

I am an audit partner at a global firm in the investment management space (have worked at CPA firms both large and small) and am a Qualified Investor. I understand the Commission's intention of the proposals, and respect its interest in protecting investors. My biggest concern is the unintended net-negative impact on the investors and competitive landscape serving the capital markets as a result of the proposed rules.

## **Section II, B. Mandatory Private Fund Adviser Audits**

For private funds, I believe the decision to obtain an independent audit should be left up to the fund, and its investors, as agreed to within the funds' operating agreements.

The proposal discussion indicates that if the Division of Examinations were to receive timely, independent information regarding an auditor's termination or issuance of a modified opinion, it would aid the Commission in its oversight of private fund advisors. I don't disagree with that assumption; however, it seems more appropriate to make these reporting obligations part of the requirements to qualify for the surprise custody exam exemption, than to impose it upon all private funds.

Most concerning to me is the requirement to make the accountants 'subject to annual inspection.' I also believe this is a systemic flaw in the Custody Rule audit exemption (*Rule 206(4)-2(b)(4)*). There are several firms that specialize in providing audit and attestation services solely too, or have niche practices that specialize in the investment management space. These firms are experts in this area, and may not perform issuer audits or broker dealer audits, neither of which is a direct correlation or benefit to a private fund audit. The fact that any PCAOB registered firm has the regulatory prerequisite requirements to qualify to audit Apple, but wouldn't qualify to audit a private investment fund, is anti-competitive, mind-blowing, and likely even illegal.

The inspection results of the largest annually inspected firms, broker-dealer auditors, employee benefit plan auditors, etc. do not appear to correlate that those such firms are more qualified than a firm that isn't subject to PCAOB's annual inspection requirements. I believe in the PCAOB and AICPA inspection programs and the benefits they provide. I, as an investor, would rather have an audit firm that specializes in my industry perform the private fund audit, than a firm that qualifies as 'subject to annual inspection' due to unrelated clients. I do not believe audit firms are accepting clients and performing audits they are not qualified to perform. If the Commission's belief is contrary to that (which I believe it is behind closed doors), then I would recommend you hold those firms accountable, rather than prevent the market from having specialist CPA firms.

**In conclusion, I recommend the proposal be modified (as well as the extant surprise custody rule exception) to subject those PCAOB registered firms that audit private pooled funds, whether for the surprise custody rule or this proposed requirement if enacted, to PCAOB inspection, as opposed to requiring it as an uncorrelated prerequisite.**