

It's my understanding that this is the SEC Proposal:

**The SEC's Proposals:**

Withdrawing Fees Means "Custody" and Surprise Inspections; and Use of Only Qualified Custodians Who Provide Statements Would Not Avoid Surprise Inspection Requirement Where Custody Exists For Any Reason. The SEC proposes to require that all registered investment advisers with custody of client assets engage an independent public accountant to conduct an annual surprise examination of client assets. **There would be no exception to the annual surprise inspection requirement if all assets were held at qualified custodians who delivered at least quarterly statements directly to clients. And, there would be no exception for advisors who possess custody, merely because they withdraw funds from client accounts for payment of a client's fees.**

If that is the case, I am opposed to a surprise examination of advisers that use qualified custodians, and have "custody" of client funds solely as a result of their authority to withdraw fees from clients accounts.

One reason I am opposed is that as I understand it will not remove the potential of fraud or abuse by anyone that desires to commit such an act as it appears that they can easily circumvent such a rule. So this will do little to nothing to protect investors. Wasn't Madoff's accountant charged with multiple counts of securities fraud? This new proposal assumes that accountants are beyond reproach. Recent history suggests otherwise. It will take more than a surprise annual review by an accountant to prevent this crime. I assume that is the goal here and if it is, this is all bark, no bite.

Another reason I am against this is because to impose such a rule will create a sense of distrust in some clients and perhaps investors overall. While there have been a few well publicized cases of serious problems, to suggest that the overall of trustworthiness of ALL advisers is so low that it requires surprise oversight is creating panic where none currently exists. This won't increase investor confidence, it will likely make them think that they shouldn't trust any of us. That's something I hope the SEC will avoid.

Finally, I feel that instead of another set of eyes that can be misled or bribed, or a widespread rule that throws ALL advisers under the bus, a better idea is just capping fees that can be withdrawn to an reasonable amount. I have seen the 3% number being tossed about, which seems reasonable as an upper end. Any adviser requesting above that shouldn't have a problem with additional oversight, and certainly clients would understand oversight at that that level without increasing widespread mistrust for the standard adviser fee. This would also have the benefit of being easily policed by the SEC and custodians electronically instantaneously, and limit any losses to clients to a minimal amount. Not to mention being cost effective for everyone. This is intelligent oversight with teeth that can quickly bite those that get out of line.

In summary, the standard practice of the vast majority of advisers shouldn't be disrupted by such an onerous oversight regulation. While a few crooks have made headlines, the vast majority of advisers have long-term relationships with their clients, have never taken a dime they didn't lawfully deserve, and certainly don't deserve to be put through a surprise inspection for simply collecting standard fees due them by clients that have signed written contracts

allowing it when the result of which won't prevent those that intend to commit fraud from breaking the law.

Thank you.

Sincerely,

Dr. Douglas Rice, CFP®  
Registered Investment Adviser