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.

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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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