

SEC turning to tech to boost exams

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As the **Securities and Exchange Commission** looks to increase the volume of investment adviser examinations they are likely to adopt new technologies to increase efficiency, according to **Brian Clark**, CEO of **Ascent Technologies**.

“The SEC has committed to new forms of technology to not only review but identify. These processes allow for the same examinations to be done at a lower cost,” Clark told *Compliance Reporter*. “There will be a technology shift and that will be pronounced as the methods will be standardized. There is no way to ask for less funds and get more examinations without standardizing your approach. That means the examinations will be far more standardized.”

According to recent statements from SEC Chair **Jay Clayton** the commission will look to increase examinations in the IA space by 20% this year and an additional five percent next year. Meanwhile the agency’s request was relatively flat compared to last year and would decrease exam program funding. The agency’s **Office of Compliance, Inspections and Examinations** will likely have to rely on technology to improve their examiners’ efficiency, and the industry will have to respond in kind, Clark said.

“The best strategy is to use technology to act more efficiently. On the compliance side that comes down to using modern machine learning and [artificial intelligence] in helping you streamline your processes, information collection and data storage to decrease your cost of compliance,” said Clark. “Be open to new technology solutions, if they are going to approach auditing firms in a different way you have to change as well and update your practices...and ultimately decrease the risk of a fine.”

Clark, who previously served as general counsel and chief compliance officer at an international brokerage firm, sees the regulators approach to be increasingly risk-based and “because of that, risk will be judged by assets under management and specific actions taken. I think you are looking at a shift towards [a] more soft, principles-based approach as to where does the risk lie.”

That increased exam cycle will come after a year in which 1,600 firms were subject to examinations and likely will at least partially be aided by 100 reassigned staff members added to the national examination program’s investment adviser unit in 2016, following the agency’s reorganization of its broker-dealer exam teams.