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For the Uninitiated, The Basics of the Corp Fin Comment Process

The Caller ID shows the SEC calling from a "202" area code. A small pit forms in your stomach. What did we do wrong? The SEC Staffer asks for an email address to send a comment letter, weighing in on your recent 10-K filing and you are left waiting nervously for a couple hours to find out how bad (or good) the comments are... No need to sweat it though once you understand the comment process and have a few savvy tips in your back pocket - so let's get to it:

1. **At First, It's Scary** - For the uninitiated, an SEC comment can be intimidating. The last time you saw one may have been in connection with an IPO when an army of counsel, bankers and auditors were there to guide you through the process.
2. **Your '34 Act Filings Will Be Reviewed Periodically** - The SEC Staff for the Division of Corporation Finance - commonly known as "Corp Fin" - is required to review the SEC filings of public companies at least every 3 years and sometimes does so more frequently. Larger companies will be reviewed annually or even continuously (or at least it may feel like it).
3. **Your Filings Will Be Reviewed Without You Necessarily Knowing It** - Lawyers and accountants on the Staff will pull your recent 10-K or 10-Q filings for a review without letting you know. If they have any questions or concerns on the filings, they will write them up into a "comment letter" for you to respond to in writing. They will typically email the comments to an officer of the company (and will often call first to confirm email addresses).
4. **Number of Comments Can Vary** - The results of a SEC Staff review can range from 20 or more comments in a comment letter, asking questions about a variety of topics, to a single comment. Or no comments, meaning that you may never find out they conducted a review. If a tree falls in the woods but no one is around to hear it...
5. **Mix of Accounting and Legal Types of Comments** - Often, there are two types of comments in a single comment letter because there were two types of professionals at the SEC reviewing your filing (although sometimes just the SEC's accountants will conduct the review). Most routine '34 Act reviews contain just a small handful of targeted comments and routinely skew more towards accounting questions.
6. **Accounting Comments Sometimes Pose Challenges** - Legal comments tend to be more infrequent and easier to deal with, while accounting comments can often require significant analysis of technical accounting rules, second guessing of judgments - or even in rare cases revision of the financials.

## Authors

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