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For Immediate Release
July 30, 2018
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NCOIL PASSES RESOLUTION IN SUPPORT OF THE SMALL BUSINESS AUDIT CORRECTION ACT

Sponsored by AR Senator Jason Rapert, NCOIL President

Manasquan, NJ – At the 2018 NCOIL Summer Meeting in Salt Lake City, UT, the NCOIL Financial Services Committee adopted a Resolution sponsored by NCOIL President, AR Sen. Jason Rapert, in Support of the Small Business Audit Correction Act. The Executive Committee affirmed the passage.

The Small Business Audit Correction Act would provide regulatory relief to privately-held, non-custodial investment brokers and dealers by exempting them from stringent audit requirements of the Public Company Accounting Oversight Board, which was created by Sarbanes-Oxley and given additional powers over small brokers by Dodd-Frank. Prior to Sarbanes-Oxley, and as amended by Dodd-Frank, brokers and dealers were required to hire American Institute of CPAs registered auditors who followed General Accepted Accounting Standards when conducting audits. This legislation would reinstate those audit requirements for privately-held, non-custodial brokers and dealers.

“The Small Business Audit Correction Act fixes a costly mistake for small businesses’ that are the lifeblood of our states” said Sen. Rapert. “In this instance, the federal government’s one-size-fits-all regulatory approach inappropriately penalized these privately-held, small, non-custodial brokers and dealers by holding them to the same standards as large firms such as Merrill Lynch. I trust the federal government will hear the message that this overreach will not stand.” Rapert concluded ““I applaud the bipartisan leadership of Rep. French Hill, R-AR; Rep. Vicente Gonzalez, D-TX; Sen. Tom Cotton, R-AR; and Sen. Doug Jones, D-AL for addressing this important issue in Congress. This legislation is the kind of common sense solution needed to keep our economy moving forward and remove job-killing government regulations.”

“By its very name, the Public Company Accounting Oversight Board exists to oversee public entities, not small, private firms” said Commissioner Tom Considine, NCOIL CEO. “This bi-partisan legislation represents sound and reasonable policy that will allow small businesses to deploy their resources on helping local communities rather than on wrongfully applied, expensive, regulations.”

“I was pleased when Senator Rapert brought this issue forth for consideration as it represents part of NCOIL’s continued effort to discuss emerging issues in the banking and financial services sectors for discussion at NCOIL meetings” Considine concluded.

A full copy of the Resolution is below.



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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.

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NCOIL is a legislative organization comprised principally of legislators serving on state insurance and financial institutions committees around the nation. NCOIL writes Model Laws in insurance and financial services, works to both preserve the state jurisdiction over insurance as established by the McCarran-Ferguson Act seventy years ago and to serve as an educational forum for public policy makers and interested parties. Founded in 1969, NCOIL works to assert the prerogative of legislators in making state policy when it comes to insurance and educate state legislators on current and perennial insurance issues.