

Modernized Reporting for Registered Funds

Form N-PORT, Form N-CEN, Amendments to
Regulation S-X, and Amendments to Forms
Relating to Securities Lending Activities

Agenda

- Introduction
- Comparison of Current and New Reporting Rules
- Form N-PORT
- Form N-CEN
- Amendments to Regulation S-X
- Amendments to Forms Relating to Securities Lending Activities

Introduction

- On October 13, 2016, the SEC adopted final rules, forms, and amendments under the Investment Company Act of 1940, as amended (“1940 Act”), that impose extensive new disclosure and reporting obligations on most registered investment companies (“funds”) (collectively, the “Reporting Rules”)
 - Adopted new Form N-PORT, new Form N-CEN, amendments to Regulation S-X, and amendments to SEC forms relating to securities lending activities
 - The Reporting Rules were adopted largely as proposed, although with some material modifications based on comments
 - Proposed Rule 30e-3, which would have permitted website transmission of shareholder reports, under certain conditions, was not adopted

Introduction

- The SEC's objectives in adopting the Reporting Rules:
 - Modernize the reporting regime in light of new products and more complex investment strategies and practices, including increased use of derivatives by some funds
 - Increase the transparency of fund portfolios and investment practices both for the SEC and investors
 - Take advantage of technological advances in the manner in which information is reported to allow the SEC to collect and analyze information more efficiently and effectively
 - Where appropriate, reduce duplicative or otherwise unnecessary reporting burdens on funds

Introduction

- The SEC has stated that it will use the disclosure mandated by the Reporting Rules to:
 - Assess fund regulatory compliance
 - Identify funds for examination
 - Monitor risk
 - Inform rulemaking

Comparison of Current and New Reporting Rules

FORM N-PORT	
Current Reporting	New Reporting Rules
<p>Form N-Q: 1st and 3rd quarters</p> <ul style="list-style-type: none"> A fund's complete portfolio holdings filed within 60 days of quarter end <p>Form N-CSR: 2nd and 4th quarters</p> <ul style="list-style-type: none"> A fund's complete portfolio holdings filed within 10 days of delivery of any shareholder report required to be transmitted to shareholders (within 70 days of quarter end) 	<p>Rescind Form N-Q</p> <p>Adopt New Form N-PORT: To be filed monthly within 30 days of each month end</p> <ul style="list-style-type: none"> Detailed new portfolio-wide and position-level holdings data Most information must be submitted in extensible markup language ("XML") format <p>Retain Form N-CSR</p> <ul style="list-style-type: none"> Same

Comparison of Current and New Reporting Rules

Form N-CEN

Current Reporting

Form N-SAR: Census-type information filed semi-annually within 60 days of period end

Final Reporting Rules

Rescind Form N-SAR

New Form N-CEN: Filed annually within 75 days of the fiscal year end for management companies and 75 days of the calendar year end for UITs

- Retains many of the disclosure items required by Form N-SAR, but substantially updates disclosure requirements
- Submitted in XML format, except for exhibits

Comparison of Current and New Reporting Rules

Amendments to Regulation S-X

Current Reporting	New Reporting Rules
<p>Regulation S-X: Establishes disclosure requirements for financial statements</p>	<p>Regulation S-X:</p> <ul style="list-style-type: none">• New standardized and enhanced disclosure related to derivatives• Augments disclosure relating to other investments• Revises rules on the form and content of financial statements

Comparison of Current and New Reporting Rules

Amendments to Forms Relating to Securities Lending Activities

Current Rules	New Reporting Rules
<ul style="list-style-type: none">Limited disclosure relating to securities lending programs in fund registration statements	<ul style="list-style-type: none">Amends Forms N-1A, N-3, and for closed-end funds, Form N-CSR, to require disclosure relating to income, fees, and compensation in connection with securities lending activities, and a description of the services provided by a fund's securities lending agent

Form N-PORT

- Requires funds (other than face amount certificate companies, money market funds and small business investment companies), including ETFs organized as UITs, to file monthly reports containing portfolio holdings and other information in XML format. A fund with multiple series must file an N-PORT with respect to each series. A fund must provide its legal entity identifier (“LEI”) and that of each series. A fund that does not have an LEI will be required to obtain one
- A fund must report information for itself and its consolidated subsidiaries, including, notably:
 - **Portfolio-wide Information**
 - Portfolio-level Risk Metrics. If the average value of a fund’s debt securities, or derivatives that provide exposure to debt securities or interest rates, for the previous three months represents more than 25% of such fund’s net asset value (“NAV”), a fund must report measurements of a hypothetical change in value of a fund’s portfolio

Form N-PORT

- Portfolio-level Risk Metrics (continued):

resulting from changes in interest rates and credit spreads at different maturity intervals

