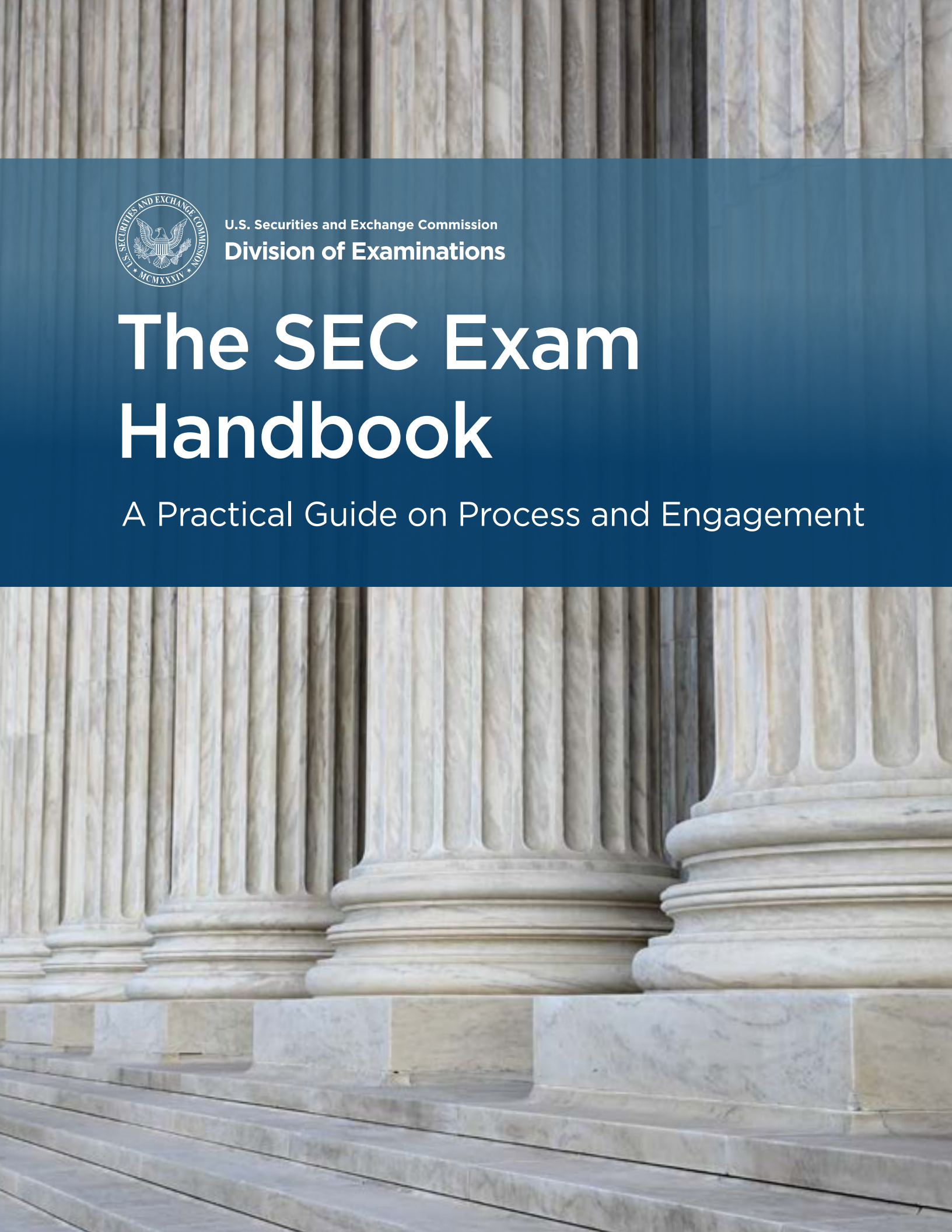


U.S. Securities and Exchange Commission

Division of Examinations

The SEC Exam Handbook

A Practical Guide on Process and Engagement

Introductory Note

Federal regulation of the securities markets requires certain market participants, including those subject to examination by the Division of Examinations (EXAMS or Division), to register with the Securities and Exchange Commission (SEC or Commission). Registration brings with it an obligation to comply with applicable provisions of the federal securities laws and the rules adopted thereunder (for brevity, referred to as federal securities laws herein). Among those laws – and foundational to the work of the Division – are requirements to make and preserve books and records and requirements to make accurate filings with the Commission and keep those filings current.

