

MEMO# 35934

November 22, 2024

SEC Adopts Conforming Amendments to Various Rules and Forms

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TO: ICI Members SUBJECTS: Advertising
Compliance
Disclosure
Investment Advisers
Money Market Funds RE:
SEC Adopts Conforming Amendments to Various Rules and Forms

On November 7, the Securities and Exchange Commission adopted conforming amendments that are intended to correct certain errors in the following rules and forms: Rule 482 under the Securities Act of 1933, Forms N-1A, N-2, N-CSR and N-MFP, and Rule 204-2 under the Investment Advisers Act of 1940.[\[1\]](#) There was no associated proposal for these amendments; rather, given the nature of the changes, the Commission found that public notice and comment was unnecessary and that there was good cause to implement the amendments as a final rule.

The amendments were published in the Federal Register on November 18 and became effective immediately; however, the Adopting Release states that "to the extent registrants need additional time to conform to the amendments, they may take up to 90 days after the effective date to comply."[\[2\]](#)

The amendments are summarized below.

Form N-MFP

Money market funds use Form N-MFP to report portfolio and other information to the SEC. In 2023, the SEC changed the frequency at which money market funds are required to report their 7-day yield information on Form N-MFP. As part of those changes, the SEC erroneously altered the calculation period from 7 calendar days to 7 business days. At that time, the SEC also erroneously inserted the phrase "immediately preceding" into the yield calculation formula, such that the reporting day would not be included in the calculation. The conforming amendments revise Items A.19[\[3\]](#) and B.8[\[4\]](#) of Form N-MFP to correct these "inadvertent errors that created an inconsistency in the yield calculation formula and represented a departure from the longstanding method money market funds

have used to calculate and report yield figures to the Commission." [5]

Rule 482(b)(4)

Rule 482 describes the information that must be included in advertisements and other sales materials of investment companies registered under the Investment Company Act. Among other things, the rule requires that a specific statement be included on money market fund advertisements. In 2023, the SEC adopted changes to money market fund regulations and corresponding requirements for prospectus disclosure, but the SEC neglected to amend the corresponding Rule 482 statement. The conforming amendments correct this error, make other conforming edits to align with required prospectus disclosure, and correct inaccurate cross references to money market fund rules. [6]

Form N-1A

The SEC amended Item 10(a)(1)(iii) of Form N-1A to require funds to include prospectus disclosure stating that a discussion regarding the basis for the board of directors approving any advisory contract of the fund is available in the fund's reports on Form N-CSR. [7] Previously, the form referenced this discussion being found in the fund's shareholder reports, which is no longer accurate following the SEC's tailored shareholder reports rulemaking. The release states that funds may include this updated language in their next annual prospectus update following the adoption of these amendments. [8]

Form N-2

The amendments make ministerial changes to correct an outdated cross-reference in Instruction 8.a to Item 24 of Form N-2.

Form N-CSR

The amendments make ministerial changes to Items 2 and 19 of Form N-CSR to correct outdated cross-references and redesignate the numbering of certain paragraphs. The amendments also remove the instruction to paragraph (b) of Item 16 and the instruction to paragraph (a)(3) of Item 19. Those instructions applied during the transition period before all funds were required to file Form N-PORT, and the instructions are no longer necessary.

Rule 204-2(j)(4)

The amendments make ministerial changes to correct an erroneous cross-reference in Rule 204-2(j)(4). The cross-reference previously referred to a rule that does not exist.

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Notes

[1] Conforming Amendments to Commission Rules and Forms, Inv. Co. Act Release No. 35377 (Nov. 7, 2024) ("Adopting Release"), available at <https://www.sec.gov/files/rules/final/2024/33-11325.pdf>.

[2] Adopting Release at 4.

[3] The amendments make the following changes to Item A.19 of Form N-MFP:

Item A.19. 7-day gross yield. For each business day, based on the immediately preceding 7

business days ended on that business day, calculate the fund's yield by determining the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical pre-existing account having a balance of one share at the beginning of the period and dividing the difference by the value of the account at the beginning of the base period to obtain the base period return, and then multiplying the base period return by (365/7) with the resulting yield figure carried to at least the nearest hundredth of one percent. The 7-day gross yield should not reflect a deduction of shareholders' shareholder fees and fund operating expenses. For master funds and feeder funds, report the 7-day gross yield at the master-fund level.

[4] The amendments make the following changes to Item B.8 of Form N-MFP:

Item B.8. 7-day net yield for each business day of the month reported, as calculated under Item 26(a)(1) of Form N-1A ([Section] 274.11A of this chapter) except based on the 7 business days immediately preceding a given day ended on that business day.

[5] Adopting Release at 12.

[6] The full amendments to Rule 482(b)(4) are not included in this memorandum due to their length. The amendments make the following changes to Rule 482(b)(4)(i). Analogous changes, as applicable, have also been made to Rule 482(b)(4)(ii) and (iii) and to Note 3 to paragraph (b)(4).

(4) Money market funds.

(i) An advertisement for an investment company that holds itself out to be a money market fund, that is not a government money market fund, as defined in [Section] 270.2a-7(a)(16-14) of this chapter, or a retail money market fund, as defined in [Section] 270.2a-7(a)(25-21) of this chapter, must include the following statement:

You could lose money by investing in the Fund. Because the share price of the Fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The Fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. The Fund generally must impose a fee when net sales of Fund shares exceed certain levels. An investment in the Fund is not a bank account and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund is not required to reimburse the Fund for losses, and you should not expect that the sponsor will provide financial support to the Fund at any time, including during periods of market stress.

[7] The amendments make the following changes to Item 10(a)(1)(iii) of Form N-1A:

Include a statement, adjacent to the disclosure required by paragraph (a)(1)(ii) of this Item, that a discussion regarding the basis for the board of directors approving any investment advisory contract of the Fund is available in the Fund's annual or semi-annual report to shareholders, as applicable reports filed on Form N-CSR, and providing the period covered by the relevant annual or semi-annual report most recent Form N-CSR report that includes this discussion.

[8] Adopting Release at 8-9.

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