- For interest rates – both a 1 basis point and 100 basis points change in interest rates (DV01 and DV100) at the following maturity intervals: 3 months, 1 year, 5 years, 10 years, and 30 years
- For credit spreads – a 1 basis point change in credit spreads (SDV01) where the shift is applied to the option adjusted spread, aggregated by both investment grade and non-investment grade exposures, at the same maturity intervals stated above
- Return Information. For each of the preceding three months: (1) monthly total returns, (2) monthly net realized gain or loss, and (3) net change in unrealized appreciation or depreciation attributable to derivative and, separately, non-derivative investments

Form N-PORT

- Flow Information. For each of the preceding three months: the total NAV of: (1) shares sold (including exchanges), (2) shares sold in connection with reinvestments of dividends and distributions, and (3) shares redeemed or repurchased (including exchanges)

- **Position-level Information**
 - Information for All Investments: Including (1) the LEI of the issuer (if any), CUSIP number (if any), and at least one other identifier, (2) the amount of the investment, including the exchange rate used if the investment is not U.S. dollar denominated, (3) whether the investment is held long, short or N/A, (4) asset and issuer type, (5) country information, (6) whether the investment is a “restricted security,” and (7) whether the fund categorizes the investment as a Level 1, 2 or 3 fair value measurement under the U.S. GAAP fair value hierarchy

Form N-PORT

- Additional Information for Debt Securities. Including (1) the maturity date, (2) coupon (i.e, fixed, floating, variable or none and annualized rate), (3) whether the debt security is currently in default, (4) whether interest payments for the debt security are in arrears or coupon payments have been legally deferred, or (5) whether any portion of the interest is paid in kind. For convertible securities, including (1) whether the conversion is mandatory or contingent, (2) information about the reference instrument into which the debt is convertible, (3) the conversion ratio, and (4) if applicable, delta (the ratio of the change in the value of the option to the change in the value of the asset into which the debt is convertible)
- Additional Information for Repurchase and Reverse Repurchase Agreements. Including (1) counterparty information, (2) whether the agreement is tri-party, (3) the repurchase rate, (4) the maturity date, and (5) the principal amount, value, and asset category of any collateral

Form N-PORT

- Additional Information for Derivatives. Including (1) the type of instrument and (2) the name and LEI (if any) of the counterparty. A fund must disclose the terms and conditions of each type of derivative investment sufficient for a user of financial information to understand the terms of the investment. Required disclosure for options, warrants, futures, forwards, forward foreign currency contracts, foreign currency swaps, other swaps, and other derivatives is prescribed by the form. For a derivatives instrument for which the reference instrument is a derivative, a fund must indicate the type of derivative and report all information required by Form N-PORT for that type. For any reference instrument that is an index or custom basket that is not publicly available on a website and updated at least quarterly, a fund will be subject to a tiered reporting structure under which it may be required to report information on some or all of the components of the index or basket. Identifying information is required if a reference instrument is neither a derivative, index or custom basket

Form N-PORT

- Securities Lending Information. Including (1) the name and LEI (if any) of each securities lending counterparty, and (2) the value of all securities on loan to each counterparty. Position-level information, including the values of (1) any investment on loan, (2) any investment representing reinvestment of cash collateral received for loaned securities, and (3) any investment representing non-cash collateral

When Effective, Disclosure Mandated by the SEC's New Liquidity Risk Management Rule ("Liquidity-Related Information"):

- Information about fund liquidity, including the classification of each portfolio investment into one of four liquidity categories (highly liquid, moderately liquid, less liquid, or illiquid)
- The aggregate percentage of a fund's portfolio invested in each of the four liquidity categories
- If applicable, a fund's highly liquid investment minimum

Form N-PORT

- The percentage of a fund's highly liquid investments pledged to satisfy margin requirements for derivative transactions that are not classified as highly liquid
- A fund may use its own internal methodologies and the conventions of its service providers when responding to items on Form N-PORT, so long as the methodologies and conventions are consistent with the way the fund reports internally and to current and prospective investors, and with any instructions or guidance from the SEC relating to the form. A fund must file information on the same basis on which it calculate its NAV (generally T+1)
- Form N-PORT is filed monthly (within 30 days after the close of each month)
 - After a 60-day delay, information reported for every third month of a fund's fiscal quarter will be publicly available