The federal securities laws also grant Commission representatives the authority to conduct examinations of registrants. The examination authority is "indispensable" to ensuring compliance with the federal securities laws, as "[t]he prospect of an unannounced visit of a Government inspector is an effective stimulus for honesty and bookkeeping veracity." S. Rep. No. 86-1760, at 3 (1960). These days, few of our visits are unannounced, but compliance examinations conducted by the staff of EXAMS continue to be a stimulus for honesty, good recordkeeping, and compliance with the law. By fostering those qualities in our registrants, through examinations and outreach events alike, the Division helps to further the Commission's mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The Division does this using risk-based strategies designed to improve compliance, prevent fraud, monitor risk, and inform policy.

To carry out this risk-based approach, EXAMS is organized into five specialized programs: the Investment Adviser/Investment Company Examination Program, the Broker-Dealer and Exchange Examination Program, the FINRA and Securities Industry Oversight Examination Program, the Clearance and Settlement Examination Program, and the Technology Controls Program. Each program brings specialized expertise to the risks, business models, and regulatory requirements within its program, while working within a Division-wide framework for conducting exams. For more information about the areas these programs cover, see www.sec.gov/exams.

During an examination, we will assess your compliance with federal securities laws that are within the scope of the examination. This includes, but is not limited to, laws requiring: disclosures to clients and customers, filings with the Commission, and the adoption and implementation of supervisory systems and compliance policies and procedures. Regardless of the risks that may have led to opening an examination, we do not assume misconduct.

Conducting efficient and thorough examinations requires hard work by our staff in preparing for the exam and reviewing and analyzing information. We recognize that a successful examination also requires time and effort from you to locate, compile, and produce records. Beyond effort, tone is another key component of a successful examination. Our staff strives to be courteous and professional in their interactions with you and to approach each examination with an accessible and collaborative mindset, not an adversarial one. We expect the same from you.

Because we require openness from you through our exercise of statutory authority, we believe it is only fair that we be accessible to you. That is the primary goal of this document. Inside, you will find details of our examination process from start to finish. Throughout, and summarized in a table, we let you know what we expect from you during an exam and, just as importantly, what we expect from ourselves. Finally, we provide links to resources for additional information. If you have feedback, we would like to hear from you—just reach out to your exam team or contact us through the *Examination Hotline*.

If you are reading this on paper, scan the QR code for an electronic version and access to the links within.

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Examination Process Roadmap

START

Candidate Selection – Entities are selected based on factors including risk profile, tips, complaints, referrals, risk areas, statutory mandates, or follow-up reviews from prior exams.

Pre-Examination Planning – Before initiating an exam, staff conducts due diligence to plan the initial scope of the exam.

Exam Announcement – Most exams begin with a brief call to the CCO or other regulatory contact to announce the exam.

Information Request – Staff provides the registrant an initial request for information.

Interviews & On-Site Visits Throughout the exam, staff conducts interviews with key personnel and may conduct an on-site visit to observe the entity's operations and controls.

Supplemental Requests – Throughout the exam, staff may make additional requests for information.

Exam Team Analysis – Staff analyzes information from requests and interviews to assess compliance with federal securities laws and rules thereunder, consulting with other SEC staff as needed.

Exit Conference – Staff discusses all issues identified. Registrant provides clarification or additional information.

Disposition Letter – After the exam, staff sends a letter notifying the entity whether the exam concluded, has concluded without findings, or that the staff requests corrective action (deficiency letter).

Registrant Response – If a deficiency letter is issued, staff will request that the registrant respond in writing, describing steps taken or planned to address the issues.

FINISH

The Examination Process

Many areas of the federal securities laws require registrants to develop and maintain supervisory systems and compliance policies and procedures to ensure that their operations comply with applicable legal requirements. Similarly, we have developed and continue to maintain internal policies and procedures to help achieve consistency across our examination program and ensure that our examinations are fair, thorough, and conducted within the bounds of the law. In this section, you will find descriptions of those portions of our examination process most relevant to the examination as you experience it.

CANDIDATE SELECTION

The Division's examination program is risk-based. Each year, the Division evaluates risks across markets and registrant types and selects priority areas for examination. EXAMS publishes its annual examination priorities to provide transparency to registrants and investors about the topics that it plans to focus on in the new fiscal year, and to encourage registrants to direct their compliance efforts toward areas of potentially heightened risk. The priorities are not, however, an exhaustive list of all the areas the Division will focus on in any given year.

