

INVESTMENT COMPANY REPORTING MODERNIZATION

The Securities and Exchange Commission (SEC) adopted significant reforms in October 2016 that require registered funds to expand their reporting and disclosure obligations. The purposes of these reforms are to proactively address perceived risks in the asset management industry, increase the amount of data collected, modernize the format in which data is collected and enhance the SEC’s analysis capabilities.

OVERVIEW: WHAT ARE THE NEW REFORMS?

The SEC’s reporting modernization reforms introduce two new forms and one amendment to Regulation S-X. Form N-PORT replaces Form N-Q for reporting a fund’s portfolio to the SEC, and Form N-CEN replaces Form N-SAR for reporting census information to the SEC.

Both forms now require funds to disclose more extensive information to enable the SEC to better assess industrywide and fund-specific risk and monitor regulatory compliance. Form N-PORT reporting frequency is monthly, and Form N-CEN reporting frequency is annually.

To help investors better assess a fund’s use of derivatives, Regulation S-X has been amended to enhance and standardize derivatives disclosure in financial statements rather than in financial statement notes as previously required.

Compliance dates and reporting frequency for the new amendment and forms are detailed in Table 1.

Because of industry changes and technological advances that have occurred over the years, the SEC wants to improve the type and format of information that funds provide.

TABLE 1: INVESTMENT COMPANY REPORTING MODERNIZATION

New Forms	Compliance Dates	Key Initiatives	Reporting Frequency
N-PORT Replaces Form N-Q	June 1, 2018* June 1, 2019†	Portfolio-level disclosures; must be submitted in XML format	Monthly
N-CEN Replaces Form N-SAR	June 1, 2018	Census-type information; must be submitted in XML format	Annually
Amendments			
Regulation S-X	August 1, 2017	Disclosure in financial statements instead of notes	Annually

*Fund complexes with net assets of \$1 billion or more as of the end of their most recent fiscal year

†Fund complexes with net assets of less than \$1 billion as of the end of their most recent fiscal year

WHY IS THE SEC MODERNIZING REPORTING REQUIREMENTS?

According to the SEC, these reforms align with the belief that with industry changes and technological advances that have occurred over the years, the SEC wants to improve the type and format of information that funds provide to it and investors. The SEC believes this will help improve monitoring of the fund industry in its role as primary regulator of funds and investment advisors.

In an effort to further modernize reporting and increase data transparency, Forms N-PORT and N-CEN must now be submitted in extensible markup language (XML). This also permits the SEC to more efficiently collect and analyze the information.

WHAT CAN FUNDS DO TO PREPARE FOR COMPLIANCE?

- Consider data important to your portfolio management that may not be core accounting data, such as information on derivatives, counterparties, repurchase agreements and lending, which are requested in the new filings.
- Understand that data from your liquidity risk management programs, mandated to be in place by December 1, 2018, will be important for reporting filings.
- Talk to your service provider to understand how filing requirements align with your financial reporting.

NORTHERN TRUST ACTIONS AND NEXT STEPS

Northern Trust actively supports clients in planning and preparing for compliance with the reporting rules. If you have questions about the SEC's investment company reporting modernization, contact your relationship manager or visit northerntrust.com.

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