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NATIONAL COUNCIL OF INSURANCE LEGISLATORS (NCOIL)

RESOLUTION IN SUPPORT OF THE SMALL BUSINESS AUDIT CORRECTION ACT

Adopted by the NCOIL Financial Services Committee on July 13, 2018 and the NCOIL Executive Committee on July 15, 2018

**Sponsored by Senator Jason Rapert (AR)*

WHEREAS, many types of financial institutions are in need of regulatory relief, including privately-held, small non-custodial brokers and dealers, which are often the gateway to the markets for Main Street businesses; and

WHEREAS, the Public Company Accounting Oversight Board (PCAOB) was established by Congress in the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) to oversee the audits of public companies in an effort to protect the investing public; and

WHEREAS, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) expanded the PCAOB's oversight to include the annual audits of all brokers and dealers registered with the Securities and Exchange Commission (SEC), regardless of size; and

WHEREAS, prior to Sarbanes-Oxley, and as amended by Dodd-Frank, brokers and dealers were required to hire American Institute of CPAs (AICPA) registered auditors who followed Generally Accepted Accounting Standards (GAAS) when conducting audits; and

WHEREAS, the complex and expensive PCAOB audit requirements and guidelines were appropriately designed for large, public companies because the investing public and markets are potentially at much greater risk from those companies; and

WHEREAS, conversely, the PCAOB audit requirements and guidelines are not suited for small, privately-held firms that do not hold customer assets; and

WHEREAS, this one-size-fits-all PCAOB audit requirement has inhibited the growth and success of small broker-dealer businesses with limited resources; and

WHEREAS, the very name of the PCAOB should limit its oversight to public companies, not privately-held firms; and

WHEREAS, such small, Main Street firms, should be encouraged to focus on providing valuable services to their customers rather than exerting their limited resources on regulations that only provide enhanced consumer protection when applied to large, public companies; and

WHEREAS, H.R. 6021/S. 3004, the “Small Business Audit Correction Act of 2018” would exempt privately-held, small non-custodial brokers and dealers in good standing from the requirement to hire a PCAOB-registered audit firm, and reinstate audit requirements to the former standard for those types of firms which will in turn protect consumers and promote economic growth; and

WHEREAS, this bipartisan legislation is a common-sense step towards easing the regulatory burden on small businesses, a burden so great that many small businesses are struggling to survive; and

WHEREAS, NOW, THEREFORE, BE IT RESOLVED, that NCOIL supports H.R. 6021/S.3004, and urges members of Congress to take action on the proposal to provide significant and much needed relief for small businesses and their customers across the country; and

BE IT FINALLY RESOLVED, that a copy of this Resolution shall be distributed to the members of the U.S. House Financial Services Committee; the members of the Senate Banking Committee; the Speaker and Minority Leader of the U.S. House of Representatives; the Majority Leader and Minority Leader of the United States Senate; and the Chairs of the Committees of jurisdiction in each Legislative Chamber of each State.