



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

August 10, 2016

The Honorable Jack Reed
United States Senate
Washington, DC 20510-3903

Dear Senator Reed:

Thank you for your June 17, 2016, letter concerning increased collaboration between the U.S. Small Business Administration (SBA) and the Securities and Exchange Commission (SEC) with respect to the Small Business Investment Company (SBIC) Program. The SBA truly appreciates your interest in, and concern for, the SBIC Program. As requested in your letter, I am writing to provide you with an update of the July 28, 2016, meeting between the SEC's Office of Compliance Inspections and Examinations, Private Funds Unit and SBA's Office of Investment and Innovation, Office of Examinations.

The meeting was the third meeting this year between SBA and SEC staff concerning common goals relating to fund oversight, but it was the first meeting focused primarily on the audit/examinations process. At the meeting, the SEC Private Funds Unit and SBA Office of Examinations discussed that while their legislative mandates are different, the focus and process of their examinations overlap in many important respects. Improving compliance, preventing fraud and monitoring risk of regulated funds are key goals shared by both.

The meeting provided a constructive forum for SBA's Office of Examinations and the SEC's Private Funds Unit to begin a deeper dialogue concerning these important goals. The SEC Private Funds Unit and SBA Office of Examinations explored a number of areas in which increased collaboration might prove beneficial and discussed developing a more permanent forum for information sharing. A follow-up meeting has not been scheduled yet, but the groups are in discussions to schedule a series of follow-up meetings.

Your letter requested that SBA ensure that, on an ongoing basis, SBA examiners have the capacity to spot credible claims of investor fraud and an understanding of how and when to refer such claims to the SEC. I want to emphasize that SBA is obligated to refer fraud to appropriate authorities. The SBA's Standard Operating Procedure, SBIC Examinations Guidelines, identifies the reporting obligations incumbent on SBA's examiners if they become aware of situations or transactions that appear to indicate fraud. If SBA's examiners discover evidence of violations of federal securities laws, it would be appropriate to refer such matters to the SEC.

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Again, thank you for your interest in the SBIC Program and thank you for your efforts in protecting the interests of American investors. The SBA is proud to share with you information regarding the SBIC program's high level of performance and integrity.

We appreciate your support of SBA and America's small businesses. If you or your staff have any questions, please contact Mark Tiner, SBA Deputy Assistant Administrator for Congressional and Legislative Affairs, at (202) 205-6700.

Sincerely,

Mark L. Walsh

Associate Administrator, Office of Investment and Innovation,
U.S. Small Business Administration

cc: Mary Jo White, Chair, U.S. Securities and Exchange Commission
Maria Contreras-Sweet, Administrator, U.S. Small Business Administration