

SEC's Proposed Changes to the Custody Rule
Release No. IA-2876
“Custody of Funds or Securities of Clients by Investment Advisers”

I am a member the Financial Planning Association (FPA) and SEC-registered investment adviser and wish to voice my displeasure and opposition regarding the subject proposed requirements. Please find my comments below.

- The requirement in the proposed amendments to the custody rule that would subject investment advisers to a surprise audit by an accounting firm would place undue burdens on advisors both due to additional costs and of time taken away for servicing clients. These costs would then be passed on to the clients.
- The proposed surprise audit appears to be a knee jerk reaction to criticism after the Madoff scandal rather than an effective regulatory response. The SEC has eliminated a loophole from registration for certain accounting firms which previously enabled Madoff's phony auditing practices to go undetected.
- The Madoff and other Ponzi schemes have resulted from a lack of current rules being aggressively enforced by the SEC and FINRA. It would appear that repeated warnings from the media and whistle blowers were ignored. FINRA should be held accountable for its failure in the oversight of Bernie Madoff in conducting the Ponzi scheme for decades as a broker-dealer, before registering two years ago as an investment adviser.
- The scandals that have been uncovered by the SEC had nothing to do with fees deducted by investment advisers. As far as we are aware, there have been no systemic problems in this area and are unnecessary, costly and burdensome, particularly for small, independent investment advisers.
- I fully support Congress appropriating additional resources to the SEC to hire and train additional examination staff to increase the regular audit cycle of investment advisers as they seek to enhance consumer protection.

Sincerely,

Thomas B. Fleishel, MBA
Certified Financial Planner™