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U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549
Attn: Office of the Secretary

Subject: Comprehensive Response to the SEC Proposal - Safeguarding Advisory Client Assets, Release No. IA-6240

Dear Sir/Madam,

I am writing to express my formal and comprehensive response to the Securities and Exchange Commission's (SEC) proposal regarding the Safeguarding Advisory Client Assets, Release No. IA-6240. This response delves into four critical aspects of the proposal, touching upon freedom of speech, the private fund advisor rule, financial privacy, and the potential impact on personal finance and entrepreneurship. To further emphasize these points, I will draw upon the wisdom and insights of historical presidents and politicians. Moreover, I will incorporate relevant examples of failures regarding financial custody, including the Enron scandal and banking crises, which underscore the necessity of effective regulation.

****Freedom of Speech and the Custody Rule Adjustment:****

The First Amendment of the United States Constitution has long been a beacon of liberty and individual rights. President Thomas Jefferson, in his inaugural address on March 4, 1801, famously stated, "We are all republicans, we are all federalists." Jefferson's words remind us that, despite our differences, we are all united under the same democratic principles. In the context of the proposed adjustment to the custody rule, it is crucial to remember that this regulation must respect the First Amendment.

The First Amendment was crafted as a bulwark against government overreach, a guarantee of the people's right to express their views, even when those views are critical of the government or prevailing social norms. The proposed adjustment to the custody rule raises concerns about potential infringements on freedom of speech. While regulation is necessary to protect investors and ensure the integrity of financial markets, it should be done judiciously and with due consideration for constitutional rights.

Moreover, the Enron scandal serves as a glaring example of how private custody of wealth by corporations can infringe upon basic human rights. Enron was once considered a symbol of corporate success, but its fall from grace unveiled a stark reality of corporate mismanagement and financial misconduct.

1. ***Infringement on Financial Security:***

Enron's executives, in an effort to inflate the company's stock value, manipulated financial statements and hid debts. As a result, thousands of employees and investors, who had entrusted their financial well-being to the company, suffered devastating losses. This infringement on financial security directly violates the basic human right to economic well-being. The Enron case serves as a stark illustration of how corporate interests, when left unchecked, can jeopardize the financial security and well-being of countless individuals.

The repercussions of the Enron scandal were far-reaching. Employees who had invested their savings in Enron stock lost not only their jobs but also their financial security. Investors who had placed their trust in the company's financial statements found themselves in dire straits. The infringement on financial security due to the misdeeds of a corporation underscores the

significance of robust regulations to safeguard the investments and assets of individuals and to protect their economic well-being.

2. ***Inequality and Unfair Treatment:***

The Enron case highlighted the gross inequality between corporate executives who profited immensely from the deception and ordinary employees who lost their savings, jobs, and pensions. This inequality in treatment infringes upon the basic human right to equal protection under the law and the right to work in just and favorable conditions. The aftermath of Enron demonstrated a stark disparity in how individuals were treated based on their position within the company.

Corporate executives who were complicit in the financial misdeeds were able to protect their wealth, while employees and small investors faced significant losses. This inequality in treatment raises questions about the efficacy of existing regulations in ensuring equal protection under the law. It underscores the need for regulatory mechanisms that prevent such egregious disparities and that guarantee fair treatment for all, regardless of their position within a corporation.

3. ***Erosion of Trust:***

The scandal eroded trust not only in Enron but also in the broader financial system. People lost faith in the institutions that were supposed to safeguard their interests. This erosion of trust infringes upon the basic human right to trust in institutions and systems that govern economic and financial affairs. The Enron scandal had a profound impact on public trust in the financial system and the institutions that oversee it.

Investors and employees who had believed in the integrity of Enron were left disillusioned. They questioned the effectiveness of regulatory oversight and the trustworthiness of corporate financial reporting. The erosion of trust in such institutions infringes upon the basic human right to rely on systems and organizations that should operate with integrity. It highlights the critical role of regulators in maintaining and restoring public trust in the financial system.

****Retail Investor Disadvantage and the Private Fund Advisor Rule:****

In the spirit of ensuring equal opportunities in the financial market, President Theodore Roosevelt once stated, "No man is above the law, and no man is below it." These words underscore the necessity of fair and equitable regulation, ensuring that all participants, regardless of their position, are treated justly. The private fund advisor rule, as it stands, has the potential to create disparities between institutional and retail investors. Roosevelt's commitment to equity serves as a powerful reminder of the principles that should guide our financial regulatory system.

The subprime mortgage crisis, which culminated in the late 2000s, provides a salient illustration of how private custody of wealth by financial institutions can infringe upon basic human rights.

1. ****Homeownership and Shelter:****

The subprime mortgage crisis, driven by the reckless practices of banks, resulted in a wave of foreclosures and evictions, depriving countless individuals and families of their homes and, in some cases, their basic right to shelter. The crisis directly infringed upon the basic human right

to adequate housing. The subprime mortgage crisis of the late 2000s had a devastating impact on homeowners across the United States.

