

MEMO# 32388

April 14, 2020

SEC Division of Investment Management Staff Statement on Importance of Delivering Timely and Material Information to Investors

[32388]

April 14, 2020 TO: ICI Members

Investment Company Directors SUBJECTS: Compliance

Disclosure

Fund Accounting & Financial Reporting

Fund Governance

Operations

Technology & Business Continuity

Transfer Agency

Variable Insurance Products RE: SEC Division of Investment Management Staff Statement on Importance of Delivering Timely and Material Information to Investors

Staff from the Division of Investment Management recently released a statement on the importance of delivering timely and material information to investment company investors.[\[1\]](#) The statement emphasizes the importance of updating and delivering required information, including updated prospectuses, to investors in a timely manner consistent with disclosure obligations, notwithstanding operational challenges presented by COVID-19.

The statement reminds investment company issuers of their obligations under Section 10(a)(3) of the Securities Act of 1933 to update the information in their prospectus, including the required audited financial statements. In particular, the statement reminds investment companies with a December 31 fiscal year end to make plans to ensure they have updated their prospectuses as they approach May 1, 2020.

In addition, the staff statement encourages investment companies to consider whether their disclosures, including risk disclosures, should be revised based on how COVID-19-related events may affect the investment company and its investments.

The staff statement also addresses delivery of information to investors. The statement describes the previously issued relief providing an additional 45 days for the delivery of a current prospectus to existing investors where the prospectus is not able to be timely delivered because of circumstances related to COVID-19, so long as certain conditions are

satisfied.^[2] With respect to sales of shares to new purchasers, however, the statement indicates that investment companies must continue to deliver the fund's prospectus or summary prospectus in a timely manner, based on the delivery preferences that have been expressed by the investor.

The statement notes that investment companies generally deliver required materials to investors in paper unless an investor consents to electronic delivery. The statement notes that investors may prefer electronic delivery in the current circumstances and encourages funds to communicate with investors about their delivery preferences.

The statement advises any investment company that is unable to make certain filings or meet other requirements because of COVID-19 to contact the staff.

Gregory M. Smith
Senior Director, Fund Accounting and Compliance

endnotes

^[1] Division of Investment Management Staff Statement (Apr. 14, 2020) *available at* <https://www.sec.gov/investment/delivering-timely-material-information>.

^[2] SEC Extends Conditional Exemptions From Reporting and Proxy Delivery Requirements for Public Companies, Funds, and Investment Advisers Affected by Coronavirus Disease 2019 (Mar. 25, 2020) *available at* <https://www.sec.gov/rules/other/2020/ic-33824.pdf>. See also ICI Memorandum No. 32318 (Mar. 25, 2020) *available at* https://www.ici.org/my_ici/memorandum/memo32318.