

United States House of Representatives  
Committee on Financial Services  
Washington, D.C. 20515

BARNEY FRANK, MA, RANKING MEMBER

May 27, 2011

Mr. James Doty  
Chairman  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, DC 20006

Dear Chairman Doty:

We write to you about the Public Company Accounting Oversight Board's (PCAOB) proposed interim rule to implement Section 982 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203), and the costs and benefits of that rule as it applies to the auditors of introducing broker-dealers.

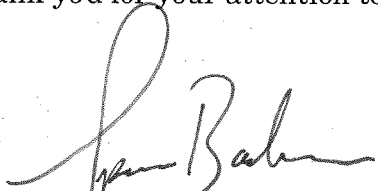
We believe that the case has yet to be made for the PCAOB to extend its oversight to include the auditors of introducing broker-dealers. Introducing broker-dealers are typically small businesses, with reduced capital requirements and limited infrastructure and staff. Because many auditors of these firms are also small businesses, compliance with a new Federal regulatory regime may present particular challenges. Furthermore, introducing broker-dealers may not accept client funds and if they receive client funds inadvertently, safeguards exist to ensure that these entities do not keep the money. Thus, it is difficult to envision how an inspection of an introducing broker-dealer's auditor would protect the broker-dealer's customers.

The PCAOB should conduct more research to determine whether inspections of their auditors would deter the introducing broker-dealers from committing securities fraud. The Board should also demonstrate that the benefits to investors from comprehensively regulating the auditors of introducing broker-dealers would exceed the costs of compliance.

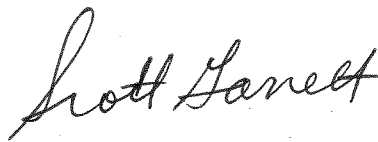
The exercise of the PCAOB's new authority should enhance investor protection without overly burdening the compliance regime for auditors, particularly small auditing firms, which may be disproportionately affected by complying with the Board's new rules.

Thank you for your attention to this important matter.

Sincerely,



SPENCER BACHUS  
Chairman  
Committee on Financial Services



SCOTT GARRETT  
Chairman  
Subcommittee on Capital Markets and  
Government Sponsored Enterprises