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Via Esmil - rule-comments@sec.gov

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-2026-35 — Adviser and Regulated Fund Custody Rules; Crypto Custody Rules (Release Nos. IA-7023; IC-36353)

Dear Ms. Countryman:

The LeGaye Law Firm appreciates the opportunity to comment on the Securities and Exchange Commission's proposed amendments to the investment adviser custody rule (the "Proposal"). Our comments focus on provisions affecting registered investment advisers managing traditional securities accounts through independent qualified custodians. We support modernization that clarifies longstanding interpretive issues and eliminates costs that do not materially improve investor protection.

We support the proposed exception for standing letters of authorization ("SLOAs") and the elimination of the requirement that certain independent public accountants be registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB"). We recommend additional clarification concerning discretionary trading authority, inadvertent custody, and overlapping exceptions, as well as reporting and transition obligations. The final rule should distinguish authority that enables misappropriation of client assets from authority necessary for ordinary advisory services.

I. Standing Letters of Authorization — Support the Exception and Clarify Its Application

We support the proposed Rule 223-1(b)(8), which would provide an exception to the independent verification requirement for certain client-authorized transfers under SLOAs. When a client establishes transfer instructions with an independent qualified custodian and the custodian applies appropriate authorization and verification controls, a separate annual surprise examination may offer limited additional protection.

The final rule should clarify that the exception applies consistently to recurring and occasional transfers, provided the designated recipient and other safeguards are met. It should also explain that when an adviser may reasonably rely on written confirmation from the qualified custodian that applicable SLOA controls are in place, rather than independently testing systems the adviser neither operates nor controls.

The Commission should expressly recognize that an adviser may rely on the SLOA exception together with other applicable exceptions, including those for fee deduction and discretionary trading, without duplicative examinations. Existing electronic authorizations, custodial confirmations, and transaction records should satisfy documentation requirements when they demonstrate compliance with the rule.

Requested clarification: Confirm that SLOA relief applies alongside other custody exceptions and permits reasonable, documented reliance on safeguards maintained by an independent qualified custodian.

II. Discretionary Trading Authority - Distinguish Trading and Settlement from Withdrawal Authority

We support the proposed Rule 223-1(b)(9). Advisers routinely direct purchases, sales, settlements, and other transactions necessary to implement client-authorized investment strategies. Such activities should not, on their own, trigger an obligation to obtain a surprise examination when the adviser cannot redirect assets for its own benefit or to an unauthorized recipient.

The final rule should address transfers of securities or proceeds between accounts held by the same beneficial owner at different qualified custodians, as well as settlement instructions involving authorized counterparties. The relevant inquiry should be whether the adviser can redirect assets to itself, an affiliate, or an unauthorized third party, not merely whether assets move between accounts or institutions.

The adopting release should include examples of qualifying and non-qualifying transactions and explain how the trading exception interacts with separate fee-deduction and SLOA authority.

Requested clarification: Confirm that authorized trading, settlement, and same-beneficial-owner account transfers do not independently trigger a surprise examination when the adviser lacks unauthorized withdrawal authority and satisfies other applicable exceptions.

III. Inadvertent Custody - Adopt an Objective Remediation Standard

We support proposed Rule 223-1(b)(10), which recognizes that advisers may inadvertently acquire custody through provisions in agreements between clients and qualified custodians. Advisers may have limited ability to negotiate or amend standard custodial agreements, even after discovering an unintended grant of authority.

The Commission should clarify that prompt remediation is satisfied when, upon discovery, an adviser disavows the unintended authority in writing, notifies the client and custodian, requests an appropriate amendment, and refrains from exercising the authority. Relief should not be lost solely because the client or custodian delays or declines to execute a correction, provided the adviser maintains controls and records demonstrating its actions.

We also recommend reconsidering the condition that the adviser not have recommended, requested, or required the client's selection of the qualified custodian. Advisers routinely recommend custodians for legitimate service, cost, and operational reasons. A recommendation does not establish that the adviser negotiated, approved, or knowingly accepted the particular provision creating custody. A more tailored condition would focus on whether the adviser requested, negotiated, or knowingly accepted the authority itself.

The final rule should confirm that inadvertent authority may coexist with otherwise permissible fee deduction, discretionary trading, or SLOA authority, with each exception evaluated under its own conditions.

Requested clarification: Permit reliance on the inadvertent-custody exception following documented disavowal, notice, a request for correction, and nonexercise of unintended authority; do not condition relief on a third party's execution of an amendment or solely on the adviser having recommended the custodian.

IV. PCAOB Accountant Requirement - Support Elimination While Retaining Independence

We support removing PCAOB registration and regular-inspection requirements for the specified custody-rule accounting engagements. Requiring PCAOB registration for engagements not themselves subject to PCAOB inspection can restrict accountant availability and increase costs without necessarily improving examination quality.

We understand that the Proposal would retain the underlying requirements for an independent public accountant, applicable audits, surprise examinations, and internal control reports. The adopting release should distinguish these continuing obligations from the accountant-qualification change.

In particular, the Commission should reiterate that when an adviser has custody because of trustee or similar authority, but an unaffiliated qualified custodian maintains the assets, any otherwise-required surprise examination may generally be conducted by an independent public accountant without PCAOB registration. This clarification should not be construed as exempting trustee arrangements from the surprise examination requirement itself.

Requested clarification: Identify precisely which engagements no longer require PCAOB registration, while confirming that independence standards and otherwise-applicable examinations and reports remain in effect.

V. Recordkeeping, Reporting, and Transition - Avoid Duplication

We support custody records and disclosures that permit effective regulatory oversight. New requirements, however, should be coordinated with existing custodial confirmations, advisory agreements, electronic authorizations, Form ADV disclosures, and records maintained under Rule 204-2.

The Commission should permit reliance on existing electronic and custodial records where they demonstrate compliance; clarify Form ADV reporting for accounts subject to multiple custody exceptions; and avoid duplicative account-level records where the information is already maintained in accessible custodial systems. The adopting release should identify staff guidance that remains effective, is modified, or is superseded, and provide sufficient implementation time to revise agreements, procedures, and reporting systems.

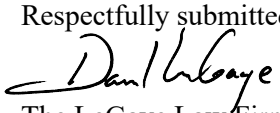
Requested clarification: Provide a consistent framework for documenting overlapping custody exceptions, completing Form ADV, maintaining records, and transitioning from existing staff guidance.

VI. Conclusion

The LeGaye Law Group supports the Commission's effort to modernize the custody rule while maintaining meaningful protections for client assets. We particularly support the proposed SLOA and discretionary trading exceptions and removal of the PCAOB accountant-qualification requirement. Our principal recommendation is that the final rule establish objective, workable standards distinguishing actual authority to misappropriate assets from routine investment advisory activities and clarify how advisers may remediate unintended authority and rely on multiple applicable exceptions.

We appreciate the Commission's consideration of these comments.

Respectfully submitted,



The LeGaye Law Firm, P.C.
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