

SEC Division of Investment Management Provides Updates to the Investment Company Reporting Modernization Frequently Asked Questions

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On November 14, 2018, the Staff of the Securities and Exchange Commission (SEC) Division of Investment Management updated its frequently asked questions (FAQs) on its fund reporting rules relating to the investment company reporting modernization reforms adopted in October 2016. The Staff regularly updates the FAQs to address additional questions. The recently released questions and responses address issues within the four categories of Compliance Dates and General Filing Obligations, Form N-PORT, Regulation S-X and Form N-CEN.

Importantly, the FAQs clarified items in Form N-PORT by explaining (i) whether a fund may report monthly returns without deducting sales loads and redemption fees, (ii) whether a fund must continue to file reports if a registrant or series is terminated, and (iii) whether a fund with an effective registration statement without publicly offered shares must file Form N-PORT. The Staff also added information to address how funds should calculate the disclosures needed for a derivative on a non-public index or custom basket of investments to comply with Article 12 of Regulation S-X. Finally, the Staff released questions and answers regarding Form N-CEN related to (i) fund liquidity risk management programs, (ii) the use of a new SEC filing tool, and (iii) reporting on the termination of a registrant or series. These and other clarifications are discussed below.

Compliance Dates and General Filing Obligations

Issue	New SEC Guidance
	Form N-CEN (Items C.20 and E.5)

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Form N-PORT, Regulation S-X and Form N-CEN

Form N-PORT

Issue	New SEC Guidance	
	Monthly Total Returns Reports (Item B.5.a)	tem return Calcu both dedu charg meth loads repor appro The S repor feder answ loads of rep that t on pe witho this s
	Filing Obligations for Terminated Registrants or Series	A reg other inves s no SEC circu to the
	Filing Obligations for a New Fund with an Effective Registration Statement	A fun share requi that p requi

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Regulation S-X		
Issue	New SEC Guidance	
	Funds with Index or Basket of Investments as Underlying Asset (Article 12)	When an investment adviser to a mutual fund or other investment company (the "fund") invests in securities, the fund is required to disclose the fund's investment strategy and the fund's investment objectives. The fund's investment strategy and investment objectives are typically set forth in the fund's prospectus. When a fund invests in securities, the fund is required to disclose the fund's investment strategy and investment objectives. The fund's investment strategy and investment objectives are typically set forth in the fund's prospectus. When a fund invests in securities, the fund is required to disclose the fund's investment strategy and investment objectives. The fund's investment strategy and investment objectives are typically set forth in the fund's prospectus.
	Derivatives with Index or Basket of Investments as Underlying Asset (Article 12)	Article 12 of Regulation S-X requires that a company's financial statements include information about its derivatives. This information includes the company's derivatives strategy, the company's derivatives portfolio, and the company's derivatives risk management. The company's derivatives strategy is typically set forth in the company's prospectus. The company's derivatives portfolio is typically set forth in the company's financial statements. The company's derivatives risk management is typically set forth in the company's prospectus.

Form N-CEN		
Issue	New SEC Guidance	
	Form N-CEN Filing Tool	To allow issuers to file Form N-CEN, the SEC has developed a new filing tool. This tool is available on the SEC's website. Issuers can use this tool to prepare and file Form N-CEN. The tool is designed to be user-friendly and to help issuers understand the requirements of Form N-CEN. Issuers can use the tool to prepare and file Form N-CEN. The tool is designed to be user-friendly and to help issuers understand the requirements of Form N-CEN.

Filing Obligations for Terminated Registrants**Filing Obligations for Terminated Series of a Multi-Series Registrant (Items B.6.a.i, B.6.a.ii, C.2.a and C.2.c)****Practice Points and Tips**

Service providers should consistently review their capabilities and evaluate changes needed to ensure compliance with the newly added information in the FAQ regarding Forms N-PORT and N-CEN, as well as the amendments to Regulation S-X. In addition, fund directors should be notified of regulatory updates and how they will influence funds and their reporting requirements. Both service providers and fund directors may utilize the FAQs to interpret these new forms and amendments.

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National Law Review, Volume VIII, Number 325

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