

**MEMO# 29036**

May 28, 2015

# **SEC Proposes New Reporting Requirements for Registered Investment Companies and Registered Investment Advisers**

[29036]

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TO: ACCOUNTING/TREASURERS MEMBERS No. 11-15  
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TRANSFER AGENT ADVISORY COMMITTEE No. 22-15  
UNIT INVESTMENT TRUST MEMBERS No. 3-15  
VARIABLE INSURANCE PRODUCTS ADVISORY COMMITTEE No. 8-15 RE: SEC PROPOSES NEW REPORTING REQUIREMENTS FOR REGISTERED INVESTMENT COMPANIES AND REGISTERED INVESTMENT ADVISERS

On May 20, 2015, the Securities and Exchange Commission (“SEC” or “Commission”) issued two proposals (“Proposed Rules”) that would modernize reporting requirements for registered investment companies (“funds”) and registered investment advisers (“advisers”). [\[\\*\]](#) The Proposed Rules, which are summarized briefly below and in more detail in the attached appendix, are intended to allow the Commission to more effectively collect and use data provided by funds and advisers, and enhance the quality of information

available to investors.

The SEC is proposing:

- New Form N-PORT, which would require funds to report monthly information about their portfolio holdings and certain risk metrics to the Commission in a structured data format;
- New Form N-CEN, which would require funds annually to report certain census-type information to the Commission in a structured data format and would replace Form N-SAR;
- Amendments to Regulation S-X, which would require standardized, enhanced disclosure about derivatives in fund financial statements;
- New Rule 30e-3 under the Investment Company Act of 1940 (“1940 Act”), which would permit, but not require, funds to fulfil their obligation to transmit periodic reports to their shareholders by making the reports accessible on a website, subject to certain conditions; and
- Amendments to Form ADV, the registration form under the Investment Advisers Act of 1940 (“Advisers Act”), to require, among other things, that advisers report additional information about their separately managed account business.

Comments on the Proposed Rules are due 60 days after publication in the *Federal Register*.

## **Proposed Investment Company Rules**

### **I. Proposed Form N-PORT**

Most management investment companies currently are required to report their complete portfolio holdings to the Commission on a quarterly basis. The Commission proposes to rescind Form N-Q, the quarterly portfolio holdings reporting form, and replace it with new Form N-PORT. Form N-PORT would be required to be filed with the Commission on a monthly basis, and would require information about a fund’s complete portfolio holdings in a structured data format. It would also require, among other things, additional information about the fund’s holdings of derivatives and debt instruments, its securities lending activities, and the reporting of certain risk metrics.

The Commission believes that receiving more frequent and timely information about fund portfolios will assist it in its role as the primary regulator of funds, including in analyzing the risks in individual funds, as well as risks across specific types of funds and the fund industry as a whole. The SEC also explains that the information will be helpful to understand liquidity and counterparty risks, and to determine whether a fund’s exposure to price movements is leveraged, either through borrowings or the use of derivatives. The Commission expects to use data reported on Form N-PORT for many of the same purposes as the SEC staff has used data reported on Form N-MFP for money market funds. The Commission notes that, although Form N-PORT is primarily designed for use by the Commission and its staff, the periodic public disclosure of the information on the form could benefit fund investors. While information would be filed on Form N-PORT on a monthly basis, only information reported for the third month of each fund’s fiscal quarter would be publicly available, 60 days following the end of the fund’s fiscal quarter.

### **II. Proposed Amendments to Regulation S-X**

The Commission proposes to amend Regulation S-X, which prescribes the form and content of financial statements required in registration statements and shareholder reports, to

modernize the manner in which funds report holdings information to investors. The amendments to Regulation S-X would require disclosure of specific information related to derivatives in a fund's financial statements in its shareholder reports and, as applicable, website disclosures. Many of the proposed amendments to Regulation S-X, particularly the amendments concerning disclosure of derivatives, are similar to the information required on Form N-PORT. The Commission explains that this disclosure is intended to provide investors, particularly individual investors, with clear and consistent disclosures across funds concerning fund investments in derivatives in a human-readable, rather than structured format.

Highlights of the proposed amendments to Regulation S-X include:

- New, standardized disclosures regarding fund holdings in open futures contracts, open forward foreign currency contracts, and open swap contracts;
- Additional disclosures regarding fund holdings of written and purchased option contracts;
- Prominent placement of disclosures regarding investments in derivatives in a fund's financial statements, rather than including such information in the notes to the financial statements;
- Identification of investments that are valued through reference to significant unobservable inputs (i.e., Level 3 securities) and those securities that are illiquid; and
- New disclosures regarding the fund's securities lending activities.

### III. Proposed Form N-CEN

The Commission proposes to amend the framework by which funds report census-type information to it by rescinding Form N-SAR and proposing Form N-CEN, which would require funds to report data in a structured format. Form N-CEN would update the reporting requirements for funds, including new items on, among other things, exchange-traded funds, securities lending, and variable insurance products. Reporting would be required on an annual basis, rather than semi-annually, as is currently required for Form N-SAR.

### IV. Option for Website Availability of Shareholder Reports

The Commission is proposing new Rule 30e-3 under the 1940 Act, which would permit, but not require, a fund to satisfy requirements under the 1940 Act and rules to transmit reports to shareholders if the fund makes the reports and certain other materials accessible on its website and satisfies certain conditions. A fund seeking to rely on the proposed rule would be subject to conditions relating to: the availability of the shareholder report and other required information; prior shareholder consent; notice to shareholders of the availability of shareholder reports; and shareholder ability to request paper copies of the shareholder report or other required information. The proposed rule is intended to modernize the manner in which periodic information is transmitted to shareholders.

## **Proposed Investment Adviser Rules**

The SEC also proposed amendments to Form ADV, the registration form for investment advisers. Among other things, the proposed amendments would require advisers to provide additional information about their separately managed account business. Information requested would relate to types of assets held, and the use of derivatives and borrowings in the accounts.

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Associate General Counsel Gregory M. Smith  
Senior Director of Fund Accounting and Compliance  
[Attachment](#)

**endnotes**

[\*] See *Investment Company Reporting Modernization*, Investment Company Act Rel. No. 31610, available at <http://www.sec.gov/rules/proposed/2015/33-9776.pdf>; *Amendments to Form ADV and Investment Advisers Act Rules*, Investment Advisers Act Release No. 4091, available at <http://www.sec.gov/rules/proposed/2015/ia-4091.pdf>.

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