



**FINANCIAL  
SERVICES  
INSTITUTE**

VOICE OF INDEPENDENT  
FINANCIAL SERVICES  
FIRMS AND INDEPENDENT  
FINANCIAL ADVISORS

## VIA ELECTRONIC MAIL

June 20, 2018

The Honorable Mike Crapo  
Chairman  
Senate Banking Committee  
534 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Sherrod Brown  
Ranking Member  
Senate Banking Committee  
534 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Chairman Crapo and Ranking Member Brown:

The Financial Services Institute (FSI)<sup>1</sup> and the 35,000 independent financial advisors and over 100 independent financial service firms that we represent strongly support S. 3004: Small Business Audit Correction Act of 2018. This bill would exempt privately-held, small, non-custodial brokers-dealers in good standing from the requirement to hire a Public Company Accounting Oversight Board (PCAOB)-registered audit firm to meet their annual reporting obligation and would instead reinstate the previous regulatory audit requirements. Currently, the Dodd-Frank Act requires all investment brokers and dealers, irrespective of size, to hire a PCAOB-registered audit firm to conduct audits using significantly more complex guidelines designed for larger, public companies. We believe this legislation will provide much-needed regulatory relief to small broker-dealers by exempting them from the most onerous audit requirements. Therefore, we urge the Committees to support S. 3004, ensuring that small broker-dealers can continue to operate without these unnecessary burdens.

The broker-dealer community in the financial services industry consists of large companies, mid-sized firms, and small businesses. As of November 2017, the small business community consisted of 3,425 firms all employing 150 registered reps or fewer. Ten years ago, there were approximately 1,000 more of these small businesses in our industry than there are today, but the crush of regulatory burdens, including the PCAOB-registered audit firm requirement, has led to their demise. The remaining small firms are feeling this impact especially hard as fees rise due to the smaller pool of audit firms. The impact is felt throughout the country as these Main Street businesses struggle to remain viable.

On behalf of our members, FSI appreciates your time in considering support for the S. 3004: Small Business Audit Correction Act of 2018. For all of the above reasons, FSI applauds both Senators Cotton and Jones for introduction of S. 3004: Small Business Audit Correction Act of 2018 in the 115<sup>th</sup> Congress, and we hope that the Senate Banking, Housing and Urban Affairs Committee will consider this worthwhile piece of legislation that will provide much-needed regulatory relief to small investment brokers across the United States.

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<sup>1</sup> The Financial Services Institute (FSI) is the only organization advocating solely on behalf of independent financial advisors and independent financial services firms. Since 2004, through advocacy, education and public awareness, FSI has successfully promoted a more responsible regulatory environment for more than 40,000 independent financial advisors, and more than 100 independent financial services firms who represent upwards of 160,000 affiliated financial advisors. We effect change through involvement in FINRA governance as well as constructive engagement in the regulatory and legislative processes, working to create a healthier regulatory environment for our members so they can provide affordable, objective advice to hard-working Main Street Americans.

If you have any questions, please contact J. Maurice Jackson, Director of Legislative Affairs, at (202) 499-7220.

Sincerely,

A handwritten signature in black ink, appearing to read "Dale Brown". The signature is fluid and cursive, with the first name "Dale" and last name "Brown" clearly distinguishable.

Dale E. Brown, CAE

President & CEO

cc: Members of the Senate Banking, Housing and Urban Affairs Committee