

# Client Alert

Current Issues Relevant to Our Clients

May 21, 2015

## SEC Proposes Disclosure and Reporting Changes for Registered Investment Advisers and Investment Companies

On May 20, 2015, the Securities and Exchange Commission (the “SEC”) proposed changes to certain aspects of reporting and disclosure obligations of registered investment advisers and investment companies. In announcing the proposals, the SEC indicated that it is seeking to modernize information required to be reported by investment advisers and investment companies in an effort to enhance the SEC’s monitoring and regulation of the asset management industry along with the quality of and investors’ access to information. The focus of these efforts will be the enhancement of data collection with a focus on information related to derivatives, securities lending activities, liquidity, pricing of portfolio instruments and aspects of exchange-traded funds to help the SEC better assess risks of evolving activities and their potential impact on investors. SEC Chair White indicated that in addition to modernizing and enhancing data reporting, the SEC is also looking to require registered investment companies to have more robust controls in place to identify and manage risk in their portfolios. A brief summary of the proposals is included below and more detailed summaries of both the investment adviser and investment company proposal will follow in future Client Alerts. A copy of the SEC’s press release is available [here](#) and a copy of each of the proposals is available [here](#) and [here](#).

### Investment Adviser Proposals

The investment adviser proposals would require investment advisers to provide additional information on Form ADV related to portfolio assets along with information about the use of borrowings and derivatives in their separately managed accounts. The proposed revised Form ADV would also require additional information relating to branch office operations and the use of social media, among others changes. The proposals would also require advisers to maintain records on the calculation of performance information distributed to any person (compared to generally requiring maintenance of such records only on distributions to 10 or more persons under current rules) along with adding certain additional requirements on communications related to performance, rate of return of accounts and securities recommendations.

### Investment Company Proposals

The investment company proposals focus on enhanced data reporting and disclosure for registered investment companies including:

- Monthly reporting on Form N-PORT that would require portfolio-wide and position-level holdings data on fund investments including information related to

the pricing of securities, repurchase agreements, counterparty exposure, securities lending, derivative contract terms and fund risk measurement (with reports filed in the last month of a fund’s fiscal quarter being publicly available);

- Annual reporting on a new Form N-CEN replacing the current form N-SAR (rather than semi-annual reporting as required on Form N-SAR for most registered investment companies) and requiring reporting on certain different categories of information;
- Reporting to be performed in a structured data format (comparable to what is currently used for Form PF and N-MFP) allowing for easier analysis and aggregation by the SEC;
- Enhanced and standardized disclosure requirements in financial statements for fund registration statements and shareholder reports including more detailed and prominent displays of information related to derivatives and securities lending activities; and
- Enhanced ability for registered investment companies to deliver fund shareholder reports by website access and electronic delivery.

## What's Next?

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The SEC will publish the proposals in the Federal Register and firms will have 60 days to comment from that date of publication. Firms should review the proposals and consider how the proposals may impact their reporting, disclosure and other requirements. We will follow with more detailed summaries of the proposals in future Client Alerts.

## For More Information

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