



WEALTH MANAGEMENT

Practical tips for preparing for a surprise custody exam



Introduction

Registered investment advisers do much more than manage portfolios. For high-net-worth families and family offices, RIAs often support the practical side of financial life—coordinating bill payments, managing activity across multiple entities, and helping ensure money moves smoothly, securely, and with minimal disruption.

Yet some RIAs hesitate to offer bill pay because of questions about the SEC’s Custody Rule. That’s understandable. The rule is meant to protect client assets, and bill pay involves access to client funds.

At the same time, bill pay is a common, long-standing service. The regulatory expectations around it are well established, and when implemented thoughtfully, bill pay can strengthen client relationships and simplify day-to-day financial management.

As Daniel Bernstein, Chief Regulatory Counsel at MarketCounsel Consulting, explains: “It’s an easy rule to follow, and there’s a really well-worn path on how you need to do it.” Unlike areas of regulation where expectations can shift or feel ambiguous, the considerations around bill pay and custody are clearly addressed in existing guidance. Best practices, as Bernstein notes, are “right in the rules.”

This guide explains what a surprise examination is, why it applies in certain bill pay scenarios, and how RIAs can prepare. It is intended to provide general information, not legal or compliance advice, so firms can better understand expectations and plan accordingly.

Important: RIAs should consult their own legal and compliance professionals about how SEC rules, including the custody rule, apply to their specific circumstances.



Bill pay has been a value-added service for us. It's ultimately a business decision, but don't be intimidated. The enhanced value to clients, security, and time savings are well worth the additional steps we take for compliance.

Laura Blaire
COO, CCO, and Managing Partner
JFS Wealth Advisors

What is a surprise exam?

The term “surprise examination” can sound more daunting than it actually is. Many RIAs assume these exams resemble comprehensive financial audits. In reality, a surprise exam is narrower in scope and more targeted in purpose. It is designed to confirm that everyday practices align with established safeguards, not to scrutinize investment decisions or disrupt normal operations.

Firms with clear workflows, documented authorization, and reliable systems often are well prepared without needing to change how they operate.

A surprise examination is a periodic review conducted by an independent accountant to confirm that client funds are being handled appropriately. The review focuses on whether required controls and protections are in place, rather than evaluating performance or issuing a comprehensive financial audit. The “surprise” refers only to timing. The examination occurs without advance notice to reinforce consistent, day-to-day practices.

The surprise examination: What it is and what it isn't

WHAT A SURPRISE EXAM IS

A focused review conducted by an independent accountant

Designed to confirm that client assets are safeguarded

Limited in scope to specific custody-related requirements

Based on a point in time, not a multi-year review

Intended to validate existing processes and controls

Required only for firms with certain types of custody

Supported by documentation often already maintained in the normal course of business

Focused on how funds are accessed and protected

WHAT A SURPRISE EXAM ISN'T

A full financial statement audit

Designed to evaluate investment performance or results

A broad review of firm finances or profitability

A deep historical analysis of financial records

Intended to uncover wrongdoing or "catch" firms off guard

Required for every RIA, regardless of operations

Dependent on special, one-off preparation or custom reporting

Focused on firm strategy, valuations, or client outcomes

Five steps to prepare for a surprise examination

01

Engage an independent accounting firm

02

Keep documentation organized and accessible

03

Clarify roles and responsibilities

04

Limit and track access

05

Communicate with clients



01

Engage an independent accounting firm

Start by identifying an accounting firm with experience conducting custody-related examinations. As with any professional service provider, reputation and familiarity with the process matter. While the timing of the examination itself is not known in advance, firms often coordinate with their advisors to ensure examinations occur when required.

Your legal and compliance professionals can help you understand how timing and frequency may apply to your firm's specific circumstances

02

Keep documentation organized and accessible

Surprise examinations rely heavily on documentation that firms often already maintain in the normal course of business. This may include client authorizations, records of granted authority, payment approvals, transaction histories, and account information.

BILL's centralized system that retains payment records, approvals, and access logs helps make information easier to locate and explain when requested.

03

Clarify roles and responsibilities

Clearly define who can initiate payments, who can approve them, and who has visibility into activity. Some firms separate these responsibilities to support consistency and reduce the risk of errors. Your firm's control design should be developed with input from your internal risk, compliance, and legal teams.

Platforms like BILL are designed to support these distinctions through role-based permissions and approval workflows that align documented processes with day-to-day activity.

04

Limit and track access

Restricting system access to individuals who need it, and documenting those permissions, is a common operational consideration. Clear approval workflows and permission settings can help demonstrate intentional, controlled access to client funds. BILL supports role-based access and approval tracking which makes permissions easier to manage and review.

05

Communicate with clients

As part of a surprise examination, an accounting firm may review agreements or reach out to clients to confirm authorizations. Some firms choose to proactively inform clients that these reviews may occur periodically.

Using a centralized bill pay platform like BILL to capture approvals and payment history can make it easier to explain how safeguards work in practice, supporting transparency and reinforcing trust.

Everyday practices matter

Surprise examinations are designed to validate how firms operate day to day, not to test new processes or uncover surprises. Firms with clear workflows, reliable documentation, and consistent controls are often well positioned when an examination occurs.

The real opportunity isn't just passing an exam, it's the value bill pay services bring to your clients and your firm. Enhanced relationships, deeper financial visibility, and differentiated service offerings all come from making bill pay a core part of your practice.

With proper preparation and the right technology, SEC custody compliance becomes a manageable part of delivering exceptional client service.



Bill pay automation for wealth management firms

Offering reliable, secure household and family bill pay in addition to wealth management services for your ultra-high-net-worth clients can help grow your business and deliver on your promises.

Trusted by top RIAs, family offices, and leading US financial institutions serving UHNW clients, BILL processes \$345B in total payment volume (~1% of US GDP) on an annual basis.*

[Request Demo](#)

*As of June 30, 2025



DISCLAIMER:

For informational purposes only and is not intended to provide, and should not be relied on for, legal, compliance, tax, or investment advice. The descriptions of SEC rules and custody exams in this article are summaries based on our understanding as of the date of publication and may not reflect all applicable requirements. The scope, timing, and conduct of any exam are determined by regulators and your service providers, and can vary by firm and fact pattern. Use of BILL products does not ensure compliance with any law, rule, or regulation, or successful completion of any regulatory examination. You should seek advice from your own legal, compliance, tax, or other professional advisers before taking any action based on the information in this guide.

