

NSCP Recommendation: Compliance Advisory Committee Framework^[1]

1. Purpose

The Compliance Advisory Committee is established to provide expert advice, industry insights, consultation and recommendations to the US Securities and Exchange Commission broker dealers and investment advisers, and other similar regulated entities (collectively referred to as the “Regulated Entities”).

2. Composition

The committee will consist of no more than fifteen voting members, who are exclusively financial services compliance professionals. These individuals—such as Chief Compliance Officers or other senior compliance personnel—will possess extensive experience in regulatory compliance within Regulated Entities. Members will be selected to provide diverse representations across entity size, geography, and business type.

Appointments will be made by the Commission, with each Commissioner having an opportunity to appoint members. The Commission will issue a call for applicants through means designed to achieve the stated composition.

3. Scope

To aid the Commission, the committee may:

- Review and analyze regulatory requirements and practices and provide recommendations, which may include, among other things, identifying unintended consequences, inconsistencies across regulatory regimes, unidentified cost or technological impediments.
- Identify emerging compliance trends or risks and propose mitigation strategies or areas for further Commission guidance.
- Provide feedback and recommendations related to proposed, final, and retrospective rulemaking.
- Facilitate stakeholder engagement and share industry insights and datapoints.
- Assess potential compliance implications of examinations and enforcement actions.
- Prepare reports and present findings at meetings.
- Respond to other requests from the Commission.

4. Term of Committee

The committee will be established for a term of 10 years, with the possibility of renewal based on the Commission’s needs and the committee’s performance.

5. Agency Sponsor and Committee Operation

The members of the committee will elect a Chair, Vice Chair and Secretary by a majority vote; each officer will serve for 4 years. The Chair will call and lead meetings, with the Vice Chair serving in the Chair’s absence.

Meetings will be held not less frequently than four times annually and, from time to time, at the call of the Commission. Meetings will be open to the public at a venue selected by the Commission.

The committee may form subcommittees or subgroups to support its functions as it deems appropriate by a majority vote, after notice to the committee sponsor.

The Commission will provide the necessary support services for the Committee primarily through the Division of Examinations and other divisions and offices as appropriate.

6. Term of Membership

Members will serve a single staggered term of four years, with the possibility of reappointment for one additional term. Membership terms will be staggered to minimize abrupt changes in priorities and approach and to enhance the retention of institutional knowledge. Members may be removed during their term, at the discretion of the Commission, for example, if they or their employers become involved in an SEC or other regulatory enforcement action. Vacancies among members will be filled consistent with the Commission's procedures then in effect.

7. Value to the Agency

The Compliance Advisory Committee has been created to acknowledge and support the important role played by compliance at implementing the Commission's tripartite mission of protecting investors, maintaining fair, orderly and efficient markets, and facilitating capital formation. The Compliance Advisory Committee offers important and meaningful input in addition to existing methods of seeking industry input on relevant Commission actions:

- **Diversity of Perspective:** The committee provides a perspective that may be distinct from other stakeholders by, for example, focusing on issues of effective implementation.
- **Cross-Industry Expertise:** The committee provides a ready source of cross-industry expertise, facilitating diverse perspectives and comprehensive insights into compliance issues.
- **Practical Experience:** Members bring practical experience from their respective business models, identifying real-world implications and recommendations for both emerging and ongoing compliance concerns.
- **Focused Attention:** The committee's dedicated focus on compliance facilitates in-depth analysis and timely review and commentary, enhancing the SEC's ability to recognize and address emerging risks and challenges.
- **Enhanced Collaboration:** The committee facilitates ongoing collaboration between the SEC and compliance personnel, fostering a proactive approach to the adoption, implementation and modification of regulatory obligations through improved compliance practices.

[1] In the absence of legislation, the Committee should be established by the Commission through the exercise of its discretionary authority in accordance with the provisions of the Federal Advisory Committee Act, as amended, 5 U.S.C. – App. (FACA). The recommended Term of Committee and Term of Membership are based on the Compliance Advisory Committee being established through legislation. These terms would need to be adjusted if the Compliance Advisory Committee were created through FACA.

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