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July 10, 2018

VIA E-MAIL RULE-COMMENTS@SEC.GOV

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

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

Dear Mr. Fields:

Federated Investors, Inc. ("Federated") commends the Securities and Exchange Commission (the "Commission" or the "SEC") for proposing amendments to refocus the analysis that must be conducted to determine whether an auditor is independent when the auditor has a lending relationship with certain shareholders of an audit client.¹ The SEC proposed the amendments to the restriction on debtor-creditor relationships in Rule 2-01(c)(1)(ii)(A) of Regulation S-X (the "Loan Provision") after determining through consultations with audit firms, funds, and operating companies that a number of entities face significant practical challenges to compliance with the Loan Provision and, in most scenarios, auditor objectivity and impartiality were not impaired despite technical failure to comply with the requirements of the Loan Provision.²

Federated fully endorses and supports the comments and positions of the Investment Company Institute ("ICI") as set forth in its letter dated July 9, 2018.³ In particular, and without limiting the foregoing, Federated agrees with the ICI's positions on narrowing the definition of, and

¹ Federated is one of the largest investment management firms in the United States, managing \$259.4 billion in mutual fund assets and \$392.2 billion in total assets as of March 31, 2018. Federated provides comprehensive investment management to more than 8,500 institutions and intermediaries including corporations, government entities, insurance companies, foundations and endowments, banks and broker/dealers.

² See *Auditor Independence with Respect to Certain Loans or Debtor-Creditor Relationships*, SEC Release No. IC-33091, File No. S7-10-18 (May 8, 2018), available at <<https://www.gpo.gov/fdsys/pkg/FR-2018-05-08/pdf/2018-09721.pdf>>.

³ ICI Comment Letter of July 9, 2018 in response to SEC Release No. IC-33091, File No. S7-10-18 (May 8, 2018), *Auditor Independence with Respect to Certain Loans or Debtor-Creditor Relationships*.

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determining, beneficial ownership (*e.g.*, by specifically clarifying that all record owners with no economic interest in the audit client should be excluded, including those that can vote an audit client's shares nominally) and non-contamination of affiliated funds and other affiliates (*e.g.*, the parent company of a fund's investment advisor). Federated strongly supports adoption of the proposed amendments to the Loan Provision with the recommended improvements proposed by the ICI.

Federated hopes that the Commission finds these comments helpful and constructive and is happy to provide additional information relating to our comments or discuss any questions you may have.

Sincerely,



George F. Magera
Deputy General Counsel

cc: The Honorable Jay Clayton
The Honorable Michael S. Piwowar
The Honorable Hester M. Peirce
The Honorable Kara M. Stein
The Honorable Robert J. Jackson Jr.
Ms. Dalia Blass, Director of the Division of Investment Management