



From Findings to Fixes

Writing an Annual Review That Withstands SEC Scrutiny

The Annual Review, Reframed

SEC Rule 206(4)-7 requires advisers to review, test, and document the effectiveness of their policies and procedures each year. In its **2025 Examination Priorities**, the SEC reaffirmed the importance of these policies and procedures, positioning them as key to addressing conflicts of interest.

“The Division’s assessment of the effectiveness of advisers’ compliance programs is a fundamental part of the examination process... [including] an analysis of advisers’ annual reviews of the effectiveness of their compliance programs, which are a critical element for addressing and monitoring conflicts of interest.”

***— SEC Division of Examinations, 2025
Examination Priorities***

With the SEC’s commitment to effectiveness and clarity it is of paramount importance that your compliance program is alive, tested, and adaptive. If your review reads like a static checklist, examiners may see gaps. But if it documents a living control framework, you’ll be better positioned for regulatory scrutiny.

In this guide, we’ll explore what examiners are focused on in 2025, where firms often stumble, and how to transform your review into a stronger, more defensible framework.

What Examiners Look for in 2025

As the Division noted in its 2025 Examination Priorities:

“Examinations... typically include an evaluation of the core areas of advisers’ compliance programs which include, as applicable and appropriate for each examination, marketing, valuation, trading, portfolio management, disclosure and filings, and custody.”

— SEC Division of Examinations, 2025
Examination Priorities

That’s the regulatory language. But what does it really mean for firms trying to prepare?

Focus Area	What It Means in Practice
Core program areas: <i>marketing, valuation, trading, portfolio management, disclosure & filings, custody</i>	Marketing — Is messaging accurate under the Marketing Rule? Trading/Portfolio — Fair allocation & execution documented. Valuation — Illiquid assets priced defensibly. Disclosure — Timely & accurate filings. Custody — Controls ensure assets are safeguarded, with inadvertent custody risks tested and disclosed
<i>Fee accuracy & conflicts</i>	Fees calculated correctly, conflicts disclosed clearly.
<i>Outsourced investment selection/management</i>	Vendor oversight: supervision and testing are documented.
<i>Cybersecurity & data protection (Reg S-P, Reg S-ID)</i>	Client data safeguarded, identity theft risks addressed.
<i>Personal trading & crypto monitoring</i>	Employee digital asset activity monitored with the same rigor as securities, reflecting SEC exam focus on crypto assets
<i>Business continuity & resiliency</i>	Plans tested for both short-term disruptions and long-term recovery.

The bottom line: Examiners are moving beyond static checklists to uncover where firms are truly exposed.

Common Red Flags That Undermine Reviews

A strong review demonstrates that controls are tested, risks are re-evaluated, and issues are remediated. A weak one tells regulators you're treating compliance as a box to check.

Here are some red flags that send the wrong message:

- **Recycled or boilerplate language:** When reviews look copy-pasted year after year, examiners see a program that hasn't evolved with risks or market changes.
 - **Unremediated findings:** Unremediated findings signal the firm catalogs issues but doesn't close gaps. One of the fastest ways to draw examiner concern.
 - **Superficial documentation:** Notes without root causes, action plans, or accountability don't meet today's standards for a defensible evidence trail.
 - **Blind spots in emerging risks:** Omitting areas like cybersecurity, crypto trading, or vendor oversight makes it clear your program isn't aligned with 2025 priorities.
 - **No linkage to governance:** Reviews that sit apart from risk assessments, training, or policy updates read as static, not as proof of a living compliance framework
- Examiners notice these gaps quickly.

The good news: every finding is also an opportunity. The difference between a weak review and a strong one is how effectively you turn those findings into fixes.

From Findings to Fixes: The Four-Step Framework

Examiners are looking for evidence that when gaps appear, you act. Here's a four-step framework to turn review findings into defensible fixes:

- Identify with purpose: Document the finding clearly
- Document with depth: Assess risk and scope
- Remediate with accountability: Take corrective action with ownership
- Build the evidence trail: Close the loop with defensible documentation

Example: Turning a Finding into a Fix

- Finding: Fee disclosure in Form ADV was outdated and inconsistent with actual billing practices.
- Fix:
 - Update Form ADV filed with the SEC.
 - Clients notified of changes in plain language.
 - Cross-check Form ADV Parts 1 and 2 to ensure disclosures align with updated billing practices
 - Documentation archived showing remediation steps and client communication.

Building Exam Readiness with Confidence

An annual review shouldn't be the only time your compliance program gets tested. Examiners expect firms to show that they're monitoring, remediating, and documenting all year round.

Practical steps that keep you exam-ready:

- Run mock audits and compliance reviews: Stress-test your program the same way examiners will.
- Correct deficiencies promptly: Don't let findings linger from year to year.
- Benchmark your data: Track trade activity, remediation timelines, and high-risk areas to show measurable progress.
- Align across regulators: If you're dual-registered, your annual review should withstand both SEC and FINRA scrutiny.

The bottom line: Annual reviews are no longer a static requirement; they're a strategic compliance tool. When findings are turned into documented fixes, you don't just withstand scrutiny, you elevate your firm's credibility.

At Comply, we help firms move beyond static checklists. Our workflows streamline reviews, automate documentation, and build the evidence examiners expect, so your program doesn't just exist on paper, it proves itself in practice.



see how Comply can help your firm stay exam-ready, every day of
the year.

Let's Talk.