

SEC Highlights 2013 Accomplishments And Outlines 2014 Enforcement Priorities

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Brian E. Casey
Partner

By Brian E. Casey | The SEC recently published its annual agency financial report which, among other things, provides a peek into the Commission's priorities for the coming year and outlines its enforcement accomplishments in 2013. According to the SEC, in the past year, it took steps to "further enhance" its already "robust" enforcement program with the goal of "ensur[ing] that its enforcement and examinations programs continue to be as vigorous and aggressive as possible." Among its actions, the agency: (1) "began to demand admissions of wrongdoing in certain cases where an added measure of accountability was considered necessary"; (2) it "broadened [its] coverage of market participants, pursuing actions against a range of individuals and entities, including gatekeepers, like accountants and fund directors; exchanges and other trading platforms that lack required system controls; and municipal advisors"; and (3) "obtained total penalties and disgorgements of \$3.4 billion, an increase from the \$3.1 billion awarded the year before." In fiscal year 2013, the SEC initiated 686 enforcement actions, down slightly from 734 in FY 2012 and a record 735 in FY 2011. However, the SEC noted that it filed 402 enforcement actions in the last six months of the year, suggesting that the volume of enforcement actions could continue to increase at a record pace in 2014. These enforcement actions spanned the spectrum from large institutions to "strategic prosecution of 'smaller' violations in an effort to send a broader deterrent message." Looking forward, the SEC mapped out its enforcement priorities for 2014. These include:

- Investigating and bringing enforcement actions in "high priority areas" which the SEC identified as complex financial products, gatekeepers, insider trading, market structure, investment advisers and private funds, and municipal securities.
- The Financial Reporting and Audit Task Force will focus on violations related to disclosure issues, including preparation of financial statements, issuer reports, and audit failures.
- The Microcap Fraud Task Force will continue investigating fraud in the microcap securities area.
- Focusing on current issues and practices within the broker-dealer community and developing national initiatives for potential investigations.
- Monitoring the implementation and potential violations related to the new JOBS Act rules.

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To address these priorities, the SEC stated that it would enhance its use of technology and cutting-edge analytics to identify misconduct in its early stages, in order to allow for corrective action before wrongdoing escalates and causes significant investor harm.