

GAO Highlights

Highlights of [GAO-24-106635](#), a report to the Chairman, Committee on Financial Services, House of Representatives

Why GAO Did This Study

Crypto assets and other financial technologies, which have grown rapidly, offer potential benefits and pose risks. For example, crypto assets had a market value of around \$1.2 trillion in October 2023. Such technology and its rapid evolution may present oversight challenges, and GAO recently reported that regulatory gaps exist over certain crypto assets. Some policymakers have raised questions about SEC's competencies in financial technology products and services, including crypto assets.

GAO was asked to review SEC's financial technology expertise and other issues. This report examines (1) SEC's efforts to develop its staff's crypto-asset competencies, (2) FinHub's policies and procedures, and (3) SEC's use of supervisory technology, among other objectives.

GAO reviewed and analyzed SEC documentation and data on its workforce planning, hiring, and training; FinHub's policies and procedures; and SEC's supervisory technology. GAO also interviewed SEC staff who work on matters related to crypto assets, including through six focus groups (total of 32 staff), and representatives of nine industry, consumer, or state regulatory associations.

What GAO Recommends

GAO recommends SEC (1) prepare a new workforce plan, (2) document the policies and procedures for FinHub's internal controls, and (3) develop performance goals and measures for FinHub. SEC concurred with the recommendations.

View [GAO-24-106635](#). For more information, contact Michael E. Clements at (202) 512-8678 or ClementsM@gao.gov.

December 2023

FINANCIAL TECHNOLOGY

SEC Should Prepare a Workforce Plan, Document Oversight Controls, and Set Goals for Innovation Office

What GAO Found

Securities and Exchange Commission (SEC) staff have developed competencies related to crypto assets (digital instruments that depend on cryptography and distributed ledger or similar technology) primarily through their work experience. In addition, SEC has provided subject-specific training and hired new staff with expertise in the area. SEC has about 116 staff who work primarily on matters related to crypto assets, either in specialty units or as subject matter experts who support other staff. The agency offered more than 500 training courses on crypto assets or other financial technology between 2018 and mid-2023. It also posted 40 job announcements for positions specifying crypto-asset competencies between 2019 and 2023. However, SEC has not produced a new workforce planning strategy to update its fiscal years 2019–2022 strategy. Doing so would better position SEC to meet its future workforce needs and to carry out its oversight and policymaking duties related to crypto assets.

SEC's Strategic Hub for Innovation and Financial Technology (FinHub) helps coordinate SEC oversight of emerging technology, but it does not have documented policies and procedures and performance goals. FinHub became a stand-alone office in December 2020 and serves as a source of subject matter expertise to coordinate and advise on financial technology issues. While FinHub has operating processes in place, such as to meet with market participants, it has not documented policies and procedures to support internal controls. By doing so, FinHub would have reasonable assurance that it is managing risk appropriately. In addition, FinHub tracks and measures certain performance outputs, such as the number of external inquiries it receives and number of policy issues on which it advises. However, the office has not established performance goals, such as training staff on crypto assets, against which to assess its performance or contribution to SEC's mission. Establishing such goals would enable FinHub to better assess its effectiveness and make any needed improvements.

SEC has implemented a range of supervisory technology tools to help support market oversight and achieve its fiscal years 2022–2026 strategic plan's goals. For example, divisions and offices use:

- a portal to provide data and analyses about funds, broker-dealers, advisers, and other topics;
- a dashboard to identify certain categories of potential risks at broker-dealers; and
- a tool to detect anomalous patterns in financial reporting and identify situations or activities that may warrant further inquiry.

The tools use advanced data analytics and other techniques to detect and investigate potential illegal activity and target high-risk areas for examination, among other outcomes. SEC's fiscal year 2024 performance plan adds two new performance goals related to its use of supervisory technology. In its annual 2022 and 2023 statements, SEC's Office of the Inspector General included the use of technology and analytics to meet SEC's mission requirements as a significant management and performance challenge facing the agency.