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Elizabeth Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington DC 20549-1090

Re: File Number S7-09-09

Dear Ms. Murphy:

I am writing to express my strong opposition to the proposed custody rule whereby registered investment advisers, who have authority to debit advisory fees from clients' custodial accounts, would be required to undergo an annual expensive surprise audit by an independent certified public accounting firm.

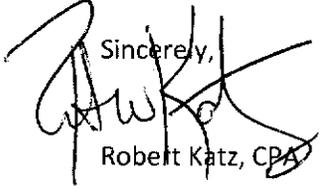
I am both a partner in a CPA firm and the president of a small registered investment advisory firm. To put this burden on RIA firms is going to be burdensome, expensive, and I can tell you as a CPA that it will accomplish very little other than generating fees for CPA firms. Virtually all of the large frauds of recent years took place at companies that were being audited on a regular basis, i.e. Worldcom, Enron and Stanford. The truth is that audits are wonderful for confirming the results of honestly prepared financial statements, but are poor at detecting fraud.

Moreover, I am unaware of debiting fees from clients accounts ever being a major problem area, so what is being accomplished for all of this additional cost?

These rules, if adopted, will do what so much legislation does. Over the last several years compliance has become very expensive especially for smaller firms. My fear is that, people like me who go to great lengths to comply with all rules and regulations will bear yet another expensive compliance cost. Meanwhile, those intent on fraud will now focus on ways to defraud the annual auditors as well as their clients.

Please do not adopt this legislation. Surely, there must be an easier way. For instance, have custody firms implement a program that will not allow RIA firms to deduct more than some reasonable threshold (like 1% or even 2%) a year. This would involve a one time programming change and would accomplish what you are trying to accomplish without the excessive ongoing cost of an annual audit.

Thank you for your time and consideration with this matter.

Sincerely,

Robert Katz, CPA