Sometimes, a priority will lead to a thematic initiative, which is a series of examinations of different registrants on the same topic. Many initiatives are described in the Division's annual priorities or risk alerts. (To read our risk alerts, see the Online Resources for Registrants page.) Some initiatives focus on how registrants have adapted to new SEC rules or significant changes to rules that affect them, while others focus on market events or new industry practices.

The risk assessment that assists in the selection of registrants to examine and the scoping of those exams is informed by the continual collection and analysis of a wide variety of data and information. Risk assessment frameworks are tailored according to type of registrant. Factors that inform risk assessments include, but are not limited to:

- prior examination history;
- supervisory concerns, such as 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;
- reporting by news and media that may involve or impact the registrant;
- information filed by the registrant 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.

The reason for a particular examination is non-public information. Because exams can be initiated based on sensitive information, we typically do not disclose to a registrant the reason for a particular examination. Being selected for an examination is not, in itself, a signal that something is wrong.

Before initiating an examination, the staff conducts due diligence to plan the initial scope of the exam. The staff will likely review your filings and websites to learn more about your firm. Keeping your filings current and accurate makes examinations more efficient and can reduce the number of findings on your exam. When the staff accesses websites, applications, or other systems of the registrant or its service providers that contain a registrant's books and records, the staff does not agree to any related terms or conditions (e.g., choice of law). Commission staff are not authorized to agree to contractual terms that bind the U.S. government in contract and no action by the staff binds the staff or the Commission in contract.

Part of the staff's pre-examination planning process includes attempting to identify and minimize overlap with other ongoing examinations or investigations by Commission staff or other regulators. If you have concerns about overlap, contact the Commission staff involved.

ANNOUNCING THE EXAMINATION

Most examinations begin with a brief call from staff to the chief compliance officer (CCO) or other regulatory contact to announce the exam. This is an ideal time to let staff know about any other ongoing regulatory inquiries that you think may slow your responsiveness during the exam. Where facts and circumstances allow, the staff will try to work with you on scheduling. In those limited instances when the examination is unannounced, the Division applies procedures adapted to that context, including providing you with a request for information upon arrival and conducting an initial interview at that time.

INFORMATION REQUESTS

After the exam is announced, the staff will send a letter formally notifying you of the examination and providing an initial request for information. The request will be made pursuant to the examination authority applicable to your firm, for example, section 204(a) of the Investment Advisers Act of 1940 for registered investment advisers. The information request will provide details about how to format and transmit the requested information. (See the Data Submission section of the Division's Resources for Registrants page for more information.) The staff generally does not return records produced during an examination. If you have doubts about the validity of an email from staff at any point during the exam, you can confirm staff identity through the *Examination Hotline*. The Commission expects that in most circumstances records should be available to staff within 24 hours. In practice, the staff usually provides two weeks to produce records in response to the initial information request.

Throughout the examination, the staff may make supplemental requests for information. The response time for such requests will vary based on the nature of the request. Please communicate promptly to the staff any questions or concerns regarding the information that has been requested.

Privilege log requirements:

- Identity/position of document's creator
- Identity/position of all recipients or those informed of its substance
- Document's creation date
- Brief description of document, including its subject matter
- Reason document is not being produced, including the specific privilege being claimed (e.g., attorney-client or work product)
- Specific request to which the document relates.

Also note privilege assertions for any redacted portions of produced documents.

The staff will grant requests for reasonable extensions of time or rolling productions, where appropriate. In all cases, the timely production of the requested information will facilitate the staff's efficient completion of the examination.

If you believe that information responsive to an examination request is protected by privilege, you should provide a privilege log. The log should identify each document that is being withheld and provide sufficient information for the staff to evaluate the validity of the claim of privilege.

REQUESTS TO THIRD PARTIES

The staff may also request relevant information from third-party service providers or agents (including custodians, administrators, and auditors) for asset verification or other examination purposes. Asset verification is the process through which staff confirms the existence and integrity of client assets reported to the SEC by regulated entities. In many instances, the staff will send such requests directly to the third party. In addition, the staff often contacts clients, customers, or other knowledgeable persons, as necessary, to gather or verify relevant information.

