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# ICI: SEC's Safeguarding Proposal Would Upend Decades of Established Practice

**Washington, DC; May 8, 2023**—Investment Company Institute (ICI) President and CEO Eric Pan released the following statement regarding the Securities and Exchange Commission's (SEC) proposed enhanced safeguarding rule for registered investment advisers.

"The SEC has articulated a worthy goal in its proposal to improve the integrity of investor assets. However, the proposal would likely do more harm than good. It places onerous new responsibilities on both advisers and custodians without much evidence that these changes will improve the protection of client assets.

"For the first time, the SEC would equate an adviser's discretionary trading authority over client accounts with having custody of those assets. This could result in advisers being deemed to have custody over thousands of additional client accounts despite there being no change in the adviser's relationship with the client.

"Further, the SEC would seek to impose new requirements on custodians, such as banks and futures commission merchants who are outside of the SEC's regulatory perimeter, by using its authority over advisers. Such a tactic places advisers in an untenable situation.

"Oddly the proposal also revives a failed idea from 1997, when the SEC tried to force foreign custodians to insure fund assets against the risk of loss. Custodians refused to cooperate, and the SEC had to reverse course in 2000. The SEC has offered no explanation why this time would be different.

"The proposed rule would be tremendously costly and, in some cases, practically impossible to implement. It would do little to improve the protection of client assets, which logically should be the goal of any major new rulemaking in this important area."

Click here to read ICI's comment letter.