



American Institute of CPAs
1455 Pennsylvania Avenue, NW
Washington, DC 20004-1081

November 3, 2011

Via Electronic Mail

The Honorable Spencer Bachus
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Barney Frank
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Bachus and Ranking Member Frank,

I am writing to you on behalf of the 377,000 members of the American Institute of Certified Public Accountants (AICPA) to express our positions as it relates to Sections 913 and 914 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Dodd-Frank Act Section 914 directed the SEC to conduct a study to review and analyze the need for enhanced examination and enforcement resources of investment advisers. On January 19, 2011, the SEC released its [staff report](#), which concluded that the current SEC-registered investment adviser examination program faces significant capacity and funding challenges, and recommended three options to strengthen the existing program:

1. Impose “user fees” on SEC-registered investment advisers that could be retained by the Commission to fund the investment adviser examination program;
2. Authorize one or more self-regulatory organizations (SROs) to examine, subject to SEC supervision, all SEC-registered investment advisers; or
3. Authorize FINRA to examine dual registrants for compliance with the Investment Advisers Act of 1940.

AICPA strongly believes that the principles-based regulatory approach of the Investment Advisers Act and its related rules should continue to govern investment advisers and further, that regulatory oversight remain exclusively with the SEC and/or states. Providing the SEC with resources to properly enforce their rules, even if it means assessing additional fees on investment advisers, is the best solution for investment advisers and the public.

We oppose the creation of an SRO for investment advisers and believe that FINRA would bring a broker-dealer perspective to investment adviser examinations and that its rules-based approach is not conducive to adequate regulation of the investment advisory profession.

Section 913 of the Dodd-Frank Act directed the SEC to conduct a study of the standards of care applicable to investment advisers and broker-dealers. On January 21, 2011, the SEC submitted to Congress its [study](#) on the obligations and standards of conduct of financial professionals. The study recommended that the SEC adopt and implement a uniform fiduciary standard of conduct for broker-dealers and investment advisers when those

November 3, 2011

Page 2

financial professionals provide personalized investment advice about securities to retail investors. The AICPA supports this elevated standard of care so long as the fiduciary standard is no less stringent than the standard currently applied to investment advisers under the Investment Advisers Act.

The AICPA is the national professional association of CPAs, including CPAs in business and industry, public practice, government, and education; student affiliates; and international associates. Our members provide audit, tax, retirement consulting, plan administration, and financial planning services, and many of our members work for a firm that is registered as, or affiliated with, a registered investment adviser. It is from this diverse perspective that we provide our recommendations.

We hope you will consider our positions in your continued work to improve oversight of investment advisers and broker-dealers. We welcome the opportunity to serve as a resource to the SEC on these issues. If we can be of further assistance, please contact me at (212) 596-6001.

Sincerely,

A handwritten signature in black ink, appearing to read "Barry C. Melancon". The signature is fluid and cursive, with a long horizontal stroke at the end.

Barry C. Melancon, CPA
President and CEO