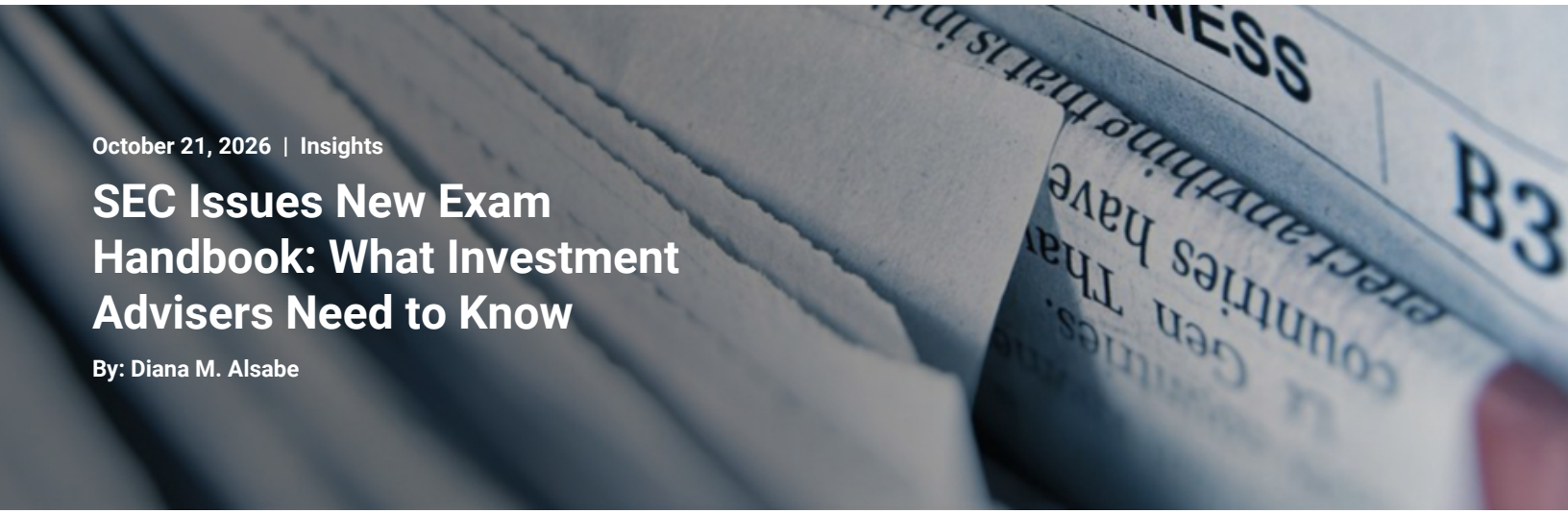

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SEC Issues New Exam Handbook: What Investment Advisers Need to Know

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On October 1, 2026, the U.S. Securities and Exchange Commission's ("SEC") Division of Examinations (the "Division") issued a new guide for registrants, the SEC Exam Handbook: A Practical Guide on Process and Engagement (the "Handbook"). For investment advisers, the Handbook represents a detailed public description of how an SEC examination unfolds from start to finish. According to the SEC's announcement, the Handbook succeeds the Division's prior examination brochure and is intended to bring greater consistency to the examination process nationwide. Advisers should note that the Handbook reflects only the views of the Division's staff, has not been approved or disapproved by the Commission, and does not create any new legal obligations.

The following summarizes the key elements of the examination process as described in the Handbook.

How Does the SEC Choose Firms to Examine?

Investment advisers fall under a dedicated examination team, one of five that the Division maintains to focus on particular categories of registrants. Each year, the Division's priorities shift, and advisers are encouraged to monitor two resources: the Division's annually published examination priorities and its periodic Risk Alerts. The current priorities were published on November 17, 2025, and neither publication represents an exhaustive list of the areas examiners may review.

A number of factors inform the SEC's selection of firms for examination, including a firm's prior examination history, the disciplinary history of associated individuals, tips or complaints, the length of time since the firm's last examination or initial registration, its client base, and whether it holds client assets. The SEC generally does not disclose the reason for a particular examination, and selection for examination does not, by itself, indicate wrongdoing.

The Handbook expressly states that the SEC does not presume misconduct upon opening an examination, and directs its staff to approach examinations in a collaborative, non-

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adversarial manner. Nonetheless, firms should anticipate that an examination will occur at some point during their registration, and should maintain robust recordkeeping practices on an ongoing basis rather than in response to an examination notice.

How Will I Find Out, and How Should I Prepare?

