

Focus on Funds: How Changes to the SEC's Reporting Rules Will Affect Funds

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The October 9, 2015, edition of *Focus on Funds* examines implications surrounding proposed changes to the SEC's fund reporting rules.

Transcript

Stephanie Ortals-Tibbs, ICI Director, Media Relations: Welcome to *Focus on Funds*, the Investment Company Institute's weekly roundup of industry news, ICI activities, and research findings.

The U.S. Securities and Exchange Commission is looking at a series of important new revisions to fund reporting rules. I spoke about the tax and accounting implications of these changes with one of our experts, Greg Smith.

So Greg, an area of real, interesting concern for a lot of our members focused on tax and accounting issues is what the SEC has been doing with the new rule proposal. Can you start by just laying this out for us as an issue? Just kind of give me the topline summary.

Greg Smith, ICI Senior Director Fund Accounting and Compliance: Sure. So the SEC has proposed to modernize fund reporting and the proposal entails four elements. First is form N-PORT, which would require funds to file their portfolio with the SEC in a structured data format on a monthly basis. The second element of the proposal is new form N-CEN, which would include census-type information that the fund would file with the SEC on an annual basis. The third element of the proposal is changes to regulation S-X, which governs the form and content of fund financial statements. And fourth, is new rule 30e-3, which would allow funds to satisfy their shareholder report delivery requirements by posting shareholder reports on a website in lieu of mailing hard copies to shareholders.

Ortals-Tibbs: There's a lot of really important material in there, so the industry is clearly talking about this a great deal—we've commented. What are some of the big things that they're discussing?

Smith: Well, on our panel this week, we're going to be discussing some of the industry feedback and some of the implementation challenges associated with the rule proposal. One of the key elements that we're hearing from our members is that the form N-PORT would require funds to aggregate information from several different systems in order to file it with the SEC and this is going to be a

data and technology challenge to compile all this information and file it with the SEC within their prescribed 30-day timeframe.

Ortbals-Tibbs: That's pretty fast. Anything else that is drawing a lot of comment from the industry that you're hearing?

Smith: Well, the other element here is the changes to SEC regulation S-X, which are intended to make investments and derivatives more transparent and more comparable across funds. And generally the industry has supported that change. We're also very excited about the potential cost savings associated with the ability to post shareholder reports on websites. ICI economists estimate that the rule could save funds and their shareholders about 150 million dollars over an initial three-year period, and with minor changes to what the SEC proposes, those savings could be tripled.

Ortbals-Tibbs: So it's really a chance to put some more money back in the pockets of the shareholders by cutting some red tape.

Smith: Exactly. Those savings would go to shareholders in the form of reduced fund expenses.

Ortbals-Tibbs: When is this coming? Is this imminent or is this going to take a few more months?

Smith: So, the SEC put out the proposal in May, the comments were due in August. They're currently reviewing all the comments they received. They received over 400 different comment letters, so it's going to take them a while to go through all of that. We don't expect the final rule to be imminent. I would expect later this year, or next year sometime.

Ortbals-Tibbs: That's this week in funds. See you next week.

Additional Resources

- [Release: ICI Supports SEC Rule Proposal to Enhance Fund Reporting and Modernize Shareholder Report Delivery](#)