STAFFING

The Division strives to efficiently allocate its resources. Examinations are generally staffed by a team consisting of one or more examiners, an exam manager, and an assistant director, at a minimum. Occasionally, senior members of the Division will participate on an exam; you should not take this as an indication that there are heightened concerns about your firm. The exam team will designate for you a lead point of contact for the examination. The SEC expects its staff members to conduct themselves professionally and ethically, and to be highly knowledgeable, objective, and fair minded. Staff from other SEC divisions and offices may participate on examinations for various reasons including, but not limited to, providing subject-matter expertise or reducing duplication of efforts. We will notify you when such participation occurs.

CONSULTATIONS WITH POLICY DIVISIONS & OTHER COMMISSION STAFF

The staff often consults with other Commission staff during the examination, usually on matters of interpretation or application of the federal securities laws. For instance, if your exam involves interpreting a new rule or applying an old rule to novel facts, we will generally consult with the relevant policy division to help ensure our views are consistent. During such consultations, or otherwise as appropriate, the staff may share information received from you with other Commission staff.

SHARING INFORMATION & OTHER ROUTINE USES

We may also share information with other regulators or authorities. Because of the confidential nature of such sharing, we do not disclose whether we have shared your information internally or with other regulators or authorities. The possible uses of information provided to the staff are described in the Commission's Form 1661. Division staff does not have discretion to accept limitations on these routine uses.

SAFEGUARDING YOUR INFORMATION

We recognize that, while we have statutory authority to examine your books and records, your records often contain sensitive personal information of clients, customers, and employees, as well as commercially sensitive information. We strive to tailor our information requests to ask for only such sensitive information as is necessary for an examination. Protecting sensitive information that we do collect is of the utmost importance to EXAMS. The staff maintains information you provide in accordance with federal recordkeeping and information security laws, including the Federal Information Security Modernization Act of 2014 (FISMA). FISMA requires that the SEC undergo an annual independent evaluation of its information security program and practices, to be performed by the SEC's Office of Inspector General. Public reports of those audits are available online.

CONFIDENTIALITY & FOIA

Information obtained by Division staff during examinations is presumed to be confidential and non-public, pursuant to 17 C.F.R. § 203.2, unless disclosure has been specifically authorized. Similarly, the Division typically does not publicly disclose whether a registrant is under examination or the results of a registrant's exam. While the Freedom of Information Act requires agencies like the SEC to release records pursuant to FOIA requests, certain FOIA exemptions often apply to information produced during an examination. Additionally, SEC Rule 83 (17 C.F.R. § 200.83) provides a confidential treatment procedure for those submitting information to the SEC, including pursuant to a request during an examination, to ask that the information be withheld when requested under FOIA. If you would like to make such a request, consult the SEC's Office of FOIA Services.

INTERVIEWS & ON-SITE VISITS

At the beginning of the exam, staff may conduct an initial interview with the CCO or other relevant personnel to better understand your company and its operations and to inform the examination's scope. Throughout the exam, the staff will work with the CCO or regulatory contact to schedule additional interviews with employees to discuss the information you have provided. Preparing knowledgeable personnel to participate in the meetings will make the meetings more productive (and could reduce the number of meetings). As we assess your compliance, we also need to learn your business from your perspective. This may come across in what seem to be basic or fundamental questions, but is meant to establish a shared understanding of your business. Making your internal experts available to our examiners is the best way to accomplish that aim in all exams, and particularly so on those relating to new products or practices.

The examination may also include an on-site visit to your premises. Staff will identify themselves and will present their Commission credentials upon request. During on-site meetings, the staff

may ask for a tour of your offices to gain an overall understanding of the organization, the flow of work, and the control environment. The staff will generally provide notice of the start date of an on-site visit and appreciates your cooperation in facilitating the visit. Please ensure adequate office facilities are available to the staff to maintain the confidentiality and efficiency of the examination.

For interviews conducted by videoconference, participants are encouraged to use their cameras and screen-sharing functions. The staff does not record or transcribe meetings and instructs participants not to do so either. The staff does not consent to the use of recording, transcription, super intelligence notetaking tools, or other similar technologies.

ONGOING DIALOGUE

Staff will be in contact with you throughout the exam to discuss the examination status. These discussions may include any outstanding requests for information or findings the staff has identified. If you have questions about the exam or would like a status update, reach out to the exam team. You are encouraged to keep the staff informed of any relevant changes, including any actions that have been or will be taken to address issues discussed with the staff. If you think we have misunderstood your policies or practices, please tell us as soon as possible. Addressing potential misunderstandings early will help ensure a more efficient examination. Please note that communications from the staff do not, and are not intended to, constitute legal advice.