Prior to initiating contact, SEC staff will typically have reviewed the firm's public filings and website, and advisers are encouraged to keep such filings accurate and current. Most examinations commence with a telephone call notifying the firm's chief compliance officer ("CCO") or other regulatory contact, rather than an unannounced letter. This call presents an appropriate opportunity to advise the staff of any other regulatory matters that may affect the firm's response time.

In limited circumstances, examinations may be conducted without advance notice, with staff delivering the initial request for information and commencing interviews upon arrival.

What Happens When the SEC Requests Information?

A formal letter follows, providing the SEC's initial request for information, the legal authority supporting the request (Section 204(a) of the Investment Advisers Act of 1940, in the case of registered investment advisers), and instructions for submission. While the applicable rules technically permit the SEC to expect production within 24 hours, two weeks is the typical period allowed for the initial request, and the staff may issue supplemental requests as the examination proceeds.

Where a firm withholds a document on grounds of privilege, it should provide a privilege log identifying the document's creator and recipients, its date, a description of its subject matter, and the specific privilege asserted. The SEC may also contact third parties directly, including a firm's custodian, auditor, or clients, to independently verify information.

What Happens During Interviews and On-Site Visits?

Interviews typically begin with the firm's CCO and expand to other personnel as examiners develop an understanding of the firm's business. Making knowledgeable personnel available for these discussions tends to expedite the process.

Staff will not record or transcribe meetings and expect the same of participants; on-site visits may include a tour of the firm's offices and a request to review SEC credentials. Information provided to the SEC is presumed confidential, subject to certain exemptions under the Freedom of Information Act and a confidential treatment procedure available under SEC Rule 83 for particularly sensitive material.

What If the SEC Contacts Me With Follow-Up Requests?

Staff will remain in contact throughout the examination regarding its status, outstanding requests, and any issues identified. Firms should likewise keep staff apprised of relevant developments and should promptly raise any concern that staff may have misunderstood the firm's operations.

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What Happens at the Exit Conference?

Upon completion of its review, the SEC typically conducts an exit conference to discuss its findings, providing the firm an opportunity to respond or describe corrective measures already underway.

What Happens After the Exam Ends?

A disposition letter will generally be issued within 180 days following the later of the completion of any on-site examination or the SEC's receipt of all requested records (this period may be extended an additional 180 days in complex examinations). The disposition letter will indicate one of three outcomes: that the examination has concluded, that it has concluded without findings, or that the SEC is requesting corrective action. None of these outcomes precludes the SEC from pursuing further action, including an enforcement action.

No response is required where no corrective action is requested. Where corrective action is requested, a firm is not legally obligated to respond, but is well advised to implement the requested measures promptly.

More significant findings may be referred to the SEC's Division of Enforcement, a self-regulatory organization, a state regulator, or criminal authorities, and such a referral may occur without an exit conference or deficiency letter in exigent circumstances.

What Is a Deficiency Letter?

Most examinations conclude with a deficiency letter, which sets forth the SEC's findings of potential violations of federal securities law and other issues identified during the examination. A firm must respond in writing within 30 days of the date of the letter, describing the corrective steps taken or planned, although extensions are available upon request.

The SEC will review the firm's response and, where it has further comments, generally provides them within approximately 60 days. If no further comments are provided, the examination is considered closed, although such closure reflects a staff determination rather than a formal finding of the Commission.

In sum, the Handbook describes reciprocal expectations between the SEC and registrants. The SEC commits to professional conduct, advance notice of an examination, clear requests with reasonable deadlines, and a disposition letter within 180 days. In turn, firms are expected to make knowledgeable personnel available, respond promptly to requests (or request extensions where appropriate), maintain accurate filings, and respond to any deficiency letter within 30 days.

Key Takeaways

The Handbook does not change any substantive legal requirement applicable to investment advisers, but it offers a transparent view into the SEC's examination process

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and the standards its staff are expected to follow. For advisers, the practical significance lies less in new obligations than in clearer expectations: a defined 180-day disposition letter timeline, a 30-day response window for deficiency letters, and an explicit commitment from the SEC to approach examinations collaboratively rather than adversarially.

Advisers should treat the Handbook as a prompt to revisit examination readiness now, rather than after an examination notice arrives. This includes confirming that filings are current and accurate, that recordkeeping practices meet applicable requirements, and that compliance personnel are familiar with the examination process described above, including the privilege log requirements and the firm's obligations in response to a deficiency letter.

If you have questions about the SEC's new Exam Handbook and how it may affect your firm's examination readiness, please contact Scott Stokes, Thomas Bilodeau or Diana Alsabe at Rich May, P.C.

Disclaimer: This summary is provided for educational and informational purposes only and is not legal advice. Any specific questions about these topics should be directed to attorney(s) Scott Stokes, Thomas Bilodeau and/or Diana Alsabe.

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