The Commonwealth of Massachusetts
Secretary of the Commonwealth
State House, Boston, Massachusetts 02133

William Francis Galvin
Secretary of the Commonwealth

January 6, 2011

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

RE: Study on Enhancing Investment Adviser Examinations Under Section 914 of the Dodd-Frank Wall Street Reform and Consumer Protection Act;
File No. DF, Title IX – Enhancing IA Examinations

Dear Ms. Murphy,

The Secretary of the Commonwealth of Massachusetts is charged with the responsibility to administer the Massachusetts Uniform Securities Act, M.G.L. c.110A, by means of the Massachusetts Securities Division. As such, the Secretary is the chief securities regulator for Massachusetts.

We appreciate the opportunity to comment on the study mandated under Section 914 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Section 914 directs the Commission to study the need for enhanced examination and enforcement resources for investment advisors, including whether Congress should authorize the Commission to designate one or more self regulatory organizations to participate in the oversight and regulation of investment advisers. We strongly oppose the designation of any self regulatory organization ("SRO") to act as a regulator of investment advisors.

Under Section 410 of the Dodd-Frank Act, the states will have a greater role in the regulation of investment advisers, since the threshold for investment advisory firms to register with the Commission has been raised to $100 million in assets under management. The states anticipate building on their positive track record in regulation smaller investment advisors as we begin to regulate more and larger investment advisory firms.

It is vitally important that government regulators continue to oversee the investment advisory industry. State and federal regulators have significant experience and expertise in overseeing advisory firms and in conducting examinations – this would be difficult for any SRO to match. Also, the Commission and the states have a clear mandate to protect the interests of investors, which makes them non-conflicted regulators. In contrast, any SRO will be inherently beholden to its member firms.

The problems that come with SRO regulation are well documented, particularly conflicts of interest and the potential for "regulatory capture" of the SRO by the industry it is intended to regulate.[1]

In the aftermath of the financial crisis and recession, all agencies will be required to do more with limited resources. We strongly urge the Commission not to consider involving an SRO in investment adviser regulation based on current budgetary problems. The states have weathered past downturns and have remained effective regulators in spite of them. Introducing an SRO into investment adviser regulation will create a flawed regulatory structure that could persist decades beyond current economic difficulties.

The states have demonstrated expertise regulating investment advisers and a clear mandate to protect investors. The states and the Commission are the proper regulators of the investment advisory industry; bringing an SRO into the field would diminish our successful track record regulating in this area.

If you have questions about this letter or my office can assist in any way please contact me or Bryan Lantagne, Director, Massachusetts Securities Division at (617) 727-3548

Very truly yours,

William F. Galvin
Secretary of the Commonwealth
Commonwealth of Massachusetts

[1] *See* Securities and Exchange Commission Concept Release Concerning Self-Regulation; File No. S7-40-04; Release No. 34-50700 (November 18, 2004)