

The Examination Process

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Preparing for an Examination

- Notify Senior Management, Compliance and Legal of an upcoming examination
- Review the examination notice and request and identify and notify parties responsible for responding to the request
- Designate a knowledgeable, cooperative and responsible employee to be the primary interface with the examiners during the examination
- Obtain, organize and make ready for inspection the documents requested by the regulator
- Set aside space in each of the Firm's offices to be visited by the examiners enabling them to work more efficiently to conclude the examination

Managing the Examination

- Educate the examiner about the Firm's business
- Encourage communication between the Firm and examiners to gauge the progress and to understand any emerging issues
- Cooperate and accommodate all reasonable requests
 - SEC Rule 17a-4(k) issues
- Locate any missing documents and provide such to the examiners prior to the staff leaving the premises
- Consider taking prompt remedial steps to address issues/ findings that are raised by the examiners during the exam
- Inform the staff of the Firm's position on any contested issues before the conclusion of the on-site part of the exam

SEC Examination Topics

- Internal Controls
- Consolidated Supervised Entities
- Product Based/Business Area Reviews
- Comprehensive Exams
- REITS
- Fixed Income Markups
- Use of Non-Public Information
- Anti-Money Laundering
- Conflicts of Interest
- Sales Practices
- PIPES
- Private Placement Fraud
- Separately Managed Accounts

NYSE Top 10 Sales Practice Exam Priorities

- AML
- Nonmanaged Fee-Based Accounts
- Electronic Communications
- Regulation SP
- Internal Controls
- Supervision of Electronic Devices
- Structured Products
- Retailization of Hedge Funds
- Outsourcing
- Mutual Funds and Annuities

Managing Post-Exam Reports/Deficiency Letters

- Promptly review the report/letter with Senior Executives, Compliance and Legal
- Continue to take remedial actions to address any identified concerns or begin the process of doing so
- Draft and be prepared to provide revised procedures that address any identified concerns
- Draft and circulate a detailed response
- Finalize, on a timely basis, the response to all items in the report/letter

5 Ways to Enhance Your Exam Response Program

- Understand the issues that concern the examiners
- Fix deficiencies promptly and fully
- Stay informed about SEC/NASD/NYSE exam priorities and common deficiencies
- Be prepared for the effective date of new and amended rules
- Be courteous, civil and professional during the exam