

Corporate & Financial Weekly Digest

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FINRA Recommends Establishing Investment Adviser SRO

Section 914 of the Dodd-Frank Wall Street Reform and Consumer Protection Act directs the Securities and Exchange Commission to study the extent to which designating one or more self-regulatory organizations (SROs) to augment its efforts in overseeing investment advisers would improve the frequency of examinations of investment advisers. In a November 2 comment letter to the SEC regarding its study, Richard Ketchum, Chairman and CEO of the Financial Industry Regulatory Authority, advocated establishing one or more investment adviser SROs. Chairman Ketchum wrote that the main problem with the oversight of investment advisers is the lack of examination resources. He pointed out that the SEC, despite its best efforts, is unlikely to successfully oversee investment advisers because of funding limits. He further added that cooperating with one or more SROs in the oversight process would help increase the frequency of examinations and resources devoted to enforcement, and suggested that FINRA would be ready and willing to assist the SEC. If FINRA were to seek authorization as an investment adviser SRO, it would create a separate affiliate, with its own Board of Governors, to ensure that the SRO establishes programs appropriate to the adviser industry.

In separate prior comment letters to the SEC, the Managed Funds Association, the Investment Adviser Association and the Investment Company Institute have each argued against establishing an investment adviser SRO.

To read FINRA's letter click [here](#).

To read the MFA's letter click [here](#).

To read the IAA's letter click [here](#).

To read the ICI's letter click [here](#).

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