

MEMO# 24643

October 22, 2010

SEC Adopts Rule To Implement The Iran Sanctions, Accountability, and Divestment Act of 2010

[24643]

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TO: ACCOUNTING/TREASURERS MEMBERS No. 33-10

COMPLIANCE MEMBERS No. 26-10

EQUITY MARKETS ADVISORY COMMITTEE No. 41-10

INTERNATIONAL MEMBERS No. 23-10

INVESTMENT ADVISER MEMBERS No. 12-10

PENSION MEMBERS No. 44-10

SEC RULES MEMBERS No. 107-10

SMALL FUNDS MEMBERS No. 62-10

UNIT INVESTMENT TRUST MEMBERS No. 6-10 RE: SEC ADOPTS RULE TO IMPLEMENT THE IRAN SANCTIONS, ACCOUNTABILITY, AND DIVESTMENT ACT OF 2010

As you may recall, in 2008, the Securities and Exchange Commission adopted amendments to Forms N-CSR and N-SAR to accommodate disclosure by investment companies regarding divestment of certain investments in Sudan. [\[1\]](#) This disclosure was necessary for funds that rely upon the safe harbor provision in the Sudan Accountability and Divestment Act of 2007 (the "Sudan Act"). [\[2\]](#) Earlier this year, the Comprehensive Iran Sanctions, Accountability, and Divestment Act (the "Iran Act") became law. The Iran Act is substantively similar to the Sudan Act, though obviously it applies to investments in certain sectors in Iran. Like the Sudan Act, the Iran Act provides a safe harbor to investment companies that divest from certain investments in Sudan and reliance on the safe harbor is conditioned upon making disclosure as prescribed by the SEC.

Because of the similarity between these two acts, the Commission has incorporated the disclosure provisions to accommodate the Iran Act into the amendments to Forms N-CSR and N-SAR that were adopted in response to the Sudan Act. [\[3\]](#) However, because these disclosure requirements may now be used for either act, the Commission has revised the previous Sudan Act disclosure requirements to (1) make them more generic so they are not

specific to either act but can be used for both and (2) added to Item 6(b) of Form N-CSR and Item 133 of Form N-SAR a requirement to disclosure whether the divestment is occurring pursuant to the Sudan Act or the Iran Act. These amendments will be effective upon their publication in the Federal Register, which is expected to occur in the near future.

Pursuant to these disclosure requirements, each mutual fund that divests securities in reliance on either act's safe harbor must disclose on its next Form N-CSR filed after such divestment the following information to identify the securities divested and the magnitude of the divestment: issuer's name; exchange ticker symbol; CUSIP number; total number of shares or, for debt securities, principal amount divested; and date(s) on which the securities were divested. If, upon the divestment, the registered investment company continues to hold securities of the same issuer, it must additionally disclose the exchange ticker symbol, CUSIP number, and total number of shares or, for debt securities, principal amount of securities, held on the date of filing. This latter requirement is intended to provide information about the registered investment company's continuing position in such issuer. For unit investment trusts, the required disclosure would be made on Form N-SAR.

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endnotes

[1] See Institute [Memorandum](#) No. 22463, dated April 25, 2008.

[2] The safe harbor provides investment companies protection from civil, criminal, or administrative actions based upon divesting from certain investments in Sudan.

[3] See Technical Amendments to Forms N-CSR and N-SAR in Connection with the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, SEC Release Nos. 34-63087 and IC-29461 (October 13, 2010).