Completing an Examination

At a general level, the goal of an examination is to assess compliance with federal securities laws within the scope of the exam. When we identify potential instances of noncompliance, we seek to effect changes in behavior (i.e., corrective action). We have several methods of addressing noncompliance, including but not limited to oral feedback throughout the exam, a written deficiency letter, a referral, or a combination of these options. This section describes the final stages of an examination and these methods of resolution.

We strive to conduct our examinations as efficiently as possible. But every exam is different, based on factors like the reason for conducting the exam and its scope, the complexity of your business, information learned during the exam, and as discussed above, the promptness with which you produce information and the accuracy of your filings. Therefore, we cannot provide an estimate of the overall duration of a particular exam. Pursuant to 15 U.S.C. § 78d-5(b), you will receive a disposition letter within 180 days of either the completion of the on-site portion of the examination, if applicable, or the receipt of all requested records, whichever occurs later. (For certain complex examinations and in very limited circumstances, the deadline may be extended for an additional 180-day period.)

EXIT CONFERENCE

After the staff has completed its interviews and analysis, the staff typically conducts an exit conference to discuss issues identified during the examination, if any. Although your main point of contact during the examination will likely be an examiner, supervisory examination staff may attend the exit conference to underline the importance of our findings. For this reason, we typically request that members of your senior management or board of directors attend the exit conference. You will have an opportunity to discuss the issues and provide additional relevant information, including any actions that the registrant has taken or plans to take to address the issues raised. Our findings are based on the best information available to us at the time, including the materials that you provided. If you believe something is inaccurate or if there is additional information we should consider, please let us know during the conference.

EXAMINATION OUTCOMES

Consistent with the statute above, the disposition letter will indicate that: (1) the examination has concluded; (2) the examination has concluded without findings; or (3) the staff requests that the registrant undertake corrective action. For the first two types of disposition letters, no response will be requested or expected from you. None of these outcomes foreclose the Commission from taking any action against a registrant, including, but not limited to, an enforcement action.

We refer to the third type of disposition letter as a deficiency letter. Most examinations conclude with such a letter. The deficiency letter will detail findings of potential violations of federal securities law and other findings within the scope of the exam. We provide you notice of findings to foster improvement in your compliance program. Our deficiency letters purposely do not mandate a particular corrective action beyond complying with applicable law. A deficiency letter does not provide a grade or peer ranking or describe best practices. If a deficiency or other disposition letter does not address a particular activity, that does not mean that the activity complies with the federal securities laws.

In addition to the disposition letter, the staff may refer issues identified during an examination to the Commission's Division of Enforcement, a self-regulatory organization, state regulatory agency, or others, including criminal authorities, for possible action. The staff 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

A deficiency letter will request that you respond in writing to the findings and indicate 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 in considering whether we will refer an exam finding to the Division of Enforcement. We will typically request that you respond within 30 days of the date of the deficiency letter. Please request an extension from your exam team as soon as possible if you realize that you will not be able to meet the deadline.

STAFF COMMENTS

The staff will review your response and may decide to provide further comments. If the staff has comments, we will strive to provide them within 60 days of your response or contact you to discuss when we will be able to provide written comments. Generally, the staff does not comment on the adequacy of proposed corrective actions. The absence of any comment by the staff on the firm's response should not be interpreted as concurrence on our part with the positions stated in the response. If the staff has no further comments, the examination will be closed. The staff'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. If you would like to confirm that your exam has been closed, please reach out to your exam team.

Key Deadlines

Disposition Letter	Staff will issue a disposition letter within **180 days** after any onsite portion is complete and all records are received.
Registrant Response	Registrant responds to a deficiency letter within **30 days** of the deficiency letter date
Staff Comments	Staff strives to provide further comments, if any, within **60 days** of the registrant's response.

Feedback

PROCESS IMPROVEMENTS

The Division is continuously looking for ways to improve the efficiency and effectiveness of our work. We welcome feedback of any sort, including about how our staff handled your exam or the exam process in general. To provide feedback, speak to staff in the Division's Office of Chief Counsel by calling the *Examination Hotline* (202-551-EXAM or examhotline@SEC.gov). Persons speaking with staff on the *Examination Hotline* may choose to remain anonymous.

QUESTIONS OR CONCERNS

Most questions or concerns about an examination can be resolved by discussing them with your exam team or their supervisors. You can also call the *Examination Hotline* to discuss questions or concerns that you have been unable to resolve with your exam team and their supervisors.

