

Someone Should Have Done Something! A Critical Examination of Liability for Failure to Supervise Under Federal Securities Laws

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This important article for broker-dealers and investment advisers demonstrates that supervision is a matter of company governance—not individual responsibility—marked by compliance with state law (*e.g.*, *Caremark*), self-regulatory organization rules (*i.e.*, FINRA Rule 3100 *et seq.*) and certain federal securities law and SEC requirements (*i.e.*, Section 15(g) of the Exchange Act, Section 204A of the Advisers Act, and Rule 206(4)-7) with expectations for a supervisory system that can *relieve* administrative liability for wrongdoing by employees. The formula has significant implications for the administration of most financial services companies.

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