

# TOM COTTON



ARKANSAS SENATOR

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**Contact:** [Caroline Tabler](#) or [James Arnold](#) (202) 224-2353

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### **Cotton, Jones, Hill, and González Introduce Small Business Audit Correction Act**

**Washington, D.C.** — Senator Tom Cotton (R-Arkansas) and Senator Doug Jones (D-Alabama) today introduced the Small Business Audit Correction Act to provide much-needed regulatory relief to small investment brokers by exempting them from certain audit requirements and reinstating previous regulations. Congressmen French Hill (R-Arkansas) and Vicente González (D-Texas) introduced companion legislation in the House.

“It makes no sense to require our small non-custodial broker-dealers to get the same audits required of public companies. There’s no evidence such a requirement has created a healthier investment environment; it has merely contributed to higher costs and fewer small firms. This legislation will return audit requirements to the former standard, one appropriate for these kinds of firms and which will allow our broker-dealers to expand and help create more jobs,” **said Cotton.**

**Senator Jones:** “This bipartisan legislation is a common-sense step to help ease the regulatory burden on small businesses. Rules requiring expensive audits meant for large broker-dealer firms, especially ones that have investor funds at risk, make sense, but they only serve as an unnecessary cost on small Main Street firms. These Main Street broker-dealers help connect Alabama investors of all sizes to financial markets, and I’m pleased to work with my colleagues across the aisle on this effort to help keep them competitive.”

**Rep. Hill:** “Often times when we discuss regulatory relief in the financial service arena, we are talking about it in the vein of community banking. However, so many other types of financial institutions are in need and wanting regulatory relief, including privately-held, small non-custodial brokers and dealers—which are often the gateway to the markets for Main Street businesses. That is why I am pleased to lead the efforts in the House that would exempt small broker dealers from the requirement to hire a PCAOB-registered audit firm to meet certain reporting obligation. This costly one-size-fits-all PCAOB audit requirement has inhibited growth and success of small broker dealer businesses with limited human and financial resources.”

“As a former small business owner in South Texas, I understand firsthand the hurdles that community businesses and brokers face when hit with the same audit regulations as larger, more established entities,” **Congressman Gonzalez said.** “This bipartisan, bicameral bill provides relief from the very regulations that treat small businesses the same as large publicly held companies, and also serves to protect the interest of consumers by following time-tested accounting practices.”

**Background:**

- Dodd-Frank requires all investment brokers and dealers, irrespective of size, to hire a Public Company Accounting Oversight Board (PCAOB)-registered audit firm to conduct audits using significantly more complex guidelines designed for larger, public companies.
- This requirement is devastating for small investment firms, particularly in states like Alabama and Arkansas. In 2016 alone there was a 40 percent reduction in the number of these types of firms across the country.
- The Small Business Audit Correction Act would exempt privately-held, small non-custodial brokers and dealers in good standing from the requirement to hire a Public Company Accounting Oversight Board (PCAOB)-registered audit firm to meet their annual SEA Rule 17a-5 reporting obligation and would instead reinstate the previous regulatory audit requirements.