

NASAA Financial reporting Requirements for Investment Advisers

Model Rule 203(c)-1

Adopted September 3, 1987 Amended September 11, 2005

Rule 203(c)-1: Financial Reporting Requirements For Investment Advisers

- (a) Every registered investment adviser who has custody of client funds or securities or requires payment of advisory fees six months or more in advance and in excess of \$500 per client shall file with the [Administrator] an audited balance sheet as of the end of the investment adviser's fiscal year. Each balance sheet filed pursuant to this Rule must be:
 - (1) Examined in accordance with generally accepted auditing standards and prepared in conformity with generally accepted accounting principles;
 - (2) Audited by an independent certified public accountant; and
 - (3) Accompanied by an opinion of the accountant as to the report of financial position, and by a note stating the principles used to prepare it, the basis of included securities, and any other explanations required for clarity.
- (b) Every registered investment adviser who has discretionary authority over client funds or securities, but not custody, shall file with the [Administrator] a balance sheet, which need not be audited, but which must be prepared in accordance with generally accepted accounting principles and represented by the investment adviser or the person who prepared the statement as true and accurate, as of the end of the investment adviser's fiscal year.
- (c) The financial statements required by this Rule shall be filed with the [Administrator] within 90 days following the end of the investment adviser's fiscal year.
- (d) Every investment adviser that has its principal place of business in a state other than this state shall file only such reports as required by the state in which the investment adviser maintains its principal place of business, provided the investment adviser is licensed in such state and is in compliance with such state's financial reporting requirements.