



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

Re: File No S7-09-09, Custody of Funds or Securities of Clients by Investment Advisers

Dear Ms. Murphy:

Please accept this letter as a statement of our opposition to certain provisions of the proposed rule 206(4)-2(4). Specifically, we are opposed to the inclusion of advisers based solely on their authority to deduct advisory fees from client account.

Based on our own firm's circumstance we have a small number of retail clients who have provided specific authorization to deduct fees directly from their account. Under the proposed rule this would be the sole basis by which such accounts would be deemed custodial. In support of our opposition, we would offer the following:

- 1) Clients receive custodial statements that are prepared by a third party custodian, separate from any information provided by our firm. This allows the client to confirm their portfolio balances, transactions, disbursements, and holdings from an independent source other than the investment adviser.
- 2) To the extent that access to client funds is limited to the deduction of fees the risk of an advisory firm misappropriating client funds is significantly reduced, if not eliminated.
- 3) To the best of our knowledge, none of the recent Ponzi related frauds resulted from the sole ability to deduct client fees from accounts.
- 4) Implementation of this rule, as proposed, would impose a cost and burden on affected advisers and encourage many of them to cease collecting fees in a manner which has proven convenient to many clients.

While we fully support the actions of the SEC to protect investors from fraudulent activities such as those that have made headlines during the past year, we would submit that certain provisions of the proposed rule 206(4)-2(4) are unnecessary and would have the unintended consequence of inconveniencing clients while adding substantial time and expense to advisory firms with little offsetting benefit. We would respectfully urge the Commission to consider providing an exemption to advisory firms whose sole basis for being deemed a custodian is their ability to deduct fees.

We appreciate the opportunity to provide comment on this matter.

Best regards,

Andrew M. Cantor  
Principal