

June 21, 2018

The Honorable Mike Crapo
Chairman
Comm. on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Comm. on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

On behalf of the Bond Dealers of America (BDA), I write to ask for your support and co-sponsorship of the Small Business Audit Correction Act (S. 3004). The BDA is the only Washington, DC based trade association representing the interests of “Main Street” investment firms and banks active predominantly in the U.S. fixed income markets.

S. 3004 would exempt privately held, small non-custodial brokers and dealers in good standing from the requirements to hire a Public Company Accounting Oversight Board (PCAOB) registered audit firm to meet their annual SEA Rule 17a-5 reporting obligation and that the audit firm perform the audit in accordance with PCAOB standards. For these smaller firms, S. 3004 would reinstate the previous regulatory requirements, under which they must file audited financial statements, without a requirement that the audit satisfy PCAOB standards. The one-size-fits-all audit requirements have placed an unfair burden on small businesses, including many BDA member firms, and substantially heightened regulatory burdens onto Main Street broker-dealer firms around the country. S. 3004 would more appropriately tailor the audit requirements while still providing quality customer protections.

Audits conducted in accordance with PCAOB standards delve into granular-level details that have nothing to do with the financial soundness of the small broker-dealers that meet the eligibility requirements for S. 3004 or provide their investors with additional protection. Small broker-dealers that qualify for the exemption do not hold or carry customer funds or securities in their own accounts, choosing instead to have those risks assumed by a larger carrying firm. The PCAOB audit requirement is appropriate and the right fit for public companies and broker-dealers, which carry customer funds or securities, because the investing public and markets are potentially at much greater risk from these companies. Passage of the bill would provide significant and much needed relief for small broker-dealer businesses and access to local, affordable, and sound investment options for your constituents and their communities.

Thank you for your attention to this very important issue.

Sincerely,



Michael Nicholas
Chief Executive Officer,
Bond Dealers of America

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