

GAO@100 Highlights

Highlights of [GAO-22-105367](#), a report to congressional committees

Why GAO Did This Study

The securities industry is generally regulated by a combination of industry and federal oversight. FINRA, a self-regulatory organization, regulates more than 3,400 securities firms doing business with the public in the United States. SEC oversees FINRA's operations and programs.

Section 964 of the Dodd-Frank Wall Street Reform and Consumer Protection Act includes a provision for GAO to triennially report on aspects of SEC's oversight of FINRA. GAO issued its first report in May 2012 ([GAO-12-625](#)), its second in April 2015 ([GAO-15-376](#)), and its third in July 2018 ([GAO-18-522](#)).

This report (1) determines the extent to which SEC oversight of FINRA since fiscal year 2018 included areas specified in Section 964, and (2) assesses how SEC used inspection and examination findings to help achieve its FINRA oversight goals. GAO examined case files for all SEC reviews of FINRA in fiscal years 2018–2020, reviewed certain SEC policies and procedures, and interviewed SEC and FINRA staff.

What GAO Recommends

GAO is recommending SEC establish performance measures for FINRA oversight that reflect leading practices, and policies and procedures for tracking, identifying, and communicating the significance of examination findings. SEC generally agreed with these recommendations.

View [GAO-22-105367](#). For more information, contact Michael E. Clements at (202) 512-8678 or clementsm@gao.gov.

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SECURITIES REGULATION

SEC Could Take Further Actions to Help Achieve Its FINRA Oversight Goals

What GAO Found

In fiscal years 2018–2020, Securities and Exchange Commission (SEC) reviews (such as examinations and inspections) of the Financial Industry Regulatory Authority, Inc. (FINRA) included areas specified in Section 964 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, such as governance, funding, and transparency. GAO analysis of documentation from these 69 reviews showed they typically focused on FINRA's policies and procedures, including execution of such procedures. They also evaluated areas such as the timeliness of FINRA's operations, staffing levels, and sufficiency of training and program risk management. SEC reviews frequently identified deficiencies and FINRA typically proposed corrective actions to address these findings.

SEC has several opportunities to leverage information obtained from its reviews of FINRA to inform its FINRA oversight goals. Currently, SEC's performance measures (see table) for FINRA oversight are task-oriented (such as conducting meetings) and do not reflect leading practices (such as being outcome-oriented and providing useful information for decision-making). SEC's program for overseeing FINRA also does not have documented policies and procedures for determining which findings and any associated corrective actions to track, or for identifying and communicating the significance of findings from its oversight of FINRA to internal stakeholders and to FINRA. By establishing such measures, policies, and procedures, SEC would gain information that would allow it to better monitor and assess the impact of its reviews of FINRA, better evaluate FINRA responses, and more clearly communicate concerns to FINRA.

SEC's Performance Measures for Its FINRA and Securities Industry Oversight (FSIO) Program

Create annual inspection and examination oversight plan
Monitor progress and complete inspection and examination plan
Process tips, complaints, and referrals
Conduct periodic meetings with FINRA
Document examination plan update meetings
Review recurring information from FINRA
Conduct internal meetings with FSIO staff and provide training
Meet with other SEC departments periodically to identify risks and priorities
Inform Division of Examinations leadership weekly about oversight of FINRA
Conduct meetings of FSIO senior staff to discuss FSIO risk-mitigation efforts

Legend: FINRA = Financial Industry Regulatory Authority, Inc.; SEC = Securities and Exchange Commission

Source: SEC. | [GAO-22-105367](#)

This is a public version of a sensitive report GAO issued in July 2021. GAO omitted from this report information on the number and type of findings and associated corrective actions that SEC determined to be confidential supervisory information.