



Americans for Financial Reform
1629 K St NW, 10th Floor, Washington, DC, 20006
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May 3rd, 2011

Dear Representative,

On behalf of Americans for Financial Reform, we are writing to urge you to **oppose H.R. 1082**, to amend the Investment Advisers Act of 1940 to provide a registration exemption for private equity fund advisers. Americans for Financial Reform is an unprecedented coalition of over 250 national, state and local groups who have come together to reform the financial industry. Members of our coalition include consumer, civil rights, investor, retiree, community, labor, religious and business groups as well as prominent economists.

During the legislative process, AFR was a strong proponent of the provisions of Dodd-Frank that will require advisers to hedge funds and private equity funds to register with the Securities and Exchange Commission. H.R. 1082 would exempt private equity fund advisers from registration under the Investment Advisers Act of 1940. Exempting such advisers would deny investors in these funds the protections of investing with a registered investment adviser including access to basic disclosures that are comparable across funds; ability to review information about the advisers' business practices, fees, and conflicts of interest; and investing with an adviser that is subject to the fiduciary duty arising out of case law interpreting the Investment Advisers Act. It would also deny the SEC the authority to conduct periodic and special examinations, which are necessary to identify and punish improper activities.

The Dodd-Frank Act includes an exemption for advisers to private funds that have less than \$150 million in assets under management in the United States. AFR opposes any attempt to increase the de minimis exemption below which private equity fund advisers would not be required to register with the SEC including the proposal to increase the de minimis exemption to \$5 billion. According to Private Equity International, there are fewer than 45 U.S.-based private equity fund advisers that have raised \$5 billion or more in the last five years.¹ There are more than 1,800 private equity funds in the U.S. It would be unacceptable to limit the investor protections that go along with registration under the Investment Advisers Act to 45 of the 1,800 private equity fund advisers in this country.

Fraud and abuse can occur at any fund, regardless of size. A 2008 study by BDO Consulting 2008, top executives at 37 percent of leading US private equity firms state that they have been exposed to corporate fraud through their investments. Of those exposed, 59 percent have

¹ Since the average investment duration for a private equity fund is often 7 to 10 years, this is not an exact proxy for how many private equity advisers would be covered. It gives a sense, however, of how few private equity advisers would actually be regulated by the SEC if all fund advisers with less than \$5 billion under management were exempt.

faced instances of fraud worth \$1 million or more.² There have been recent, prominent examples of alleged fraud among private equity advisers managing less than \$5 billion.³ Given the very real concerns about inappropriate activities in smaller private equity funds, it would be unacceptable to deny investors in these funds the protections of the Investment Advisers Act or to deny the SEC the ability to identify and punish improper activities.

We are also concerned that amendments to the Dodd-Frank Act will provide an opportunity for those who oppose financial regulation to make damaging changes to this landmark legislation. The proposals under consideration during the mark-up of the Subcommittee on Capital Markets and Government Sponsored Enterprises go far beyond technical amendments and are an attempt to reverse significant steps taken in the legislation. We should not chip away at the first meaningful steps toward re-regulating our financial markets after 30 years of deregulation led to the worst financial crisis since the Great Depression. AFR, therefore, urges you to oppose H.R. 1082 and all attempts to weaken the Dodd-Frank Act.

Sincerely,

Americans for Financial Reform

² BDO Consulting Corporate Anti-Fraud Study.

³ See e.g. U. S. Securities and Exchange Commission v. Onyx Capital Advisors, LLC, Roy Dixon, Jr. and Michael A. Farr, in the United States District Court for the Eastern District of Michigan (filed April 22, 2010). U. S. Securities and Exchange Commission v. Private Equity Management Goup Inc.; Private Equity Management Group, LC; and Danny Pang in the United States District Court for the Central District of California (filed April 24, 2009).

Following are the partners of Americans for Financial Reform.

All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.

- A New Way Forward
- AARP
- AFL-CIO
- AFSCME
- Alliance For Justice
- Americans for Democratic Action, Inc
- American Income Life Insurance
- Americans for Fairness in Lending
- Americans United for Change
- Calvert Asset Management Company, Inc.
- Campaign for America's Future
- Campaign Money
- Center for Digital Democracy
- Center for Economic and Policy Research
- Center for Economic Progress
- Center for Media and Democracy
- Center for Responsible Lending
- Center for Justice and Democracy
- Center of Concern
- Change to Win
- Clean Yield Asset Management
- Coastal Enterprises Inc.
- Color of Change
- Common Cause
- Communications Workers of America
- Community Development Transportation Lending Services
- Consumer Action
- Consumer Association Council
- Consumers for Auto Safety and Reliability
- Consumer Federation of America
- Consumer Watchdog
- Consumers Union
- Corporation for Enterprise Development
- CREDO Mobile
- CTW Investment Group
- Demos
- Economic Policy Institute
- Essential Action
- Greenlining Institute
- Good Business International

