

NASAA Bonding Requirements for Investment Advisers Model Rule 202(e)-1

Adopted 9/3/87, amended 4/3/00, 4/18/04, 9/11/05; Amended 9/11/2011

Rule 202(e)-1 Bonding Requirements for Certain Investment Advisers.

(a) Any bond required by this Rule shall be issued by a company qualified to do business in this state in the form determined by the [Administrator] and shall be subject to the claims of all clients of such investment adviser regardless of the client's state of residence.

(1) Every investment adviser registered or required to be registered under the Act having custody of or discretionary authority over client funds or securities shall be bonded in an amount determined by the Administrator based upon the number of clients and the total assets under management of the investment adviser.

(2) Every investment adviser registered or required to be registered under the Act who has custody or discretion of client funds or securities who does not meet the minimum net worth standard in Rule 202(d)-1(a) and (b) shall be bonded in the amount of the net worth deficiency rounded up to the nearest \$5,000.

(b) For purposes of this Rule, "custody" is defined in Rule 102(e)(1)-1(d)(2).

(c) An investment adviser that has its principal place of business in a state other than this state shall be exempt from the requirements of subsection (a) of this section, 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.