



March 3, 2023

*Submitted electronically*

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 undersigned Associations,<sup>1</sup> which together represent a significant portion of the financial services industry, including banks of all sizes, global custodians, broker-dealers, investment funds, fund managers, alternative investments and registered investment advisers, respectfully request a 60-day extension to the comment period provided by the Securities and Exchange Commission to amend and redesignate rule 206(4)-2 under the Investment Advisers Act of 1940.<sup>2</sup> 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.

The SEC issued the proposal on February 15, 2023, allowing a 60-day comment period from date of publication in the Federal Register. The proposal, however, is broad based, complex, and technical, proposing changes that will drastically and permanently alter the custody business model and the prevailing market for custody services. It is anticipated, for example, that the proposed changes to contractual arrangements would remake the business relationships between registered investment advisers (RIAs) and qualified custodians, between qualified custodians and retained sub-custodians (and other hired third parties), and between RIA clients and the RIAs and qualified custodians. RIAs and financial institutions serving as qualified custodians will need time to vet the proposal internally and to consult with one another and with sub-custodians and other parties that will be impacted by the proposal.

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<sup>1</sup> ABA Securities Association, Alternative Credit Council, Alternative Investment Management Association, American Bankers Association, American Investment Council, Association of Global Custodians, Independent Community Bankers of America, Investment Adviser Association, Investment Company Institute, LSTA, Managed Funds Association, Securities Industry and Financial Markets Association, SIFMA Asset Management Group.

<sup>2</sup> [Safeguarding Advisory Client Assets](#), 17 CFR Parts 275 and 279 (2023).

Banks and savings associations are defined as qualified custodians under the current custody rule and many banking institutions of all sizes offer custodial services. The proposed changes to the definition of “qualified custodian” may result in some banks and savings associations falling outside this definition, which could have a material impact on their business. In addition to impacting qualified custodians, the proposal is yet another of a flurry of regulatory changes aimed at RIAs. The full impact on RIAs of the Proposal’s costs and other burdens will take some time to assess.

In light of the significance of the topic and the proposed number and magnitude of far-reaching changes, we are concerned that the existing comment deadline will not provide us with sufficient time to perform the level of analysis that this proposal warrants. We are also concerned that the Commission is not taking into account that the pace and complexity of its simultaneous rulemaking ultimately may harm, rather than benefit, investors. As many of the trade associations represented in this letter, along with several others, noted in a 2022 letter to Chair Gensler, 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. The letter also noted that “exceedingly short comment periods associated with numerous concurrent potentially interconnected rule proposals that touch on significant changes to the operational and regulatory regime applicable to financial firms could result in rules that hurt investors, damage the financial system, implicate the Commission’s obligations under the [Administrative Procedure Act] and internal rulemaking guidelines, and ultimately violate the Commission’s tripartite mission.”<sup>3</sup>

Respectfully submitted,

ABA Securities Association	Independent Community Bankers of America
Alternative Credit Council	Investment Adviser Association
Alternative Investment Management Association	Investment Company Institute
American Bankers Association	LSTA
American Investment Council	Managed Funds Association
Association of Global Custodians	Securities Industry and Financial Markets Association

cc: The Honorable Gary Gensler, Chair  
The Honorable Hester M. Peirce, Commissioner  
The Honorable Caroline A. Crenshaw, Commissioner  
The Honorable Mark Uyeda, Commissioner  
The Honorable Jaime Lizárraga, Commissioner

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<sup>3</sup> Letter to SEC Chair Gensler from a broad coalition of trade associations available at <https://www.aba.com/advocacy/policy-analysis/ltr-sec-length-of-comment>.

## Appendix

### Description of the Associations

#### 1. ABA Securities Association

The ABA Securities Association (ABASA) is a separately chartered trade association and non-profit subsidiary of the American Bankers Association whose mission is to represent the interests of banks underwriting and dealing in securities, proprietary mutual funds and derivatives before Congress and the federal government. ABASA members are large financial institutions with significant capital markets businesses.

#### 2. Alternative Credit Council

The Alternative Credit Council (ACC) is a global body that represents asset management firms in the private credit and direct lending space. It currently represents 250 members that manage over US\$800bn of private credit assets.

The ACC is an affiliate of AIMA and is governed by its own board which ultimately reports to the AIMA Council.

ACC members provide an important source of funding to the economy. They provide finance to mid-market corporates, SMEs, commercial and residential real estate developments, infrastructure as well the trade and receivables business.

The ACC's core objectives are to provide guidance on policy and regulatory matters, support wider advocacy and educational efforts and generate industry research with the view to strengthening the sector's sustainability and wider economic and financial benefits.

