



-Providing Wealth Management for Generations-

July 22, 2009

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



Re: File Number S7-09-09

Dear Sirs/Madams:

Thank you for the opportunity to express our views regarding the proposed changes to rule 206(4)-2 under the Advisors Act.

As an SEC registered investment adviser we are opposed to the change that would require our firm and the thousands of other firms such as ours to be deemed to have custody and thus require an annual surprise audit simply because we deduct fees from our clients accounts being held at an independent, third party custodian with the written permission of the client.

In the Discussion Section of the proposal you state that the purpose of the proposed revisions to rule 206(4)-2 "are designed to improve the safekeeping of client assets". That objective would be strongly endorsed by all advisers who place their fiduciary responsibility at the highest priority. The issue before the Commission is how best to achieve that common objective.

In our view, there are several steps that when taken in combination would maximize the security of client assets.

- First, permission to deduct fees from the client's account and a clear explanation of how these fees will be calculated should be an integral part of the advisory contract.
- Second, I would suggest mandating the use of an independent, third party custodian that will provide directly to the client a monthly, or at a minimum quarterly, statement showing all activity in the client's account and a listing of all assets.
- Third, the adviser should provide the client a separate invoice detailing the calculation and the amount of the fees.

- Lastly, the client must be strongly encouraged to compare the adviser's invoice with the deduction of fees listed in the third party custodian's monthly statement.

These four steps make an outside audit by an accounting firm redundant, irrelevant and expensive. The expense, of course, will be passed on to the client through increased fees. I doubt that our clients would be happy to see a fee increase when they believe that they are already well protected by the procedures in place. Our clients are very satisfied with our ability to deduct fees directly from the account that we are managing. The process is transparent, simple and trouble free. These are important considerations for busy, successful people. Creating a process that is a great deal more trouble with no apparent benefit is certainly not the direction that the Commission wishes to follow.

Further, to the extent that the fees are paid through separate arrangements or through separate banking arrangements, it greatly encourages the reporting of performance gross of fees rather than net of fees. It is our belief that reports to clients should reflect our performance net of all fees and expenses. Our clients strongly agree.

It would seem that most of the criminal activity that we are aware of stems from a lack of morality and ethics followed by opportunity and quite often collusion between an adviser, a related custodian and an accounting firm. Evidence the criminal schemes that you reference in footnote 11, page 7 in the Discussion section. While no regulation can provide absolute protection from misconduct by unscrupulous advisers, the actions that we have proposed regarding the deduction of fees from client accounts should provide very strong protections for the client.

Respectfully,

A handwritten signature in black ink, appearing to read "Robert J. Graham", written over a horizontal line.

Robert J. Graham, CEO
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