Form N-PORT

- A complete schedule of portfolio holdings must be filed as an exhibit to Form N-PORT for the end of the first and third fiscal quarters no later than 60 days after the end of the fund's first and third fiscal quarters
- Information submitted on publicly disclosed Form N-PORT filings will be public except for information about (1) individual securities aggregated and reported as miscellaneous securities, (2) country of risk and economic exposure, (3) position-level liquidity classification information and a fund's highly liquid investment minimum, (4) delta for individual options, warrants, and convertible securities, and (5) explanatory notes related to non-public items
- The SEC will permit funds to file test submissions during a trial period
- With the exception of portfolio holdings information attached as exhibits to Form N-PORT for the first and third quarters of a fund's fiscal year, all reports filed on Form N-PORT for the first six months following June 1, 2018 will be non-public

Form N-PORT

- **Compliance Dates:**
 - Larger funds (funds and fund groups with net assets of \$1 billion or more as of the end of the most recent fiscal year) → **June 1, 2018**
 - Must file first Form N-PORT by **July 30, 2018**.
 - Will not have to report Liquidity-Related Information until it files its Form N-PORT reflecting month-end data as of December 31, 2018
 - Smaller funds (funds and fund groups with net assets of less than \$1 billion as of the end of the most recent fiscal year) → **June 1, 2019**
 - Will be required to report all information required by Form N-PORT, including Liquidity-Related Information, beginning with its first Form N-PORT filing on **July 30, 2019**.

Form N-CEN

- Form N-CEN, which must be filed annually in XML format, requires funds to provide much of the same general census-type information contained in reports on Form N-SAR. However, Form N-CEN imposes additional requirements, including notably, reporting of:
 - Information on securities lending transactions, lending agents and cash collateral managers, and types of payments to such agents
 - Information on financial support received from certain affiliated entities
 - Information specific to ETFs and exchange-traded managed funds
 - Additional information on UITs that are investment company separate accounts
 - Additional information on closed-end funds and small business investment companies
 - Class information for open-end funds

Form N-CEN

- Identification of a fund's reliance on SEC exemptive orders and certain SEC rules
- Information on NAV error corrections
- Information on a fund's pricing vendors
- When Effective, Disclosure Mandated by the SEC's New Liquidity Risk Management Rule ("Lending/Borrowing Information"):
 - Information on the availability and use of lines of credit
 - Information about interfund borrowing and lending
- When Effective, Disclosure Mandated by the SEC's New Swing Pricing Rule, if applicable ("Swing Pricing Information"):
 - A fund's swing factor upper limit and whether the fund engaged in swing pricing during its last fiscal year

Form N-CEN

- **Compliance Date → June 1, 2018**
 - Funds should report on Form N-CEN within 75 days of the fund's fiscal year end (or 75 days of the calendar year end for UITs)
 - Reporting of Lending/Borrowing Information will not be required until **December 1, 2018** for larger funds (funds and fund groups with net assets of \$1 billion or more as of the end of the most recent fiscal year), and **June 1, 2019** for smaller funds (funds and fund groups with net assets of less than \$1 billion as of the end of the most recent fiscal year)
 - Reporting of Swing Pricing Information will be required 24 months after the date amended Rule 22c-1 is published in the Federal Register

Amendments to Regulation S-X

- Standardized Derivatives Disclosure. Requires funds to provide detailed information on holdings in open futures contracts, open forward foreign currency contracts, and open swap contracts, and other derivative instruments, as well as to provide additional disclosure on written and purchased options. Disclosure is intended to provide similar information on derivatives as will be reported under Form N-PORT
- Presentation of Derivatives Disclosure. Funds will be required to present information on their derivatives investments prominently in the funds' financial statements rather than in the notes to the financial statements

Amendments to Regulation S-X

- Investments in, and Advances to, Affiliates. Funds must disclose (1) the realized gain or loss, and (2) the net increase or decrease in unrealized appreciation or depreciation for each affiliated investment. Funds also must disclose (1) the aggregate of realized gain or loss, and (2) the aggregate increase or decrease in unrealized appreciation or depreciation for investments in affiliates not held at the close of the period
- Other Amendments to Schedules. Including, notably, to: (1) identify each security that was valued using significant unobservable inputs, (2) indicate the interest rate or preferential dividend rate and maturity date for certain debt instruments, (3) subdivide investments by both (a) type of investment and (b) industry, country, or geographic region, and (4) indicate whether any portion of an investment is on loan
- **Compliance date → August 1, 2017**

Amendments to Forms Relating to Securities Lending Activities

- The Reporting Rules amend Forms N-1A and N-3 to require additional disclosure regarding securities lending activities in funds' statements of additional information (or, in the case of closed-end funds, Form N-CSR).
- A fund must disclose (1) gross and net income from securities lending activities and related services; (2) fees and/or compensation paid by it in connection with securities lending, in the aggregate and broken out by enumerated categories; and (3) a description of the services provided to the fund by the securities lending agent during the most recent fiscal year.
- **Compliance date** → **August 1, 2017**

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