



American Institute of CPAs
1211 Avenue of the Americas
New York, NY 10036-8775

August 26, 2011

Via Electronic Mail

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-23-11; Broker-Dealer Report

Dear Ms. Murphy:

The American Institute of Certified Public Accountants (AICPA) is pleased to comment on the Securities and Exchange Commission's (SEC) proposed amendments to Exchange Act Rule 17a-5 as published in SEC File No. S8-23-11. The AICPA is the world's largest association representing the accounting profession, with nearly 377,000 members in 128 countries. AICPA members represent many areas of practice, including business and industry, public practice, government, education, and consulting; membership is also available to accounting students and CPA candidates. The AICPA sets ethical standards for the profession and U.S. auditing standards for audits of private companies, nonprofit organizations, and federal, state, and local governments. The AICPA also develops and grades the Uniform CPA Examination. It is from this diverse perspective that we provide our comments and recommendations.

Overall, we support the SEC's proposal to update the broker-dealer audit requirements and provide for an examination of compliance, and internal controls over compliance, with key regulatory requirements that would provide the SEC with greater assurance as to a broker-dealer's compliance with the requirements. We also appreciate the SEC's intention to facilitate the ability of the Public Company Accounting Oversight Board (PCAOB) to set standards for, and implement its inspection authority over, broker-dealers' independent public accountants by providing an improved foundation for the PCAOB to establish new broker-dealer audit standards. However, we are convinced that until the PCAOB has established the scope for its permanent inspection program related to audits of broker-dealers, the SEC should not require the audits of broker-dealers or the attestation of the proposed Compliance and Exemption reports be performed in accordance with standards promulgated by the PCAOB for non-issuer broker-dealers.

Currently, auditors of issuer broker-dealers are subject to PCAOB auditing standards. However, auditors of non-issuer broker-dealers are not, and the additional burden and costs of requiring such without clarity in the PCAOB's inspection program could be significant. The SEC estimates there are 5,057 broker-dealers.¹ The vast majority of these broker-dealers are non-issuers, audited by small CPA firms that do not have issuer clients and are therefore not familiar with PCAOB standards. Until the PCAOB determines which non-issuer broker-dealers will be subject to its permanent inspection program, we believe it would be unfair and costly to require these firms to expend the time and resources to revise their systems of quality control and conduct the required training on PCAOB auditing and attestation standards. These costs would undoubtedly, and possibly needlessly, be passed on to the broker-dealers' clients and, ultimately, their investors.

To summarize, the AICPA supports the SEC proposal for Compliance and Exemption reports for broker-dealers. However, we support the performance of audit and attestation engagements under PCAOB standards only for broker-dealers permanently subject to PCAOB inspection.

We appreciate the opportunity to comment and welcome the opportunity to serve as a resource to the SEC on these issues. If we can be of further assistance, please contact me at (212) 596-6197.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Coffey', with a large, stylized initial 'S'.

Susan S. Coffey, CPA
Senior Vice President – Public Practice and Global Alliances

cc: Chairman Mary L. Schapiro
Commissioner Luis A. Aguilar
Commissioner Troy A. Paredes
Commissioner Elisse B. Walter

¹ SEC proposed rule for broker-dealer reports, File Number S7-23-11.