

July 13, 2009

I am responding to your proposed rule on custody. My comments are based on my ten years experience as an RIA. I applaud your efforts to further protect the investing public in light of the Madoff and other public scandals. I generally support your proposed rules, but I do not feel that the ability to deduct investment fees from our client accounts constitutes custody.

We use an independent custodian that sends monthly statements to each of our clients. The custodian also maintains a website that our clients can visit any time during a month to review the transactions in their accounts. We offer each client the option of paying our fees directly or having them deducted from their account. It is their choice. About 90% of the clients prefer that the fees be directly deducted from the account. It saves them time and paperwork. It is a convenience for them.

Our process is that we mail an invoice to every client quarterly. Generally these fees are small relative to the accounts because they are $\frac{1}{4}$ of one percent or less of the value of the account. For those clients who do not want to pay directly, we wait for a week before the fees are deducted from the account so that they have an opportunity to review the invoice. This process also saves me time so that I have more time to spend on client issues. In ten years, I have never had a complaint about this billing process.

If the proposed rule becomes law, I will bill all clients directly although they have expressly said that they prefer that the fees be deducted from their accounts. I am a small business and the added time and expense of a surprise audit is too much of a burden and does nothing to benefit the client. It seems to me that if this issue of fees is a true concern for the SEC, the SEC could simply require that clients sign off on allowing fees to be deducted from their accounts, that they receive an invoice for the fees, and that there is an appropriate waiting period before the fees are deducted from the account so that they can review the fees.

I am not aware of any abuse in the area of fees.

Very truly yours,

Richard Clarke, CPA , PFS | ZRC Financial Services, LLC | Director of Investment Services