

To whom it may concern:

Greetings. I am writing in response to the SEC's Proposed Changes to the Custody Rule, Release No. IA-2876.

I am an SEC Registered Investment Advisor, a member of the Financial Planning Association (FPA), and a Certified Financial Planner registrant.

I wanted to take this opportunity to formally object to the proposed amendments to the custody rule that would subject investment advisers to a surprise audit by an accounting firm, solely because those advisors automatically deduct client fees from their investment accounts. If passed, this regulation would require surprise audits at approximately 9,575 SEC registered firms.

I can understand the need for increased regulation in the financial services industry, but as a small business owner, the costs involved in implementing these surprise audits would be extremely costly and burdensome. Ultimately, these increased costs would end up being passed on to my clients, the very individuals this additional regulation is designed to help.

In my opinion, the surprise audit proposal appears to be more of a political reaction to the very public criticism of the SEC in the wake of the Madoff scandal, as compared to an effective and legitimate regulatory response.

The Madoff scandal and other Ponzi schemes were allowed to happen due to the lack of aggressive enforcement by the SEC and FINRA of current rules, and ignoring repeated warnings from the media and whistle blowers. The SEC should hold FINRA accountable for its shared oversight of Madoff, as FINRA (and its predecessor NASD) were the regulator body in charge of reviewing Madoff's decades-old broker-dealer business. Madoff only registered with the SEC as an investment adviser within the past few years.

Most importantly, the Madoff scandal and other Ponzi schemes uncovered by the SEC had nothing to do with fees deducted by investment advisers, which is the purpose of the proposed surprise audits. As far as I am aware, there have been no systemic problems in this area, and the additional costs that will be borne by investment advisers and clients is unnecessary.

There have been no news reports of investment advisory firms stealing billions of dollars from clients via a quarterly management fee deduction. Our client's assets are held at a third-party custodian, Charles Schwab & Company, and the amount of the fees debited for our services are always clearly itemized on the client's monthly statements. In addition, we mail an invoice to our clients a few days ahead of the management fee being debited from their account, so they can then reconcile our invoice with the actual fee that is debited.

Madoff and others stole from clients by generating fictitious statements, not by debiting their investment advisory fees from client accounts.

I think the most appropriate regulatory solution to enhance consumer protection would be for Congress to appropriate additional resources to the SEC to hire additional examination staff, so this additional staff can increase the regular audit cycle of investment advisors.

Should you have any questions, or would like to discuss any of these issues, please feel free to contact me at (607) 937-9282.

Thank you,

Bill

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