

What It Means To Be Audit-Ready in 2022

Uncertainty makes people uneasy. The anticipation of an SEC audit-not knowing if and when your firm might face one-is part of what makes it intimidating.

That's why we advocate for building an audit-ready business. You can't control if and when the audit comes. But if you're always prepared to face one, there's never a need to panic.

What does it mean to be audit-ready in 2022? We're so glad you asked! We've compiled a list of risks the SEC is watching. Here's what your firm should be thinking about, from outside risks like cybersecurity to internal compliance procedures like gift and entertainment disclosures.

Monitoring Digital Risks

The world grows more digitally-driven with every passing day. Relying on technology makes our lives more seamless, but it also introduces risk.

One significant liability that remains as a result of the pandemic is the one created by work from home. Financial firms have a duty to protect clients' personally identifiable information (PII). When your team is distributed and information about clients must circulate outside your office walls, there is the threat of bad actors intercepting those communications.

Smart firms are implementing tools that allow their team to communicate safely and efficiently from afar. Virtual private networks (VPNs) are a must for distributed teams.

Running vulnerability scans and engaging in penetration testing allows you to identify weaknesses in your security before an ill-intentioned outsider can.

And features like single sign-on (SSO), multi factor authentication, and write once, read many (WORM) storage ensure your team can share PII without risk.

It's just as vital that you educate your audience about cybersecurity risks. Encouraging your clients to use multifactor authentication and instituting

CAPTCHA tools on your client-facing platforms empower your clients to protect their data when it's in your hands.

Meeting New Expectations

The SEC's new chair, Gary Gensler, stepped into his role in April 2021. With new leadership often comes new rules and expectations. We've already seen shifts in the SEC's guidance for firms, such as the new marketing rule. And when its exam priorities are released in the coming weeks, we can expect to see the SEC voice additional concerns.

When new rules are handed down, you must shift internal policy and training to meet them. A compliance tool can help you update procedures and distribute them seamlessly to your team.

Training Your Team

The other piece of creating new policies is ensuring your team knows how to act under them. If your team doesn't understand what complying with new rules looks like, your business is not audit-ready. Here's where testing and drills come into play.

Compliance officers can design quizzes and mock scenarios to test each employee's understanding of new guidelines. Drills are a quantitative way to assess your team's audit readiness, and they allow CCOs to clarify misunderstandings and strengthen policies to address gaps.

Your team is only as strong as your weakest member, so take the time to get everyone up to speed on the compliance issues that can impact your firm.

Investing In Ethics

The SEC expects firms to implement a code of ethics. This document reinforces the importance of acting ethically on behalf of clients and the firm.

One of the SEC's recent areas of focus has been on the behaviors of individual employees, not only the firm as a whole. To remain audit-ready in 2022, you must create a clear framework around your expectations of employee behavior.

Your gifts and entertainment policy and insider trading rules should be areas of

focus. A compliance tool can help you communicate and enforce these policies, while also making the employee disclosure process seamless.

Aligning Compliance With Consumer Trends

ESG and robo-advising are two areas of investing that have gained significant attention from consumers in recent years. As advisors scramble to meet consumer demand, the SEC is taking notice.

Both ESG and robo-advising are new. Therefore, neither has clear regulatory guardrails around it. Expect that to change. As the SEC begins to identify potential risks in these two areas, they will create new guidance to mitigate them. Once the SEC issues a new policy, you must adjust to meet it if you wish to remain audit-ready.

As a compliance officer, it's your job to stay on top of shifting rules. And when the rules change, you must review your old policies to make sure they meet new requirements. If they don't, it's up to you to adjust your approach and let your team know that things are changing.

There will likely be new trends and risks that emerge throughout the year that will catch the eye of the SEC. For compliance professionals who wish to remain audit-ready, it's not about identifying every potential risk that may appear. It's about building a system that empowers you to respond quickly to any possible shifts in policy.

A comprehensive compliance tool like BasisCode helps you with everything from monitoring SEC expectations to setting new rules to ensuring your team is aligned with the latest expectations.

Schedule a Demo to Be Audit-Ready

<https://oriontechno.wpengine.com/solutions/compliance/>

0289-OAT-2/15/2022