

18 NCAC 06A .1808 SUPERVISION OF INVESTMENT ADVISER REPRESENTATIVES

(a) An investment adviser shall be responsible for the acts, practices, and conduct of its investment adviser representatives in connection with advisory services until such time as the investment adviser representatives have been properly terminated as provided by Rule .1710.

(b) Every investment adviser shall exercise diligent supervision over the advisory activities of all of its investment adviser representatives.

(c) Every investment adviser representative employed by an investment adviser shall be subject to the supervision of a supervisor designated by such investment adviser. The supervisor may be the investment adviser in the case of a sole proprietor, or a partner, officer, office manager or any qualified investment adviser representative in the case of entities other than sole proprietorships.

(d) As part of its responsibility under this Rule, every investment adviser shall establish, maintain and enforce written procedures, a copy of which shall be kept in each business office, which shall set forth the procedures adopted by the investment adviser, which shall include but not be limited to the following duties imposed by this Rule:

- (1) The review and written approval by a designated supervisor of the opening of each new client account;
- (2) The frequent examination of all client accounts to detect and prevent irregularities or abuses;
- (3) The prompt review and written approval by a designated supervisor of all advisory transactions by investment adviser representatives and of all correspondence pertaining to the solicitation or execution of all advisory transactions by investment adviser representatives;
- (4) The prompt review and written approval of the handling of all client complaints.

(e) Every investment adviser who has designated more than one supervisor pursuant to Paragraph (c) of this Rule shall designate from among its partners, officers, or other qualified investment adviser representatives, a person or group of persons who shall:

- (1) Supervise and periodically review the activities of the supervisors designated pursuant to Paragraph (c) of this Rule; and
- (2) Periodically inspect each business office under his/her supervision to insure that the written procedures are being enforced.

(f) The provisions of Paragraph (a) of this Rule shall be applicable to an investment adviser who is also a dealer within the meaning of N.C. Gen. Stat. Section 78A-2(2) with respect to the acts, practices, and conduct of its salesmen [as that term is defined by N.C. Gen. Stat. Section 78A-2(9)] until such time as such salesmen are terminated pursuant to the provisions of N.C. Gen. Stat. Section 78A-36(b) and 18 NCAC 6 .1408. Every such investment adviser shall exercise diligent supervision over the activities of its salesmen within the scope of their employment.

*History Note: Authority G.S. 78C-19(a)(j); 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;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. December 6, 2016.*