



**STATE OF WASHINGTON**  
**DEPARTMENT OF FINANCIAL INSTITUTIONS**  
**SECURITIES DIVISION**

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**Notice Regarding Custody Rules**

**September 2, 2008**

To Registered Investment Adviser:

We are writing to inform you both of the recent amendment of the requirements for investment advisers that maintain custody of client funds or securities and of our recent policy change regarding the completion of questions on Form ADV Part 1A concerning custody.

The Securities Division revised the existing rules set forth in WAC 460-24A-105 and has codified the requirements for investment advisers that have custody because they have the authority to deduct fees from client accounts, they manage a pooled investment vehicle or trust, or they act as trustee and investment adviser to a trust. In addition, the Division adopted a set of related definitions and certain exceptions from the custody requirements. These proposals were with the goals of providing greater uniformity with the custody rules of the SEC and other states that have adopted the NASAA model custody rule (Model Rule 102(e)(1)-1) and improving the readability of these rules through the use of plainer English.

In addition, the Securities Division now requests that you complete Item 9 of Form ADV Part 1A in accordance with the instructions to that item for investment advisers that are registering or are registered with the SEC. Thus, if you deduct your advisory fees directly from your clients' accounts but you do not otherwise have custody of your clients' funds or securities, you may answer "no" to Item 9A.(1) and 9A.(2). Responses to this item will be reviewed along with the responses to the safeguard questions set forth in Item I. of Form ADV Part 1B.

Accompanying this notice are copies of the notice of Rule-Making Order (Form CR-103) that was filed with the Office of the Code Reviser for publication on September 17, 2008 (WSR Issue # 08-18) and the text of the rules adopted.

If you have any questions or comments, please contact the undersigned by telephone at (360) 725-7825 or by e-mail at [fanderson@dfi.wa.gov](mailto:fanderson@dfi.wa.gov).

Sincerely,

Faith L. Anderson  
Associate General Counsel