



May 5, 2023

*Submitted via regulations.gov*

Ms. Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

**RE: Safeguarding Advisory Client Assets Proposed Rule [Release No. IA-6240; File No. S7-04-23; RIN 3235-AM32]**

Dear Ms. Countryman:

The LSTA<sup>1</sup> respectfully wishes to inform you that we are unable timely to submit a comment letter in respect of the proposal by the Securities and Exchange Commission (“SEC”) to amend and redesignate rule 206(4)-2 under the Investment Advisers Act of 1940.<sup>2</sup> The LSTA submitted an extension request letter on March 7, 2023<sup>3</sup> (the “LSTA Extension Request”) and was among the several trade associations that submitted an extension request letter dated March 3, 2023<sup>4</sup>. As we noted in the LSTA Extension Request, there are many unique challenges to loan market participants and custodians presented by the proposal. We explained why meeting the SEC’s unreasonably short deadline would be very difficult. We further noted that exacerbating our challenge were the many concurrent SEC rule proposals we have been working on, including, for example, the Conflicts in Securitization Proposal<sup>5</sup> which was due on March 27, 2023, and the Liquidity Risk Management/Swing Pricing Rule in respect of which we submitted a comment letter<sup>6</sup> on the deadline, one day before the approval by the SEC of the Safeguarding proposal.<sup>7</sup>

Not surprisingly, despite the best efforts of our staff, members of our working group and counsel, we are unable to complete our comment letter in time to meet your unreasonably short comment period and we

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<sup>1</sup> The LSTA is a not-for-profit trade association that is made up of a broad and diverse membership involved in the origination, syndication, and trade of commercial loans. The nearly 600 members of the LSTA include commercial banks, investment banks, broker-dealers, hedge funds, mutual funds, insurance companies, fund managers, and other institutional lenders, as well as law firms, service providers and vendors. The LSTA undertakes a wide variety of activities to foster the development of policies and market practices designed to promote just and equitable marketplace principles and to encourage cooperation and coordination with firms facilitating transactions in loans. Since 1995, the LSTA has developed standardized practices, procedures, and documentation to enhance market efficiency, transparency, and certainty. For more information, visit [www.lsta.org](http://www.lsta.org)

<sup>2</sup> [Safeguarding Advisory Client Assets](#), 17 CFR Parts 275 and 279 (2023).

<sup>3</sup> <https://www.sec.gov/comments/s7-04-23/s70423-20158808-326881.pdf>

<sup>4</sup> <https://www.sec.gov/comments/s7-04-23/s70423-20164520-334415.pdf>

<sup>5</sup> <https://www.sec.gov/comments/s7-01-23/s70123-20158317-326370.pdf>

<sup>6</sup> <https://www.sec.gov/comments/s7-26-22/s72622-20157336-325683.pdf>

<sup>7</sup> Indeed, the LSTA was unable to address all its concerns on the Conflicts in Securitization proposal and, instead, submitted by the deadline only the first of three comment letters (<https://www.sec.gov/comments/s7-01-23/s70123-20161797-330673.pdf>), submitted its second letter on May 2, 2023 and is currently working on its third and final submission.



hope to submit our letter in the coming weeks. As we explained in the LSTA Extension Request, “[p]articipants in the loan market will need to examine the mechanics and flows of the trading and settlement process to determine how loans would be treated under the proposal. This will take time and involve many loan market stakeholders including advisers, agent banks, dealers, trustees and custodians.” The short comment period provided by the SEC simply did not give us sufficient time to complete our process.

We reiterate our concern that the SEC is not considering that the pace and complexity of its simultaneous rulemaking ultimately may harm, rather than benefit, investors. Aside from the sheer volume of rulemaking items, the SEC simultaneously is tackling issues that could result in significant shifts in industry operations and practices..

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Elliot Ganz", is written over a horizontal line.

Elliot Ganz, Head of Advocacy, Co-Head of Public Policy