

## Advocacy Comments on SEC's Proposed Rules Safeguarding Advisory Client Assets

On March 9, 2023, the U.S. Securities and Exchange Commission (SEC) published proposed rules that would amend and redesignate Rule 206(4)-2 (Custody Rule) under the Investment Advisers Act of 1940. SEC's proposal would replace the Custody Rule with a comprehensive set of new requirements affecting registered investment advisers, qualified custodians, and their clients. On May 5, 2023, the Office of Advocacy (Advocacy) filed a comment letter recommending the SEC publish a supplemental Initial Regulatory Flexibility Analysis (IRFA).

Advocacy advised that:

- SEC must revise its IRFA to provide information that would better identify and describe the distribution of regulated small entities and consider significant alternatives in a supplemental IRFA.
- SEC should use detailed information to analyze the relative impact of the costs of the proposed rules to small entities based on their size. This would help SEC understand the cost burden faced by small entities.
- SEC should include a description of significant alternatives to the proposed rules which accomplish its objectives for the rulemaking. SEC should provide a detailed analysis of each potential alternative and discuss how that alternative may reduce the economic burden on small entities.

A complete copy of [Advocacy's letter to SEC](#) is available. For more information, please contact Meagan Singer, Assistant Chief Counsel at [meagan.singer@sba.gov](mailto:meagan.singer@sba.gov) or (202) 921-4843.