The *Examination Hotline* also provides the option to speak with staff in the Commission's Office of Inspector General. The Office of Inspector General is an independent office within the SEC that audits Commission programs and investigates allegations of waste, fraud, abuse, and employee misconduct.

IDENTITY VERIFICATION

For all examinations, staff will identify themselves and present their Commission credentials upon request. The identity of staff can be confirmed through the *Examination Hotline*.

Examination Hotline

 202-551-EXAM  examhotline@SEC.gov

Other Contacts

***Office of the Whistleblower*:** Congress authorized the Commission to provide monetary awards to eligible whistleblowers who voluntarily come forward with high-quality, original information that leads to a successful Commission enforcement action in which the Commission obtains monetary sanctions totaling more than $1,000,000. The Commission's Office of the Whistleblower administers the whistleblower program. Additional information about the program, including how to submit a tip, is available at SEC.gov/whistleblower. The Office of the Whistleblower may be reached at 202-551-4790.

***Small Business Owners*:** The National Ombudsman resolves concerns of uneven or excessive federal regulatory enforcement. Reviews are confidential and do not waive the right to pursue administrative appeals or any other legal action.

Office of the Whistleblower

 202-551-4790  SEC.gov/whistleblower

SBA National Ombudsman

 888-REG-FAIR  Ombudsman@SBA.gov

Working Together

What registrants can expect from EXAMS	What EXAMS expects from registrants
• Courteous, well-trained, and professional staff • Staff who have thoughtfully prepared for interviews • Annual publication of examination priorities • Entrance call to announce the exam • Clear and tailored information requests with reasonable deadlines • Coordination with other regulators to reduce overlap • Scheduling flexibility coordinated through your CCO • Disclosure when another SEC division / office participates in an interview • Safeguarding of your information • Interim status discussions as needed to stay on track and reduce end-of-exam surprises • Staff consultations with SEC policy divisions on interpretive questions • Exit conference as appropriate to preview findings • A disposition letter within 180 days of the receipt of all requested information and conclusion of any on-site work • Clear deficiency letters to foster improvements in your compliance • Additional comments, if any, within 60 days of your response • Responsiveness from the *Exam Hotline*	• Courteous and professional personnel • Personnel are made available and can speak knowledgeably about your business • Designated points of contact for efficient communication • Notice of other regulatory inquiries that could impact your timeliness • Prompt responses to requests or timely requests for extensions • Complete and organized document productions that conform to our Data Delivery Guidance • Current and accurate required filings • Active engagement with the staff • Clear and accurate descriptions of your compliance program and business operations • Transparency about known compliance issues or concerns relevant to the examination • A privilege log, if privilege is claimed • Responses to deficiency letters within 30 days • Prompt corrective action to address findings • Outreach to exam team, their supervisors, or our Exam Hotline if you have questions or concerns

Online Resources for Registrants

NATIONAL EXAM PRIORITIES

Informs investors and registrants of the focus of examinations for the coming year: SEC.gov/compliance/examination-priorities.

COMPLIANCE OUTREACH PROGRAM

Information about engagement events: SEC.gov/compliance/compliance-outreach-program.

RISK ALERTS

Helps firms improve systems, policies, and procedures: SEC.gov/compliance/risk-alerts.

DATA DELIVERY GUIDANCE

Guide for producing electronic files and images: SEC.gov/files/exams-data-delivery-guidance.pdf.

MANAGED FILE TRANSFER (MFT)

User guide for our high-speed file transfer application: SEC.gov/files/mft-external-user-guide.pdf.

SEC SECURE EMAIL

Guide to using SEC's encrypted message portal: SEC.gov/about/divisions-offices/division-examinations/secureemailguide.pdf.

DIVISION OF INVESTMENT MANAGEMENT

FAQs, No-Action Letters, and other resources: SEC.gov/about/divisions-offices/division-investment-management.

DIVISION OF TRADING AND MARKETS

FAQs, No-Action Letters, and other resources: SEC.gov/about/divisions-offices/division-trading-markets.

OFFICE OF MUNICIPAL SECURITIES

FAQs, No-Action Letters, and other resources: SEC.gov/about/divisions-offices/office-municipal-securities.

This handbook represents the views of EXAMS staff and is not a rule, regulation, or statement of the Commission. The Commission has neither approved nor disapproved its content. This handbook, like all staff statements, has no legal force or effect: it does not alter or amend applicable law, and it creates no new or additional obligations for any person.

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

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