



# Center for Accounting, Research, and Education The Viewpoint of the Regulators

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## SEC Disclaimer

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# Risk Assessment Activities

## Types of Risk Assessment Activities

- Identification of Misconduct
  - Statutory, Rule Violations, and Fraud
- Review of Issuer Disclosures
  - Forms and filings submitted by SEC registrants
- Market & Systemic Risk
  - Financial Stability Board (FSB) and Financial Stability Oversight Council (FSOC)

Agency/Division Focus

## Approaches

- Use data-driven analytic methods to identify registrants with anomalous behavior that merit further inquiry.
  - *Predictive analytics*: build economic models that predict likely behavior
  - *Pattern detection*: Look for patterns of known types of misconduct.



## DERA: Areas of Risk Assessment

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- Asset Management:
  - Funds registered under Investment Company Act of 1940
  - Investment Advisers: Investment Advisers Act of 1940
  - Private funds (e.g., hedge funds)
- Public Companies
  - Governed by Securities Act of 1933, Securities Exchange Act of 1934
  - Periodic and event driven disclosures on forms 10-K, 10-Q, 8-K
- Broker-Dealers
  - Registered under Securities Exchange Act of 1934



# DERA's Office of Risk Assessment: Risk Model Development Lifecycle

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**I. Understand market:** work with subject matter experts in operating divisions/offices

**II. Develop quantitative measures of actions and outcomes:** data from forms, filings, news, and other market sources

**III. Build a model:** Estimate using historical data

**IV. Apply output and assess outcomes**

**V. Generate feedback:** educate experts, update required disclosure, recalibrate model