- HNMA Funding Company
- Home Actions
- Housing Counseling Services
- Information Press
- Institute for Global Communications
- Institute for Policy Studies: Global Economy Project
- International Brotherhood of Teamsters
- Institute of Women's Policy Research
- Krull & Company
- Laborers' International Union of North America
- Lake Research Partners
- Lawyers' Committee for Civil Rights Under Law
- Move On
- NASCAT
- National Association of Consumer Advocates
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Consumer Law Center (on behalf of its low-income clients)
- National Consumers League
- National Council of La Raza
- National Fair Housing Alliance
- National Federation of Community Development Credit Unions
- National Housing Trust
- National Housing Trust Community Development Fund
- National NeighborWorks Association
- National People's Action
- National Council of Women's Organizations
- Next Step
- OMB Watch
- OpenTheGovernment.org
- Opportunity Finance Network
- Partners for the Common Good
- PICO
- Progress Now Action
- Progressive States Network
- Poverty and Race Research Action Council
- Public Citizen
- Sargent Shriver Center on Poverty Law
- SEIU
- State Voices
- Taxpayer's for Common Sense
- The Association for Housing and Neighborhood Development
- The Fuel Savers Club
- The Leadership Conference on Civil and Human Rights
- The Seminal
- TICAS
- U.S. Public Interest Research Group
- United Food and Commercial Workers

- United States Student Association
- USAction
- Veris Wealth Partners
- Western States Center
- We the People Now
- Woodstock Institute
- World Privacy Forum
- UNET
- Union Plus
- Unitarian Universalist for a Just Economic Community

Partial list of State and Local Signers

- Alaska PIRG
- Arizona PIRG
- Arizona Advocacy Network
- Arizonans For Responsible Lending
- Association for Neighborhood and Housing Development NY
- Audubon Partnership for Economic Development LDC, New York NY
- BAC Funding Consortium Inc., Miami FL
- Beech Capital Venture Corporation, Philadelphia PA
- California PIRG
- California Reinvestment Coalition
- Century Housing Corporation, Culver City CA
- CHANGER NY
- Chautauqua Home Rehabilitation and Improvement Corporation (NY)
- Chicago Community Loan Fund, Chicago IL
- Chicago Community Ventures, Chicago IL
- Chicago Consumer Coalition
- Citizen Potawatomi CDC, Shawnee OK
- Colorado PIRG
- Coalition on Homeless Housing in Ohio
- Community Capital Fund, Bridgeport CT
- Community Capital of Maryland, Baltimore MD
- Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ
- Community Redevelopment Loan and Investment Fund, Atlanta GA
- Community Reinvestment Association of North Carolina
- Community Resource Group, Fayetteville A
- Connecticut PIRG
- Consumer Assistance Council
- Cooper Square Committee (NYC)
- Cooperative Fund of New England, Wilmington NC
- Corporacion de Desarrollo Economico de Ceiba, Ceiba PR

- Delta Foundation, Inc., Greenville MS
- Economic Opportunity Fund (EOF), Philadelphia PA
- Empire Justice Center NY
- Enterprises, Inc., Berea KY
- Fair Housing Contact Service OH
- Federation of Appalachian Housing
- Fitness and Praise Youth Development, Inc., Baton Rouge LA
- Florida Consumer Action Network
- Florida PIRG
- Funding Partners for Housing Solutions, Ft. Collins CO
- Georgia PIRG
- Grow Iowa Foundation, Greenfield IA
- Homewise, Inc., Santa Fe NM
- Idaho Nevada CDFI, Pocatello ID
- Idaho Chapter, National Association of Social Workers
- Illinois PIRG
- Impact Capital, Seattle WA
- Indiana PIRG
- Iowa PIRG
- Iowa Citizens for Community Improvement
- JobStart Chautauqua, Inc., Mayville NY
- La Casa Federal Credit Union, Newark NJ
- Low Income Investment Fund, San Francisco CA
- Long Island Housing Services NY
- MaineStream Finance, Bangor ME
- Maryland PIRG
- Massachusetts Consumers' Coalition
- MASSPIRG
- Massachusetts Fair Housing Center
- Michigan PIRG
- Midland Community Development Corporation, Midland TX
- Midwest Minnesota Community Development Corporation, Detroit Lakes MN
- Mile High Community Loan Fund, Denver CO
- Missouri PIRG
- Mortgage Recovery Service Center of L.A.
- Montana Community Development Corporation, Missoula MT
- Montana PIRG
- Neighborhood Economic Development Advocacy Project
- New Hampshire PIRG
- New Jersey Community Capital, Trenton NJ
- New Jersey Citizen Action
- New Jersey PIRG
- New Mexico PIRG
- New York PIRG
- New York City Aids Housing Network
- NOAH Community Development Fund, Inc., Boston MA
- Nonprofit Finance Fund, New York NY
- Nonprofits Assistance Fund, Minneapolis M

- North Carolina PIRG
- Northside Community Development Fund, Pittsburgh PA
- Ohio Capital Corporation for Housing, Columbus OH
- Ohio PIRG
- OligarchyUSA
- Oregon State PIRG
- Our Oregon
- PennPIRG
- Piedmont Housing Alliance, Charlottesville VA
- Michigan PIRG
- Rocky Mountain Peace and Justice Center, CO
- Rhode Island PIRG
- Rural Community Assistance Corporation, West Sacramento CA
- Rural Organizing Project OR
- San Francisco Municipal Transportation Authority
- Seattle Economic Development Fund
- Community Capital Development
- TexPIRG
- The Fair Housing Council of Central New York
- The Loan Fund, Albuquerque NM
- Third Reconstruction Institute NC
- Vermont PIRG
- Village Capital Corporation, Cleveland OH
- Virginia Citizens Consumer Council
- Virginia Poverty Law Center
- War on Poverty - Florida
- WashPIRG
- Westchester Residential Opportunities Inc.
- Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI
- WISPIRG

