sales and marketing); and a synopsis of your firm's culture of compliance and training efforts.

**Initial Document Production.** For your document production, make sure that your production is responsive to what the staff is requesting. Using the Accellion system, you can upload all files in a secure environment. Be sure that documents are clearly labeled and in the requested order of the SEC staff. Remember, the goal of your document production is to demonstrate the effectiveness of the policies and procedures within your firm's compliance program; therefore,

documentation should reflect how your daily processes, routines, and workflows help achieve compliance within your firm and align with industry regulations. In many cases, a brief memo or narrative is needed to help describe the production and provides purposeful details related to the firm's internal controls.

### Setting Ground Rules

Often prior to the staff's arrival, the SEC will notify the firm of the department managers they wish to interview. If this occurs, be proactive and provide the SEC staff with an interview schedule. This will enable the staff to be efficient in the interview process and help them to plan accordingly. It also helps to set expectations with your own team, to enable them to prepare. Preparations could include reviewing the Form ADV, policies and procedures and speaking with support team members.

At the initial introductory meeting, do not hesitate to set the ground rules for the examination process. This includes establishing the point(s) of contact for the staff, who will escort the staff throughout the firm, who will demonstrate various systems and controls, what specific days and times senior management team members will be available to meet with the staff and who must be present for the interviews (e.g., the CCO, legal counsel, etc.). Also, do not hesitate to ask the expected duration of the Staff's in-house examination and who from the SEC will be present during the onsite portion of the exam.

If the staff asks for additional documentation, determine whether the firm will provide copies in hard or e-copy format. In either case, it is important to track what you delivered and when. In the event that hard copies are provided, duplicate copies of all documents produced to SEC examiners so that they can be referenced by you and the firm's counsel if anything becomes escalated. Ideally, for initial and supplemental production, remember that all documents should be Bates stamped and Freedom of Information Act stamped for ease of reference. These numbers will be referred to by the Staff during the exam and will be referenced on your firm's privilege logs.

### Role of the CCO During the Exam

During the examination process, the CCO typically has three roles: that of educator, gatherer and provider.

**Educator.** Often the CCO serves as the primary point of contact for examiners and is generally present for all interviews. The CCO can help to educate the staff about the firm, including the products and services offered, and what within the organization has changed since the last SEC examination. Understanding these expectations, the CCO typically liaises with department managers and answers staff follow-up inquiries

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and finds the answers to questions that the firm's employees may not readily know. During the initial meeting, the CCO helps to readily establish the firm's internal control and risk management environment at the onset. This is accomplished by:

- Demonstrating how the firm has updated its policies and procedures to correct, detect and prevent violations of the federal securities laws;
- Evidencing where the compliance program enhanced its tests that were done previously; and
- Explaining the type of testing performed on various policies and procedures (transactional, periodic and forensic).

**Gatherer.** Throughout the examination process, the Staff will request new or supplemental documents. It is generally the responsibility of the CCO and Compliance Department to gather, review and organize the responsive documents. But beware, on occasion examiner requests

may involve documents from non-regulatory members in your group of companies that the firm may not be obligated to produce. CCOs should carefully review each document request prior to production and should, when appropriate, question the Staff about relevance or applicability, should it appear the request goes outside the scope of the examination. As a best practice, the CCO should carefully review the disclosure documents that the SEC provides at the onset of the exam, as they will assist the CCO to better understand the SEC’s lawful reach and prepare the CCO to recognize when it is exceeded.

**Provider.** As a primary liaison, the CCO is responsible for providing important information to the examiners and firm senior management team. Therefore, the CCO must be aware of all moving parts during the examination, which includes, among other things:

- Location and daily schedules of the Staff;
- Which firm personnel is to be interviewed and when;
- The scope of all Staff interviews;
- List of documents requested by the Staff;
- Location of duplicate copies of documents produced to the Staff;
- Persons to be present during the exit interview; and
- How to reach outside counsel, if needed.