Many individuals and families who had taken out mortgages to achieve the dream of homeownership found themselves unable to meet their mortgage payments

due to rising interest rates and unaffordable loans. As a result, countless homes were foreclosed, and families were forced out of their residences. This infringement on the basic human right to adequate housing underscored the dire consequences of private wealth custody by financial institutions when it is accompanied by predatory lending practices and a lack of regulatory oversight.

2. ***Employment and Livelihood:***

The economic fallout from the banking crises led to massive job losses, and many individuals were left struggling to make ends meet. This infringement on employment and livelihood rights, as recognized by international human rights standards, demonstrates how private custody of wealth by financial institutions can harm basic human rights. The consequences of the subprime mortgage crisis extended beyond the housing market.

As the crisis unfolded and financial institutions faced severe losses, they initiated massive layoffs and cutbacks. Many individuals lost their jobs, and the subsequent economic downturn made it challenging to secure new employment. The infringement on employment and livelihood rights is a direct result of the financial institutions' actions and decisions, further highlighting the potential consequences of insufficient regulation in the financial sector.

3. ***Access to Justice and Accountability:***

In the aftermath of the crises, there was a sense of impunity as few individuals or institutions were held accountable for their role in the financial collapse. The lack of accountability infringes upon the basic human right to access to justice and the right to a remedy for rights violations. The subprime mortgage crisis raised significant questions about accountability in the financial sector.

Despite the magnitude of the crisis and the widespread harm it caused, very few individuals or institutions faced legal consequences for their actions. This lack of accountability not only erodes trust in the financial system but also infringes upon the basic human right to access to justice and the right to a remedy when rights have been violated. It underscores the importance of regulatory mechanisms that ensure accountability and justice in the financial sector.

In both the Enron scandal and the banking crises, the private custody of wealth by corporations and financial institutions was a driving factor in the violation of fundamental human rights, such as financial security, equal treatment, trust in institutions, housing, employment, livelihood, access to justice, and accountability. These examples serve as stark reminders of the necessity for effective regulation to prevent such infringements on basic human rights.

Blockchain and the Right to Financial Anonymity:

President John F. Kennedy once said, "Conformity is the jailer of freedom and the enemy of growth." In the digital age, conformity to excessive financial regulations can stifle the growth and innovation that technology and blockchain have made possible. While transparency is essential,

we must not lose sight of the need to protect financial anonymity, which is, as President Kennedy suggests, vital for both freedom and growth.

Blockchain technology, as a public ledger, has already revolutionized transparency in financial transactions. However, individual financial privacy remains a fundamental right. The global financial crisis of 2007-2008 exposed significant failures in the oversight of financial systems and underscored the importance of striking the right balance between transparency and privacy. Excessive secrecy in financial dealings can lead to catastrophic consequences, but so can excessive intrusion. This crisis highlighted the need to reevaluate regulatory frameworks to maintain transparency while respecting financial privacy.

The impact of personal finance and entrepreneurship has long been a concern of leaders throughout American history. President George Washington, in his farewell address in 1796, cautioned against overburdening citizens with excessive regulations, saying, "Government is not reason; it is not eloquent; it is force. Like fire, it is a dangerous servant and a fearful master." These words resonate in the context of the proposed rule, reminding us that government regulations should serve the people, not hinder their entrepreneurial endeavors. Overregulation can extinguish the entrepreneurial spirit, which has been a driving force behind American innovation and economic success.

The economic challenges faced during the Great Depression of the 1930s demonstrated the consequences of excessive regulation and an unresponsive financial system. The regulatory changes made during that period aimed to restore confidence in the financial system while allowing for economic innovation and entrepreneurship. The lessons from this era continue to be relevant today.

Indeed, there is no need for further elaboration on the overt risks associated with centralized ownership. FTX, a privately-owned corporation in the cryptocurrency industry, defrauded thousands of people, involving billions of dollars. Regrettably, the SEC, the organization created to provide oversight in such matters, has taken limited action to rectify the situation for the original investors.

Currently, the same entities that allowed such misconduct are attempting to push through rules and regulations that do not serve the best interests of the common citizen. One would hope that there remains a semblance of common decency aligned with the American Ideal, wherein all individuals should have the right to life, liberty, and the pursuit of happiness. However, the passage of this rule by those who prioritize profiting from the American people and retaining power ultimately challenges the very essence of these common ideals, which were forged long ago in the light of the powers that be.

In conclusion, the words and wisdom of these historical presidents and politicians serve as a poignant reminder of the principles that have guided the United States throughout its history. The SEC's mission to protect investors and maintain the integrity of our financial markets is vital. Still, it must be tempered with a deep respect for constitutional rights, fair access to investment opportunities, individual financial privacy, and the promotion of entrepreneurship and personal finance. The examples of failures in financial custody, including the Enron scandal and banking crises, emphasize the necessity of robust and effective regulation. As we move forward, let us remember the words of these leaders and the lessons from history and ensure that our regulatory framework aligns with the values that have shaped our nation.

I appreciate the opportunity to provide my input on this matter and trust that the SEC will consider these concerns as it continues to refine its rules and regulations.

Sincerely,

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