March 7, 2023

Submitted via regulations.gov

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: Request for Extension to the Comment Period for Safeguarding Advisory Client Assets Proposed Rule [Release No. IA-6240; File No. S7-04-23; RIN 3235-AM32]

Dear Ms. Countryman:

The LSTA[1] respectfully requests a 60-day extension to the comment period provided by the Securities and Exchange Commission ("SEC") to amend and redesignate rule 206(4)-2 under the Investment Advisers Act of 1940.[2]. The LSTA was among the several trade associations that submitted an extension request letter dated March 3, 2023; we write here to describe the unique challenges to loan market participants and custodians presented by the proposal and explain why meeting the SEC's unreasonably short deadline would be very difficult. Exacerbating our challenge are the many concurrent SEC rule proposals we have been working on, including, for example, the Conflicts in Securitization Proposal[3] which is due on March 27, 2023, and the Liquidity Risk Management/Swing Pricing Rule in respect of which we submitted a comment letter[4] on the deadline, one day before the approval by the SEC of the Safeguarding proposal.

The proposal would broaden the application of the current investment adviser custody rule, expanding its coverage from funds and securities to all client assets, amend the definition of qualified custodian, and make several other important changes. In the case of loan funds, most advisers would be subject to the custody rule for the first time. The proposal would require such advisers to obtain significant written assurances from custodians who do not currently provide such assurances and are not subject to SEC jurisdiction. Advisers would also be required to engage independent public accountants either to undertake annual surprise examinations or to validate every transaction executed on behalf of a client. As noted in the joint trade's extension request, advisers and financial institutions serving as qualified

[1] The LSTA is a not-for-profit trade association that is made up of a broad and diverse membership involved in the origination, syndication, and trade of commercial loans. The nearly 600 members of the LSTA include commercial banks, investment banks, broker-dealers, hedge funds, mutual funds, insurance companies, fund managers, and other institutional lenders, as well as law firms, service providers and vendors. The LSTA undertakes a wide variety of activities to foster the development of policies and market practices designed to promote just and equitable marketplace principles and to encourage cooperation and coordination with firms facilitating transactions in loans. Since 1995, the LSTA has developed standardized practices, procedures, and documentation to enhance market efficiency, transparency, and certainty. For more information, visit www.lsta.org

[2] Safeguarding Advisory Client Assets, 17 CFR Parts 275 and 279 (2023).

[3] https://www.sec.gov/comments/s7-01-23/s70123-20158317-326370.pdf

[4] https://www.sec.gov/comments/s7-26-22/s72622-20157336-325683.pdf

custodians will need time to vet the proposal internally and consult with one another and with sub-custodians and other parties that will be impacted by the proposal. Participants in the loan market will need to examine the mechanics and flows of the trading and settlement process to determine how loans would be treated under the proposal. This will take time and involve many loan market stakeholders including advisers, agent banks, dealers, trustees and custodians.

We are also concerned that the SEC is not considering that the pace and complexity of its simultaneous rulemaking ultimately may harm, rather than benefit, investors. Aside from the sheer volume of rulemaking items, the Commission simultaneously is tackling issues that could result in significant shifts in industry operations and practices.

We appreciate the opportunity to provide feedback on this important issue and look forward to hearing from you at your earliest opportunity regarding an extension of the response deadline.

Respectfully submitted,

Elliot Ganz, Head of Advocacy, Co-Head of Public Policy