



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

June 6, 2012

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 approximately 20,000 personal financial planners who are members of the American Institute of Certified Public Accountants (AICPA) to express our position as it relates to H.R. 4624, the Investment Adviser Oversight Act of 2012.

The 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. It is in the best interest of the investing public to keep oversight with the SEC. Moreover, the costs associated with paying fees to a self-regulatory organization (SRO) may threaten the success of smaller firms, harming small businesses across the country.

The Dodd-Frank Act, in 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 report¹ which concluded that the current SEC-registered investment adviser examination program faces significant capacity and funding challenges. The staff report 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.

We believe the SEC remains the proper authority to oversee investment advisers because it has 70 years of expertise with the Investment Advisers Act, has a deep understanding of investment advisers and, as a governmental regulator, is directly accountable to Congress and the public. The SEC's core mission to protect investors requires adequate regulation of the investment advisory profession. Providing the SEC with resources to properly enforce their rules is the best solution for investors and the public.

¹ <http://www.sec.gov/news/studies/2011/914studyfinal.pdf>

We previously stated our position to you in a letter dated November 3, 2011, in response to the Investment Adviser Oversight Act of 2011 discussion draft, strongly opposing the creation of a SRO for investment advisers. A SRO is inherently conflicted and is not the right answer for regulation of investment advisers. For example, we believe that FINRA would bring a broker-dealer perspective and bias to investment adviser examinations, and that its rules-based, check-the-box approach is not conducive to adequate regulation of the investment advisory profession. Further, a SRO is not in the public's best interest as it diverts the focus from placing the investor's interest first to simply complying with rules.

We ask that you review the study released by The Boston Consulting Group (BCG) in December 2011 which provides an economic analysis of the three options for investment adviser oversight as set forth by Dodd-Frank Section 914 outlined above. The key findings of this study were as follows:

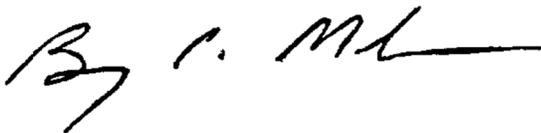
1. Funding an enhanced SEC examination program would likely cost half that of creating a SRO for investment advisers. In fact, it is projected that the start-up costs of a SRO could fund an entire year of an enhanced SEC examination program.
2. Many independent registered investment advisers are small firms. Funding a SRO would likely cost twice as much for each firm as paying user fees to the SEC.
3. Given that the SEC would continue to need resources to effectively oversee the SRO, any cost savings to the SEC through creation of a SRO would be minimal.

We also bring to your attention a poll released by the Massachusetts Securities Division on May 31, 2012, which shows that Massachusetts investment advisers oppose a SRO. The Massachusetts securities office said in a statement that "41% of those who [responded] volunteered comments that the bill as presently drafted was likely to put them out of business."

The AICPA is the world's largest association representing the accounting profession. Our members provide audit, tax, retirement consulting, plan administration, and financial planning services. Many of our members work for a firm that is registered as, or affiliated with, a registered investment adviser. The AICPA sets ethical standards for the profession and develops and grades the Uniform CPA Examination in addition to offering specialty credentials for CPAs who concentrate on personal financial planning, fraud and forensics, business valuation and information technology. It is from this diverse perspective that we provide our recommendations.

We hope you will consider our position in your continuing efforts to improve oversight of investment advisers. We welcome the opportunity to serve as a resource to the Committee on Financial Services and the SEC on these issues. If we can be of further assistance, please contact Kate Schmucker, Director, Congressional and Political Affairs, at 202-434-9219 or kschmucker@aicpa.org.

Sincerely,



Barry C. Melancon, CPA, CGMA
President and CEO