RE: Proposed Amendments to Rule 206(4)-2
Subject: File No. S7-09-09

**SEC's Proposed Changes to the Custody Rule**
**Release No. IA-2876**

**"Custody of Funds or Securities of Clients by Investment Advisers"**

"Surprise Audit requirements"

As a member of the Financial Planning Association (FPA), a member of an SEC-registered investment advisory firm and a Certified Financial Planner™, I would like to state my opposition to the SEC's requirement in the proposed amendments to the custody rule that would subject investment advisers to a surprise audit by an accounting firm. The SEC considers automatic deduction of client fees from discretionary accounts to be 'custody' of client assets, thereby including nearly 10,000 investment advisors under this definition who do not technically have custody of client assets. I strongly support meaningful efforts toward better consumer protection. However, I believe the SEC is unintentionally casting the net too widely by widening its definition of "custody" of client assets in this way.

It seems the proposed surprise audit is a political reaction to public criticism of the SEC and congressional pressure after the Madoff scandal – an attempt to get more eyes on all financial advisory relationships and transactions. However, the Ponzi schemes uncovered by the SEC had nothing to do with fees deducted by investment advisers. To my knowledge, there have been no systemic problems in this area and this new audit requirement would be unnecessary, costly and burdensome, particularly for small, independent investment advisers. A distinction must be made between the advisor who truly custodies client accounts – prepares statements, handles all trades, etc., - and the advisor who uses a third party custodian for those functions and deducts fees from client accounts under a written authorization by the client. The third party custodian provides that independent reporting function that I believe the SEC seeks. The third party custodian is responsible for all bookkeeping and trading in the account and sending statements to clients, typically on a monthly basis, that show all transactions in the account over the reporting period and current balances in the account. Separately from that, the advisor sends reports, typically quarterly, showing balances and transactions. Checks and balances are already built into this system. A surprise audit of these advisors would be unnecessary and repetitive.

I understand that the estimated cost for these surprise audits will be over $8,000 annually and paid by the advisors. Many of the 9,575 advisors who would be affected by this new requirement are very small firms. An additional $8,000 in expenses for firms this size would be substantial. Furthermore, I believe that the SEC and FINRA are now aware that more aggressive enforcement of ***existing*** rules and investigation of warnings from media and whistleblowers may well have exposed Madoff's and other Ponzi schemes. Imposing the surprise audit requirement on advisors whose clients already receive independent financial statements via third party custodians places an unnecessary and onerous burden on a great number of financial advisors.

Thank you for the opportunity to comment.

Sincerely,

Roberta B. Goldbaugh, CFP®