### Demonstrating Competency and Knowledge

Finally, it is critical for firm members to demonstrate competency and knowledge of the firm’s compliance program, particularly for their personal areas of responsibility. Firms

should ensure that questions from the Staff can be addressed as comprehensively as possible. Consider:

- Can firm supervisors clearly articulate their risk controls, oversight and supervision of critical practice areas?
- Do managers understand their roles, responsibilities and escalation processes within the organization?
- Can employees express the firm’s e-mail and CRM etiquette – on what to say or include and what perhaps not to say or escalate?
- Do personnel know how the firm communicates newly adopted firm policies – through departmental meetings, trainings, e-news bulletins or teleconferences?

In her 2004 speech, “The New Compliance Rule: An Opportunity for Change,” Lori Richards Director of the SEC’s Office of Compliance Inspections and Examinations, provided the following guidance.

“Compliance staff should continually be asking: Are we detecting problematic conduct with this policy? Based on what we’ve detected, should we alter our policy? Is there a better way to detect problematic conduct?... Were the actions we took, once problematic conduct was detected, adequate to deter problematic conduct by this individual or others?”<sup>9</sup>

Being able to answer these questions articulately and competently is essential to today’s examination process. Given the complexity of today’s business models and processes, many advisers elect to conduct a mock SEC examination to help them prepare and gain the competency (and confidence) on how to best approach the examination process. Mock regulatory examinations assist firms to identify areas of risk, and thereafter, mitigate such risks and provide essential training to further enhance the compliance program. Knowledge of not only what gaps exist within the compliance program, but moreover, being able to articulate and demonstrate how the firm has improved its policies, provided ongoing training and deterred problematic conduct from occurring are essential components for establishing your firm’s core competencies with the staff.

## Risk Management Tip:

Today’s regulatory environment is both complex and complicated. The National Examination Program’s *Risk Alerts* provide a valuable tool in alerting advisers about where to focus compliance program efforts. Consider conducting a mock regulatory examination which incorporates the topics outlined in recent *Risk Alerts*. This will allow senior management the opportunity to assess the strength and readiness of the firm’s compliance program, and provide the firm an opportunity to improve policies, procedures and internal controls governing the business.

## ENDNOTES

- <sup>1</sup> For a list of all *Risk Alerts*, see <https://www.sec.gov/ocie>.
- <sup>2</sup> Cybersecurity *Risk Alerts* include Cybersecurity Examination Sweep Summary (Feb. 3, 2015), OCIE's 2015 Cybersecurity Examination Initiative (Sep. 15, 2015), Cybersecurity: Ransomware Alert (May 17, 2017) and Observations from Cybersecurity Examinations (Aug. 7, 2017) available at *Id.*
- <sup>3</sup> *Risk Alerts* include OCIE's 2016 Share Class Initiative (Jul. 13, 2016) and Most Frequent Advisory Fee and Expense Compliance Issues Identified in Examinations of Investment Advisers (Apr. 12, 2018) available at *Id.*
- <sup>4</sup> See Risk Alert: Retire-Targeted Industry Reviews and Examinations Initiative (Jun. 22, 2015) and OCIE-FINRA Report on National Senior Investor Initiative (Apr. 15, 2015), both available at *Id.*
- <sup>5</sup> For a full text of the 2019 SEC Examination Priorities, see <https://www.sec.gov/files/OCIE%202019%20Priorities.pdf>.
- <sup>6</sup> See, e.g., *In the Matter of Barclays Capital Inc.*, Advisers Act Rel. No. 4705 (May 10, 2017) and *In the Matter of Morgan Stanley Smith Barney, LLC*, Advisers Act Rel. No. 4607 (Jan. 13, 2017).
- <sup>7</sup> See Advisers Act Sections 205(a)(1) and 205-3 available at <https://www.law.cornell.edu/uscode/text/15/80b-5> and <https://www.law.cornell.edu/cfr/text/17/275.205-3>.
- <sup>8</sup> Within several examination document requests, the staff defines "senior client" as any retail client who is age 62 or older, retired or transitioning to retirement, including accounts of deceased clients, and retail clients in joint accounts with at least one individual meeting this definition.
- <sup>9</sup> See <https://www.sec.gov/news/speech/spch063004lar.htm>.