



| asset management group

July 9, 2018

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Auditor Independence with Respect to Certain Loans or Debtor-Creditor Relationships (File No. S7-10-18)

Dear Mr. Fields:

The Asset Management Group (the “**AMG**”) of the Securities Industry and Financial Markets Association (“**SIFMA**”)¹ appreciates the opportunity to provide comments to the United States Securities and Exchange Commission (the “**Commission**”) on the Commission’s proposed amendments to enhance the independence analysis that must be conducted when an auditor has a lending relationship with the shareholders of an audit client (the “**Proposal**”).² We applaud the SEC for its efforts to recalibrate the regulations to ensure that they appropriately focus on lending relationships that present legitimate threats to independence. We also agree with the Commission that Rule 2-01(c)(1)(ii)(A) of Regulation S-X (the “**Loan Provision**”), as currently drafted, may needlessly restrict activity or lead to situations where an auditor may not technically comply with the provision’s requirements, while still maintaining the desired impartiality.

We strongly support the Proposal and echo the comments made by the Investment Company Institute (“**ICI**”) and Independent Directors Council (“**IDC**”) in their comment letter also filed in response to this Proposal. We agree that amendments are necessary and that there are numerous common scenarios involving auditor financing arrangements and customary fund distribution methods that unnecessarily run afoul of current regulations. We also support the suggestions made by ICI and IDC for how the

¹ SIFMA AMG is the voice for the buy side within the securities industry and broader financial markets, which serves millions of individual and institutional investors as they save for retirement, education, emergencies, and other investment needs and goals. The AMG’s members represent U.S. asset management firms whose combined assets under management exceed \$40 trillion. The clients of AMG member firms include, among others, registered investment companies, separate accounts, ERISA plans, and state and local government pension funds. Our members represent a significant and representative cross section of the registered open-end investment companies that are the subject of the Proposal.

² Auditor Independence with Respect to Certain Loans or Debtor-Creditor Relationships, Release No. IC-33091, 83 Fed. Reg. 20753 (May 8, 2018) (the “**Proposing Release**”).

Commission could improve the Proposal to ensure that the Commission is best positioned to identify actual lending relationships that may impair an auditor's independence. Specifically, we support both the suggestions related to the analysis that audit firms should undertake when evaluating lending relationships, and the commentary provided on the impact the Loan Provision may have on an investment company complex and the types of lending relationships that should be concerning to the Commission.

We also want to stress that the Commission should include the fund guidance from the Proposing Release in the final adopting release. This guidance is essential because it clarifies that there is a presumption against significant influence in situations where shareholders do not control investment decisions. Without this guidance, audit firms may require additional burdensome beneficial ownership analysis, which will ultimately harm end investors.

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SIFMA AMG sincerely appreciates the opportunity to comment and your consideration of these views. We stand ready to provide any additional information or assistance that the Commission might find useful. Please do not hesitate to contact either Timothy Cameron at [REDACTED] or [REDACTED] or Lindsey Keljo at [REDACTED] or [REDACTED] with any questions.

Sincerely,



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