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January 30, 2012

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File Number SR-FINRA-2011-073.

Dear Ms. Murphy:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the proposed rule change (File Number SR-FINRA-2011-073) that has been filed with the Securities and Exchange Commission (SEC) by the Financial Industry Regulatory Authority, Inc. (FINRA) on December 19, 2011. The FMSB is comprised of 25 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

We have reviewed the proposal set forth by FINRA, which will establish a single major funding resource, the accounting support fee, to fund the annual budget of the Government Accounting Standards Board (GASB). FINRA's proposal to assess the accounting support fee across its members based upon the members' portion of the total par value of transactions reported for the quarter represents a very positive and long overdue step to providing the GASB in its role as an independent standards setting body with reliable funding. This new mechanism does change the status quo in important ways, however. Accordingly, the FMSB, in its comments below, has sought to alert the SEC to concerns that some might have regarding the changes associated with the new funding mechanism and to provide our observations and comments on such concerns. Please note however, the FMSB strongly supports the FINRA proposal.

In our consideration of the FINRA proposal, the FMSB had several concerns which were debated by our body. As currently constructed, this mechanism will assess GASB's costs across only the current issuers of municipal securities. Because local and state governments vary as to how often and to what extent they enter the municipal securities market, a concern was raised as to the prospect of any unintended negative effect from assessing GASB's costs across



only a portion of the stakeholders that benefit from GASB's work. However, even considering the current GASB funding mechanism, the FMSB is not aware of any link between a state or local government's decision to allocate funds to support GASB and its subsequent decision to follow GASB standards in its public financial reports.

During our review it was also noted that the proposed mechanism would provide all of GASB's funding from one constituency, the municipal security market, rather than the more widespread support it receives at the present time. Some of our board members suggested relying on a single constituency, could have an unintended negative consequence. In giving further consideration to this concern, however, it was noted that there will be a substantive difference between the GASB receiving funds that derive from many, many separate securities transactions with FINRA acting solely as a conduit, in contrast to the current GASB funding arrangement where the organizations that collect sums from states and local governments for the funding of GASB, namely NASACT and GFOA, also participate heavily in commenting on the policy positions developed by the GASB and are, therefore, in a position to link their respective GASB-related fund raising activities with their opinions of GASB's agenda, priorities, and ultimate standards. Accordingly, the proposed mechanism should create for NASACT and GFOA a "healthy" segregation of their two important interests and eliminate any potential conflicts between those interests.

Another concern expressed by some members of the FMSB was that there appeared to be no constraints as to GASB's budget and/or limits on costs. We discussed this concern with a FAF Board member, who informed us that there are a number of control mechanisms in place, including reviews by the Finance Committee of the FAF. We trust that these mechanisms will remain in place and continue as a meaningful review and restraint on GASB's budget and costs.

However, any concerns regarding the proposal were outweighed by the positive effects of FINRA's proposal. This proposal shall provide GASB with a stable funding source for its work, something it has lacked since its inception; and strengthen GASB's independence, something essential in its role as standard setter. It will eliminate the risk that financial support could be lost if an unpopular course of action is pursued by GASB. It shall also allow GASB to better plan its research work on important topics. This proposal is also consistent with the provisions of the Dodd-Frank Act, which gave the SEC the authority to require a national securities association to establish a reasonable accounting support fee to fund the annual budget of GASB. As leaders in the government accountability community, we recognize the benefits that have been and will continue to be derived from GASB's strong, independent standard setting work. Therefore, the AGA and its members support the proposed rule change that has been filed by FINRA.

We would like to thank you for allowing us to submit our comments to filing. Should there be any questions regarding our comments, please contact Steven Sossei at ssossei@agacgfm.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric Berman', with a long horizontal flourish extending to the right.

Eric Berman, CPA – Chair
AGA Financial Management Standards Board

cc: Richard O. Bounce, Jr., CGFM, CPA
AGA National President

**Association of Government Accountants
Financial Management Standards Board**

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