Alternative credit, private debt or direct lending funds have grown substantially in recent years and are becoming a key segment of the asset management industry. The ACC seeks to explain the value of private credit by highlighting the sector's wider economic and financial stability benefits.

#### 3. Alternative Investment Management Association

The Alternative Investment Management Association (AIMA) is the global representative of the alternative investment industry, with around 2,100 corporate members in over 60 countries. AIMA's fund manager members collectively manage more than US\$2.5 trillion in hedge fund and private credit assets.

AIMA draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programmes and sound practice guides. AIMA works to raise media and public awareness of the value of the industry.

AIMA set up the Alternative Credit Council (ACC) to help firms focused in the private credit and direct lending space. The ACC currently represents over 250 members that manage US\$800 billion of private credit assets globally.

AIMA is committed to developing skills and education standards and is a co-founder of the Chartered Alternative Investment Analyst designation (CAIA) – the first and only specialised educational standard for alternative investment specialists. AIMA is governed by its Council (Board of Directors).

#### **4. American Bankers Association**

The American Bankers Association is the voice of the nation's \$23.6 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$19.2 trillion in deposits and extend \$12.2 trillion in loans.

#### **5. American Investment Council**

The American Investment Council, based in Washington, D.C., is an advocacy, communications, and research organization established to advance access to capital, job creation, retirement security, innovation, and economic growth by promoting responsible long-term investment. In this effort, the AIC develops, analyzes, and distributes information about private equity and private credit industries and their contributions to the US and global economy.

Established in 2007 and formerly known as the Private Equity Growth Capital Council, the AIC's members include the world's leading private equity and private credit firms which have experience with the investment needs of insurance companies. As such, our members are committed to growing and strengthening the companies in which, or on whose behalf, they invest, to helping secure the retirement of millions of pension holders and to helping ensure the protection of insurance policyholders by investing insurance company general accounts in appropriate, risk-adjusted investment strategies. For further information about the AIC and its members, please visit our website at <http://www.investmentcouncil.org>.

#### **6. Association of Global Custodians**

The Association of Global Custodians is an informal association of 12 financial institutions that provide securities safekeeping services and asset-servicing functions to primarily institutional cross-border investors worldwide. As a non-partisan advocacy organization, the Association represents members' common interests on regulatory and market structure matters through comment letters, white papers and interaction with legislative and regulatory authorities and financial industry organizations. The members of the Association of Global Custodians are: BNP Paribas; BNY Mellon; Brown Brothers Harriman & Co.; Citibank, N.A.; Deutsche Bank; HSBC Securities Services; JP Morgan; Northern Trust; RBC Investor & Treasury Services; Skandinaviska Enskilda Banken; Standard Chartered Bank; and State Street Bank and Trust Company.

#### **7. Independent Community Bankers of America**

The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services. With nearly 50,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding more than \$5.8 trillion in assets, over \$4.8 trillion in deposits, and more than \$3.5 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at [www.icba.org](http://www.icba.org).

#### **8. Investment Adviser Association**

The Investment Adviser Association (IAA) is the leading organization dedicated to advancing the interests of investment advisers. For more than 85 years, the IAA has been advocating for advisers before Congress and U.S. and global regulators, promoting best practices and providing education and resources to empower advisers to effectively serve their clients, the capital markets, and the U.S. economy. The IAA's member firms manage more than \$35 trillion in assets for a wide variety of individual and institutional clients, including pension plans, trusts, mutual funds, private funds, endowments, foundations, and corporations. For more information, please visit [www.investmentadviser.org](http://www.investmentadviser.org).

## **9. Investment Company Institute**

The Investment Company Institute (ICI) is the leading association representing regulated investment funds. ICI's mission is to strengthen the foundation of the asset management industry for the ultimate benefit of the long-term individual investor. Its members include mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in Europe, Asia and other jurisdictions. Its members manage total assets of \$28.3 trillion in the United States, serving more than 100 million investors, and an additional \$7.4 trillion in assets outside the United States. ICI has offices in Washington, DC, Brussels, London, and Hong Kong and carries out its international work through ICI Global

## **10. LSTA**

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](http://www.lsta.org)

## **11. Managed Funds Association**

MFA represents the global alternative investment industry and its investors by advocating for regulatory, tax, and other public policies that foster efficient, transparent, and fair capital markets. MFA's more than 150 member firms collectively manage nearly \$2.6 trillion across a diverse group of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors to diversify their investments, manage risk, and generate attractive returns over time. MFA has a global presence and is active in Washington, London, Brussels, and Asia.

## **12. Securities Industry and Financial Markets Association (SIFMA)**

SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate on legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>

## **13. SIFMA Asset Management Group**

SIFMA AMG brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG's members represent U.S. and global asset management firms whose combined assets under management exceed \$45 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds.

