



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
INVESTMENT MANAGEMENT

From the Chief Accountant of the Division of Investment Management:

Industry Comment Letter

October 23, 2020

Dear Chief Financial Officer:

The staff (the “Staff”) of the Chief Accountant’s Office of the Division of Investment Management (“the Division”) of the U.S. Securities and Exchange Commission (the “Commission”) has prepared this letter, directed to the Chief Financial Officer of the Division’s registrants and other relevant parties (“Dear CFO Letter”), to assist registrants¹ and their independent public accountants in addressing certain accounting, auditing, financial reporting, or other related disclosure matters (collectively, “accounting matters”). The views expressed in this letter and future Dear CFO Letters apply to filings, including reports to shareholders, made by registered investment companies and business development companies. The statements in these letters represent the views of the Staff of the Division. These letters are not rules, regulations, guidance, or statements of the Commission, and the Commission has neither approved nor disapproved their content. These statements, like all staff guidance, have no legal force or effect: they do not alter or amend applicable law, and create no new or additional obligations for any person.

¹ The use of “registrants” in this Dear CFO Letter and all previous Dear CFO Letters is intended to include both registered investment companies and business development companies, where applicable.

In a letter issued on November 22, 2019,² we provided background information related to the Staff's efforts to revive the Dear CFO Letters, to communicate Staff positions more consistently and transparently in an Accounting Matters Bibliography available on our website, and to review prior Staff positions to determine whether they should be rescinded, modified, or supplemented in light of market or other developments. In this letter we have highlighted the updates we are making on accounting matters that the Staff believes may require additional clarification in light of market and regulatory developments, consultations with or inquiries from market participants, or other previously expressed Staff views. The Accounting Matters Bibliography on our website reflects all of the amendments and new positions.³ The Staff encourages stakeholders to engage with us directly on any questions raised by the changes or if they believe there are other Staff positions that merit our reevaluation.

IM-DCFO 1998-01 Average Commission Rate Disclosure (December 30, 1998) – RESCINDED

The December 30, 1998 Dear CFO Letter expressed Staff views regarding disclosure of the average commission rate in prospectuses and shareholder reports of closed-end investment companies. In the final rule *Securities Offering Reform for Closed-End Investment Companies* adopted in April 2020,⁴ the Commission eliminated the disclosure requirement of the average commission rate paid from prospectuses of closed-end investment companies. As such, we are rescinding the information contained in this item within the December 30, 1998 letter.

² See letter to Chief Financial Officer from Alison Staloch dated November 22, 2019 at <https://www.sec.gov/files/industry-comment-letter-112219.pdf>.

³ See Accounting Matters Bibliography at <https://www.sec.gov/investment/accounting-matters-bibliography>.

⁴ See Investment Company Act Release No. 33836 (Apr. 8, 2020) [85 FR 33290 (Jun. 1, 2020)] (“Offering Reform”).

IM-DCFO 1998-04 Change in Independent Public Accountants⁵ (December 30, 1998, November 22, 2019, and October 23, 2020) – MODIFIED

In the December 30, 1998 Dear CFO Letter, the Staff expressed views about the ways in which registrants should be reporting a change in independent public accountants. In the November 22, 2019 Dear CFO Letter, the Staff modified and supplemented the previously expressed position due to changes to Form requirements or new Forms and to include Staff views on the inclusion of consents of accountants in registration statements and other filings. We are supplementing the previously expressed position to include Form N-3 and Staff views on the inclusion of the former independent registered public accounting firm’s letter in response to Item 304(a) of Regulation S-K.

IM-DCFO 2001-02 Senior Securities Table Disclosure (February 14, 2001 and October 23, 2020) – MODIFIED

The February 14, 2001 Dear CFO Letter expressed views on the audit requirement for the senior securities table. In the final rule *Securities Offering Reform for Closed-End Investment Companies* adopted in April 2020,⁶ the Commission made several changes to the registration statement, including allowing certain registrants the ability to file a short-form registration statement. As such, we are modifying and supplementing the previously expressed position to include Staff views on the senior securities table audit requirement due to changes to Form requirements.

IM-DCFO 2020-01 Determining Commencement of Operations Date (October 23, 2020) – NEW

We are expressing a Staff position on the commencement of operations date. This Staff position is consistent with previously expressed views, Section 30(a) and (b) and Rule 30d-1 under the Investment Company Act of 1940, Rule 482(d)(3) under the Securities Act of 1933, Item 4(b)(2)(ii)

⁵ The SEC Practice Section refers to “auditors” rather than “accountant” and “independent public accountant”, terms which are utilized in the Commission requirements referenced. We use the terms interchangeably herein.

⁶ See supra note 4.

and (iii) of Form N-1A, and Instruction 4(g)(2)(B) to Item 24 of Form N-2, and clarifies that the date on which a fund is deemed to have commenced operations may be different for performance calculation and financial reporting purposes.

IM-DCFO 2020-02 Business Development Companies – Financial Statements in Initial Registration Statements (October 23, 2020) – NEW

We are expressing a Staff position about the financial statement requirements in an initial registration statement for business development companies. This Staff position is consistent with previously expressed views, Regulation S-X Article 3-01 requirements, and Form requirements to include financial statements in an initial registration statement.

IM-DCFO 2020-03 Combined Financial Statements for Compliance with Advisers Act Rule 206(4)-2 (October 23, 2020) – NEW

We are expressing a Staff position that an investment adviser relying on the exception for limited partnerships (or limited liability companies or other types of pooled investment vehicles) that are subject to an annual audit in accordance with Rule 206(4)-2(b)(4) under the Investment Advisers Act of 1940 (the “Rule”) may, in certain circumstances, satisfy the requirements of the exception by distributing combined audited financial statements. This Staff position is consistent with previously expressed views, the belief that financial statement audits provide meaningful protections to a limited partner (or member or other beneficial owner),⁷ and the assumption implicit in the Rule that a limited partner (or member or other beneficial owner) be able to ascertain the value of its ownership interests based on the distributed audited financial statements.

⁷ See Investment Advisers Act Release No. 2968 (Dec. 30, 2009) [75 FR 1456 (Jan. 11, 2010)].

These topics are meant to assist registrants and auditors in answering complex accounting and auditing questions. This letter contains information of importance to an investment company's independent public accountants; therefore, we encourage you to discuss these items with them. If you have questions or would like to provide feedback on these or other accounting or auditing topics relevant to investment companies, please contact the Staff of the Division's Chief Accountant's Office, including Alexis Cunningham or Jenson Wayne, Assistant Chief Accountants, Megan Miller, Staff Accountant, or me, at (202) 551-6918 or via email at IM-CAO@SEC.GOV.

Sincerely,

A handwritten signature in black ink that reads "Alison Staloch". The signature is written in a cursive, flowing style.

Alison Staloch
Chief Accountant
Division of Investment Management