South Carolina Code of Regulations 13-406. Investment Adviser Minimum Capital and Bonding Requirements.

A. Minimum financial requirements for investment advisers.

Unless an investment adviser posts a bond pursuant to 35-1-411(e) and Section B below an investment adviser registered or required to be registered pursuant to the South Carolina Uniform Securities Act of 2005 who has custody of client funds or securities shall maintain at all times a minimum net worth of fifty thousand ($50,000.00) dollars, and every investment adviser registered or required to be registered under the South Carolina Uniform Securities Act of 2005 who has discretionary authority over client funds or securities but does not have custody of client funds or securities, shall maintain at all times a minimum net worth of thirty five thousand ($35,000.00) dollars. Should net worth fall below those levels after an investment adviser is registered, notice must be given to the Securities Commissioner by the close of business the next day. Investment activities also must cease until net worth is restored to the required levels. The term "net worth" is the excess of assets over liabilities as determined by generally accepted accounting principles.

B. Bonding requirements.

Every investment adviser having custody of or discretionary authority over client funds or securities and not meeting the minimum financial requirements required of such adviser pursuant to Section A above shall post cash or securities (in accordance with Rule 13-407 or such other rule or order promulgated by the Securities Commissioner) or a surety bond in the amount of fifty thousand ($50,000.00) dollars for investment advisers having custody and thirty five thousand ($35,000.00) dollars for investment advisers having discretionary authority but not custody of client funds or securities. Surety bonds required to be posted pursuant to this Rule must be posted by a bonding company qualified to do business in this State.

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 Sections A and B above 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 net worth or bonding.

D. The Securities Commissioner may, by order, exempt certain registered investment advisers from the surety bond posting requirements.