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April 7, 2003

Mr. Jonathan G. Katz, Secretary
United States Securities and Exchange Commission
450 Fifth Street
Washington, DC 20549-0609

Re: Release Nos. IC-25925, IA-2107
File No. S7-03-03

Dear Mr. Katz:

For the past several years, I have served as Trust Counsel and Compliance Officer for a fiduciary services firm that is SEC registered. Most of the firm's business involves the management of trusts and estates. In order to fulfill our fiduciary duties with respect to these assets, the firm has historically maintained custody over client assets. While this is a common practice among private fiduciaries, we are aware that most investment advisors do not maintain custody of the assets, which they manage.

The SEC has shown sensitivity to the special circumstances of investment advisors who do want to maintain custody of client assets by allowing them to continue to do so, subject to the Rule 206 audit requirements. While these audits impose substantial financial and administrative burdens on us, they have the added benefit of providing greater assurance to our clients. We want to be sure that a similar balance can be found in rules regarding bonding or capital requirements.

Our primary concern is that the SEC may be inclined to impose bonding rules similar to those imposed under ERISA, which we have found to be unworkable for an organization structured such as ours. The issue is that a bond rule based upon a percentage of assets under management, with no maximum dollar amount, could lead to a total bond that would exceed most companies' maximum limits for underwriting risk. Additionally, the requirement that it be applied pro rata to each account causes bonding underwriters to view them effectively as separate bond policies, the effect is the higher cost of the bond. We would prefer a resolution to the bonding rule that is similar to the state requirements, which set a fixed dollar amount to be applied against any claims arising from accounts under management.

We are also concerned that the SEC may adopt an approach similar to the Internal Revenue Code regulations regarding the capital requirements for non-bank trustees and custodians. In a business that is not inherently capital intensive, a requirement as to minimum capitalization would most likely cause financial resources to be employed unproductively. We presently use "errors and omissions" and "crime" insurance policies as protection for our clients who may assert claims against us.

As a result of the ERISA and IRS rules we have been precluded from serving as fiduciaries for the qualified retirement plans of our clients. We are concerned that SEC rules, which have the ERISA and IRS rules as a frame of reference, will effectively foreclose us from serving our clients in a cost effective manner. We feel that the SEC should view insurance, bonding and working capital interchangeably. Further that the amount required to insure against the risk of loss be reasonable, given the insurance industry's underwriting guidelines.

It appears that the SEC understands that certain advisors may want to maintain custody of client assets for valid business purposes. We ask that the SEC continue to recognize this business purpose and that future rules attempt to achieve balance between reasonable protections for our clients and the resulting financial and administrative burdens placed upon the advisors. We also ask that any rules adopted by the SEC conform to the realities of the insurance markets and the needs of our clients to be protected against risk of loss.

Sincerely,

Jonathan L. Korb