May 7, 2008

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Safeguards and Disposal Rules of Regulation S-P

File Number S7-06-08

We the following concerns relative to the proposed changes:

• Threshold for Client Notification is Too Low – The Proposed Amendment requires only that misuse be "reasonably possible" and that there be a significant risk of "more than trivial financial loss" or "expenditure of effort" or "loss of time" to trigger the notification
requirements. In fact, notification requirements are triggered even if data is encrypted or otherwise unreadable. The SEC appears to have set the threshold too low. The Proposed Amendment will thus result in unreasonable cost to firms and unnecessarily alarmist notifications to clients.

• State Security Breach Laws May Conflict with the Proposed Amendment – At least 39 states have adopted their own security breach notification statutes.[30] Introducing a new federal requirement may result in the duplication of notifications to clients who reside in states who have substantially different requirements than those imposed by the Proposed Amendment.[31] The patchwork of conflicting notification requirements will likely increase costs to firms and result in confusion for investors. In light of the disparate federal and state requirements, it would be appropriate for Congress to preempt state law in this area.

• Private Cause of Action – The Proposed Amendment may give rise to a private cause of action for a firm's failure to have an Information Security Program that meets the requirements or if the firm fails to follow the terms of their program. This would create a new opportunity for plaintiff's attorneys to bring costly class action or other litigation against broker-dealers doing their best to comply with Regulation S-P. The Proposed Amendment must be changed to clearly state that there is no private cause of action.

• Creates Individual Liability – The Proposed Amendment creates individual liability for violations by expanding the safeguard rules to associated persons of broker-dealers and supervised persons of investment advisers. This substantially increases the liability exposure for broker-dealer employees and financial advisors who will look to their firm for higher compensation or insurance coverage to offset the risk. These costs will be passed on to clients. In light of fact that even the best security systems are vulnerable, this individual liability appears unreasonable and should be opposed.

• Difficulty Evidencing Compliance with Information Security Program – The Proposed Amendment's requirement that firms document in writing the proper disposal of personal information is simply unworkable within the independent broker-dealer model. Under its terms, firms would be required to document in writing compliance with the disposal requirements each time an employee or independent financial advisor replaces a computer or cell phone. The same would appear to apply when customer files or other similar information is disposed of in a branch or home office. These requirements are overly expansive and simply unreasonable.

• These excessive, over burdening and expensive regulations are choking the small office Advisors out of business. We take great care to protect our clients confidential information.
These proposed changes appear to be alarmist and unnecessary.

Tommy Padgett
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