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May 4, 2023

Ms. Vanessa A Countryman
Secretary
Securities and Exchange Commission
Email: rule-comments@sec.gov

RE: File Number S7-04-23

Dear Ms. Countryman:

North Capital Private Securities Corporation (CRD #: 154559/SEC #: 8-68648) is an SEC-registered clearing and carrying broker-dealer, member FINRA and SIPC, focused on the offering, transaction, clearing, custody, and secondary trading of exempt securities. Our mission is to expand access, liquidity, and transparency of private markets through the development and deployment of infrastructure. We work with over 150 issuers, managers and professional intermediaries to support their activities in private markets.

We welcome the opportunity to submit this letter in response to the request of the Securities and Exchange Commission ("Commission") for comments on Investment Advisers Act Release No. IA-6240 (February 15, 2023), which proposes a new Safeguarding Rule and amendments to Rule 206(4)-2 (the "Custody Rule") under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The proposed new rule and amendments (the "Safeguarding Rule") would expand the scope of the Custody Rule to require the safeguard by registered investment advisers of all client assets they manage under the Advisers Act.

At this time, we are unclear as to how the Commission intends for the Safeguarding Rule to apply to Exempt Reporting Advisors ("ERAs"), which manage hundreds of billions of dollars of alternative assets, including private securities and crypto digital assets, or to unregistered advisors who do not meet the ERA threshold. The Safeguarding Rule would be undermined if it were not applicable to all professional investment managers, including state registered investment advisers and advisors exempt from registration due to their legal structure or limited assets under management.

We stand in support of the Safeguarding Rule to provide greater investor protection of assets managed by registered investment advisers. Investor protection is a core value and strength of U.S. public securities markets, and recent events have demonstrated the obvious need to extend protections and safeguards to private markets as well. However, as the senior executive of a

clearing and carrying broker-dealer, I am concerned that the Commission has not expanded the scope of "good control" locations that may be utilized by broker-dealer custodians to comply with the possession or control part of the Safeguarding Rule. Broker-dealers are the principal intermediaries in the primary offering, transaction, and secondary trading of securities; they should play a commensurate role in providing custody services under this expanded Safeguarding Rule.

Under SEA Rule 15c3-3, good control locations for broker-dealers are prescriptively limited to banks, central securities depositories such as DTCC, certain foreign financial institutions, transfer agents (subject to the no action relief previously granted by the Commission), or other control locations specified by the Commission. Most private securities and other securities issued pursuant to an exemption from registration have not traditionally involved custodians. The issuers are often too small to be eligible for DTCC clearing, exempt private funds may not qualify for the DTCC's AIP system, and most banks are not able to conduct the research and due diligence required to establish a reasonable opinion about the risk of holding the asset to properly safeguard investors. This leaves the brokerage industry reliant upon a handful of bank and trust company sub-custodians, some of which compete directly with the same broker-dealers, and all of which have idiosyncratic procedures that are inherently not scalable.

Moreover, regarding crypto digital assets, broker-dealers are not permitted to maintain custody of such assets, directly or indirectly. This guidance was provided in the Joint Staff Statement on Broker-Dealer Custody of Digital Asset Securities of July 8, 2019.

While an advisor could maintain a private security with a clearing broker-dealer as custodian, which in turn keeps the asset with a bank custodian as its "good control" location, this same structure would not work for a crypto digital asset. Broker-dealers simply cannot participate in the clearing and custody of digital assets. This anomaly should be rectified prior to implementation of the Safeguarding Rule. Custodial broker-dealers should be specifically enabled to provide custody services for all assets managed by registered investment advisers, including crypto digital assets.

In many cases, broker-dealers have deep domain knowledge, experience structuring primary offerings of digital asset securities, and an understanding of the technical underpinnings of the market. It would be in investors' best interest, and would promote the Commission's objective of investor protection, to have registered clearing and carrying broker-dealers involved in this market.

Thank you for your consideration.

James P Dowd, CFA
Chief Executive Officer