Regulatory Update:
The New SEC Examination Handbook

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INTRODUCTION:

The SEC Division of Examinations published a new SEC Examination Handbook (the "Handbook") on October 1, 2026. The Handbook replaces the examination brochure previously provided in connection with SEC examinations.[1] The Handbook is designed to give registrants more insight into, and detail about, what to expect during an examination. It also provides links to resources including, among others, the SEC's Examination Priorities, the Compliance Outreach Program, and SEC Risk Alerts.

KEY TAKEAWAYS:

- The Handbook seeks to provide transparency into the examination process, from initial candidate selection through the conclusion of the examination.
- Much of the information is not new, but it is presented in a more user-friendly format, with links to resources that may be helpful during an examination.
- The Handbook provides a clearer statement of the SEC's expectations, allowing the registrant community to better prepare for examinations.

THE DETAILS:

The Handbook breaks the examination process into its component parts and provides guidance for each step.

Candidate Selection

Candidate selection is risk-based. Resources for identifying current SEC risk focus areas include the SEC's annual examination priorities and its risk alerts. Factors the SEC considers in selecting candidates include:

- Prior examination history;
- Supervisory concerns, such as the disciplinary history of associated individuals or affiliates;
- Tips, complaints, or referrals involving the registrant;
- The length of time since registration or the last examination;
- The registrant's client or customer base;
- Products and services the registrant offers, and business activities that may create conflicts of interest;
- Material changes in the registrant's leadership or key personnel;
- Indications that the registrant may be vulnerable to financial or market stresses;
- News and media reports that may involve or affect the registrant;
- Information the registrant has filed with the SEC or with a self-regulatory organization; and
- Whether the registrant holds or has access to client and investor assets or customer cash and securities.

[1] https://www.sec.gov/files/exam-handbook.pdf

Many of these factors are consistent with the SEC's current focus on firms that serve retail investors, as well as firms with custody of client assets.

The SEC will not tell you why you were selected for an examination, and being selected is not necessarily a signal that something is wrong.

Examination Announcement

Most examinations begin with a call from the SEC to the chief compliance officer ("CCO") or other regulatory contact to announce the exam. According to the Handbook, this is an ideal time to let the SEC know about any other ongoing regulatory inquiries that you believe may slow your responsiveness during the exam.

An unannounced examination usually indicates that there is an imminent threat that needs to be addressed. This can arise from a tip, a complaint, or negative news coverage. Unannounced examinations should be regarded as potentially serious, and consideration should be given to engaging counsel before proceeding.

Information Requests

After the exam is announced, the SEC will send a letter formally notifying you of the examination and providing an initial request for information. Notably, the Handbook states that the SEC expects that, "in most circumstances," records should be available to the SEC within 24 hours. In practice, the SEC usually provides two weeks to produce records in response to the initial information request.

Consistent with prior practice, the SEC will grant requests for reasonable extensions of time or rolling productions, where appropriate. In all cases, timely production of the requested information will facilitate the SEC's efficient completion of the examination. The Handbook also provides helpful information on preparing privilege logs and requesting confidential treatment under the Freedom of Information Act ("FOIA").

Other items covered include:

- Requests to third-party service providers or agents (including custodians, administrators, and auditors) for asset verification or other examination purposes;
- Staffing of exams, including consultation with other SEC divisions (e.g., the Division of Enforcement); and
- Sharing and safeguarding of information provided during the examination.

Interviews and On-Site Visits

At the beginning of the exam, the SEC may conduct an initial interview with the CCO or other relevant personnel to better understand the firm and its operations and to inform the examination's scope. Throughout the exam, the SEC will work with the CCO or regulatory contact to schedule additional interviews with employees to discuss the information provided in response to information requests.

It is important to prepare personnel to participate in these meetings. Participation should be approached much like giving a deposition: be cordial and well prepared, but respond to questions as succinctly as possible.

The examination may also include an on-site visit. Ensure the examination team has adequate office facilities available, make sure your staff is aware that the SEC is on-site, and assign someone to escort the examiners.

In addition, the SEC does not record or transcribe meetings and instructs participants not to do so either. The SEC does not consent to the use of recording, transcription, artificial intelligence notetaking tools, or other similar technologies.

Completing an Examination

The SEC cannot provide an estimate of the overall duration of a particular exam. Firms are entitled to receive a disposition letter within 180 days of the later of:

- The completion of the on-site portion of the examination, if applicable; or
- The receipt of all requested records.

The Exit Conference

Following the completion of the exam, the SEC typically conducts an exit conference to discuss any issues identified during the examination. Although your main point of contact during the examination will likely be an examiner, supervisory examination staff may attend the exit conference. The SEC typically requests that members of senior management attend.

The exit conference also provides an opportunity to discuss the issues and provide additional relevant information, including any actions the registrant has taken or plans to take to address the issues raised. If you believe something is inaccurate, or if there is additional information the SEC should consider, the exit conference is the appropriate time to raise it.

Possible Examination Outcomes

Following the exit conference, the SEC will provide you with a "disposition letter." The disposition letter will indicate that:

- The examination has concluded;
- The examination has concluded without findings; or
- The SEC requests that the registrant undertake corrective action (a "deficiency letter").

For the first two types of disposition letters, no response will be requested or expected from you. Note, however, that none of these outcomes forecloses the SEC from taking action against a registrant, including, but not limited to, an enforcement action.

Most exams result in a deficiency letter. The deficiency letter will detail findings of potential violations of the federal securities laws and other findings within the scope of the exam. According to the SEC, the purpose of the deficiency letter is to foster improvement in your compliance program.

In addition to the disposition letter, the SEC may refer issues identified during an examination to the Division of Enforcement, a self-regulatory organization (e.g., FINRA), a state regulatory agency, or others, including criminal authorities, for possible action. The SEC may make a referral to the Division of Enforcement without conducting an exit conference or sending a deficiency letter, typically when exigent circumstances exist.

Registrant Response to Deficiency Letters

The deficiency letter will request that you respond in writing to the findings and describe any steps that have been or will be taken to address the issues and prevent their recurrence. While not dispositive, prompt and appropriate action to correct findings of potential violations may be a mitigating factor when the SEC considers whether to refer an exam finding to the Division of Enforcement. The SEC typically requests a response within 30 days of the date of the deficiency letter. You may request an extension from your exam team, but the request should be made as soon as possible.

The SEC will review your response and may decide to provide further comments. If the SEC has comments, it will generally provide them within 60 days of your response or contact you to discuss when they will be provided. Generally, the SEC does not comment on the adequacy of proposed corrective actions, and the absence of any comment should not be interpreted as SEC concurrence with the positions stated in the firm's response. If the SEC has no further comments, the examination will be closed. The SEC's decision to close the examination is not a finding or conclusion of, or binding on, the Commission or any of its divisions or offices.

Additional Resources

The Handbook also contains a chart describing what you can expect from the SEC, and what the SEC expects of you, during the examination process. It also includes links to other helpful resources.

About Randy Randall: *Randy Randall is a Senior Partner at Helios and a seasoned compliance executive and securities attorney with more than 35 years of experience advising investment advisers, broker-dealers, and investment companies. Before joining Helios, Randy spent more than two decades at William Blair, where he served as Chief Compliance Officer and General Counsel for the firm's Investment Management business. He counsels and advises clients on SEC and FINRA regulatory matters, compliance program design, governance, and complex legal and regulatory issues affecting the investment management industry.*