

MEMO# 3596

March 16, 1992

SEC NO-ACTION LETTER ON INDEPENDENCE OF INVESTMENT ADVISER'S ACCOUNTANT

March 16, 1992 TO: INVESTMENT ADVISER MEMBERS NO. 11-92 INVESTMENT ADVISER
ASSOCIATE MEMBERS NO. 8-92 ACCOUNTING/TREASURERS MEMBERS NO. 11-92 RE: SEC
NO-ACTION LETTER ON INDEPENDENCE OF INVESTMENT ADVISER'S ACCOUNTANT

The staff of the Securities and Exchange Commission issued the attached no-attached letter to an investment adviser (the "Adviser") concerning the independence of the accounting firm that audited the Adviser for purposes under the Investment Advisers Act. The senior partner in the accounting firm also serves as a co-trustee of several trusts for which the Adviser renders investment advisory services. With respect to those trusts, the Adviser does not have custody of any of the trusts' assets or discretionary authority. Investment decisions are made only with the express agreement of the other co-trustee. In connection with the audit of the Adviser's financial statements, the accounting firm also conducts an audit of clients' funds and assets held by the Adviser. The staff responded that the independence between the accounting firm and the Adviser should not be deemed impaired under Section 602.02.g of the Codification of Financial Reporting Policies, which sets forth the Commission's views regarding the effect on independence of business relationships between an auditor and its client. Section 602.02.g states that direct and material indirect relationships between an auditor and its client will cause the auditor's independence to be deemed impaired. The staff stated that in view of the active involvement of the co-trustees other than the partner in the accounting firm, the relationship between the accounting firm and the Adviser should not be considered a direct business relationship. The staff also noted that the amount of fees received from the trust clients does not appear to be material to the Adviser and that the same appears to be true of the fees paid to the accounting firm by the trusts. Amy B.R. Lancellotta Associate General Counsel Attachment

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