

MEMO# 32859

October 26, 2020

SEC Issues Dear CFO Letter for Investment Companies

[32859]

October 26, 2020 TO: ICI Members SUBJECTS: Audit and Attest
Closed-End Funds
Fund Accounting & Financial Reporting RE: SEC Issues Dear CFO Letter for Investment
Companies

On October 23, 2020 the staff of the Chief Accountant's Office of the Division of Investment Management issued a letter to investment company registrants addressing certain accounting, auditing, financial reporting and disclosure matters.[\[1\]](#) At the same time the staff updated the accounting matters bibliography posted to the SEC's website to reflect the staff positions described in the letter.[\[2\]](#)

The 2020 Letter rescinds IM-DCFO 1998-01 relating to disclosure of average commission rate per share in the financial highlights table and modifies IM-DCFO 2001-02 relating to auditing the senior securities table in response to recently adopted Securities Offering Reform for Closed-end Investment Companies.[\[3\]](#)

The 2020 Letter modifies IM-DCFO 1998-04 relating to changes in independent accountants by adding a reference to Form N-3 and providing staff views on the letter to be furnished by the former accountant as required by Item 304(a) of Regulation S-K.

The 2020 Letter describes three new staff positions. IM-DCFO 2020-01 addresses commencement of operations and indicates a fund may report performance from the date it begins investing in accordance with its investment objectives rather than the effective date of its registration statement. IM-DCFO 2020-02 addresses seed capital financial reporting requirements for business development companies. IM-DCFO-03 addresses the staff's views on the ability to rely on the audit exception in the Investment Adviser's Act custody rule where the adviser obtains audits of multiple pooled investment vehicles on a combined basis.

The 2020 Letter indicates that the positions described are the views of the staff and that they are not rules, regulations, guidance, or statements of the Commission, and the Commission has neither approved nor disapproved their content.

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endnotes

[1] Letter from the Chief Accountant of the Division of Investment Management (October 23, 2020) (“2020 Letter”) *available at* <https://www.sec.gov/files/dear-cfo-letter-from-im-chief-accountant-102320.pdf>.

[2] The accounting matters bibliography is *available at* <https://www.sec.gov/investment/accounting-matters-bibliography>.

[3] Investment Company Act Release No. 33836 (Apr. 8, 2020) *available at* <https://www.sec.gov/rules/final/2020/33-10771.pdf>.

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