

2020 Financial Services Accounting and Regulatory Look-Back

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The year 2020 brought several important news releases from the Securities and Exchange Commission (SEC) and the American Institute of Certified Public Accountants (AICPA) related to the investment advisor community.

The SEC appears to be adapting with the times and has modernized its framework for valuation practices as well as well as modernized its rules that govern investment advisors, advertisements, and payments to solicitors. The SEC also noted the importance of technology and announced that FinHub will become a stand-alone office. On the other hand, the AICPA communicated on environmental, social and governance (ESG) investing and held a three-day conference for accounting and reporting issues affecting SEC registrants and their auditors.

The following are some headlines from SEC and AICPA announcements over 2020. Follow the links for additional information.

SEC

SEC Modernizes Framework for Fund Valuation Practices

The Commission last addressed valuation practices under the Investment Company Act of 1940 in a comprehensive manner in a pair of releases over 50 years ago.

Released in December 2020, the new rule establishes requirements for satisfying a fund board's obligation to determine fair value in good faith for purposes of the Investment Company Act. The [Valuation Update](#) also discusses how fair value is determined in good faith, the performance of the fair value determinations, record keeping, etc.

SEC Announces Office Focused on Innovation and Financial Technology

The SEC announced that the its Strategic Hub for Innovation and Financial Technology, commonly referred to as FinHub, will become a [stand-alone office](#).

Established within the Division of Corporation Finance in 2018, [FinHub](#) has spearheaded agency efforts to encourage responsible innovation in the financial sector, including in evolving areas such as distributed ledger technology and digital assets, automated investment advice, digital marketplace financing, and artificial intelligence and machine learning. Through FinHub, market and technology innovators, as well as domestic and international regulators, have been able to engage with SEC staff on new approaches to capital formation, trading, and other financial services within the parameters of the federal securities laws.

SEC Adopts Modernized Marketing Rule for Investment Advisors

The Securities and Exchange Commission announced it had finalized reforms under the Investment Advisers Act to modernize rules that govern investment advisor advertisements and payments to solicitors. The amendments create a single rule that replaces the current advertising and cash solicitation rules. The final rule is designed to comprehensively and efficiently regulate investment advisors' [marketing communications](#).

AICPA

The Largest Global Association for Accounting and Finance Professionals Sets ESG Roadmap for Education, Resources, Guidance in 2021

The Association of International Certified Professional Accountants, an organization combining the AICPA and the Chartered Institute of Management Accountants (CIMA), shared its 2021 plans to deliver education and resources that assist accountants with reporting on and assurance of environmental, social and governance (ESG) [information](#) to assist organizations to report reliable and accurate ESG information that extends beyond financial information.

SEC, PCAOB and FASB Leaders to Address 2020's Biggest Accounting, Auditing and Regulatory Developments at AICPA SEC-PCAOB Conference

The highly anticipated three-day virtual [event](#) designed for preparers, auditors, regulators, decision-makers and financial authorities eager to gain insight on the latest accounting and reporting issues affecting SEC registrants and their auditors was held in December.

Contact Us

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