

MEMO# 15692

February 25, 2003

INSTITUTE GUIDANCE ON THE TRANSITION PROVISIONS FOR THE SEC'S SHAREHOLDER REPORT CERTIFICATION RULES; SEC ISSUES FAQ'S REGARDING TECHNICAL ASPECTS OF FILING FORM N- CSR ON EDGAR

[15692] February 25, 2003 TO: ACCOUNTING/TREASURERS MEMBERS No. 11-03 CLOSED-END INVESTMENT COMPANY MEMBERS No. 20-03 COMPLIANCE ADVISORY COMMITTEE No. 16-03 PRIMARY CONTACTS - MEMBER COMPLEX No. 18-03 SEC RULES MEMBERS No. 24-03 SMALL FUNDS MEMBERS No. 11-03 RE: INSTITUTE GUIDANCE ON THE TRANSITION PROVISIONS FOR THE SEC'S SHAREHOLDER REPORT CERTIFICATION RULES; SEC ISSUES FAQ'S REGARDING TECHNICAL ASPECTS OF FILING FORM N-CSR ON EDGAR As we previously informed you,¹ the Securities and Exchange Commission has adopted rule and form amendments under the Investment Company Act of 1940 and the Securities Exchange Act of 1934 to require registered management investment companies to certify their shareholder reports on new Form N-CSR. Since that time, Institute staff has received numerous calls from members requesting clarification of the Commission's transition provisions. As a result, and in consultation with Commission staff, the Institute has prepared this memorandum to facilitate member understanding of these provisions. In addition, the Commission has updated its frequently asked questions to provide guidance on various technical aspects of filing certified shareholder reports on the Commission's EDGAR system. A copy of the Commission's FAQs is attached.² The adopting release states that the Commission's new rules, rule and form amendments, and Form N-CSR become effective on March 1, 2003. In addition, if a fund has a fiscal annual or semi-annual period ending on or before March 31, 2003 (i.e., the "transition period"), it may choose either to certify its shareholder reports on Form N-CSR or continue to certify the Form N-SAR. However, a fund that has a fiscal annual or semi-annual period ending on or after April 1, 2003, must file Form N-CSR for that period. In other words, the last fiscal period for which a fund may file a certified Form N-SAR is the fiscal annual or semi-annual period ending March 31, 2003. Thereafter, the fund must file Form N-CSR. 1 See Memorandum to Accounting/Treasurers Members No. 6-03, Closed-End Investment Company Members No. 9-03, Compliance Advisory Committee No. 7-03, Primary Contacts - Member Complex No. 9-03, SEC Rules Members No. 12-03, Small Funds Members No. 4-03, and Unit Investment Trust Members No. 2-03, dated January 30, 2003. 2 The FAQs are also available on the SEC's web site at

<http://www.sec.gov/info/edgar/certinvco.htm>. 2 The adopting release also states without explanation, "The effective date of the removal of the certification requirement from Form N-SAR for [funds] is May 1, 2003." As drafted, this provision raised two questions: (1) whether a fund would be permitted to file a certified Form N-SAR up until May 30, 2003, for the period ending March 31, 2003; and (2) whether a fund would be required, until May 1st, to file a certified Form N-SAR. The staff of the SEC's Division of Investment Management has confirmed the Institute's understanding that the May 1st date does not preclude a fund's filing a certified Form N-SAR on (or before) May 30, 2003 for the period ending March 31, 2003. Also, it does not require a fund with a fiscal annual or semi-annual period ending on or before March 31, 2003 to continue certifying the Form N-SAR until May 1st if it chooses to file the Form N-CSR instead. The staff explained that the purpose of the transition provision is to provide funds with flexibility during the transition period to choose which report (N-SAR or shareholder report) it will certify, while ensuring that certification occurs for at least one of the two reports during this time. As previously indicated, if a fund chooses to file the Form N-CSR during the transition period, it need not comply with the disclosure controls and procedures provisions of paragraphs (b)(4)(5) and (6) of Rule 30a-2, Item 9(a) of Form N-CSR, or paragraph (b) of Exchange Act Rules 13a-15 and 15d-15, and Investment Company Act Rule 30a-3 with respect to the Form N-CSR. Barry E. Simmons Associate Counsel Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 15692, or call the ICI Library at (202) 326-8304 and request the attachment for memo 15692. Attachment (in .pdf format)

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