

18 NCAC 06A .1705 BONDING REQUIREMENTS FOR CERTAIN INVESTMENT ADVISERS

(a) Every investment adviser having custody of or discretionary authority over client funds or securities shall be bonded in an amount of not less than thirty-five thousand dollars (\$35,000.00) by a bonding company qualified to do business in this state or in lieu thereof may provide evidence of a deposit of cash or securities in such amount. The requirements of this Rule shall not apply to those applicants or registrants who comply with the requirements of Rule .1704.

(b) Should an investment adviser's bond be terminated by the surety resulting in the investment adviser's failure to meet the requirements of Paragraph (a) of this Rule and the bond was not terminated due to fault of the investment adviser, then the investment adviser shall be provided a reasonable time period up to six months, without the necessity of ceasing to do business as an investment adviser, to obtain another bond in order to meet the requirements of Paragraph (a) of this Rule provided that the investment adviser notifies the administrator in writing within two business days of the termination of the bond and files such further information as the administrator may require regarding the financial status of the investment adviser until evidence of compliance with Paragraph (a) of this Rule is provided.

(c) The surety bond shall be filed with the administrator on Form NCIAB (North Carolina Securities Division Investment Adviser's Bond) or on a form whose terms are substantially equivalent to the terms of Form CDCS-1A and which is approved as the substantial equivalent by the Administrator. Evidence of a deposit of cash or securities shall be filed with the administrator on Form CDCS-1A (Certification of Deposit of Cash or Securities -- Investment Advisers) or on a form whose terms are substantially equivalent to the terms of Form CDCS-1A and which is approved as the substantial equivalent by the Administrator.

(d) An investment adviser that has its principal place of business in a state other than this state shall be exempt from the requirements of Paragraph (a) of this Rule, provided that the investment adviser is registered as an investment adviser in the state where it has its principal place of business and is in compliance with such state's requirements relating to bonding, if any.

*History Note: Authority G.S. 78C-17(d); 78C-18(b); 78C-18(c); 78C-30(a);
Temporary Rule Eff. January 2, 1989, for a period of 180 days to expire on June 30, 1989;
Eff. February 1, 1989;
Temporary Amendment Eff. October 1, 1997;
Amended Eff. August 1, 1998;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. December 6, 2016.*