



U.S. Securities and Exchange Commission

Division of Investment Management

From the Chief Accountant of the Division of Investment Management:

Industry Comment Letter

November 29, 2023

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 registrants¹ and other relevant parties (“Dear CFO Letter”), to assist registrants and their independent public accountants in addressing certain accounting, auditing, financial reporting, or other related disclosure matters (collectively, “accounting matters”). The views expressed in all Dear CFO Letters apply to matters relevant to, and filings, including reports to shareholders, made by registrants. The statements in these letters represent the views of the Staff. 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

¹ The use of “registrants” in all Dear CFO Letters is intended to include registered investment companies, business development companies, and issuers of insurance product securities, as well as registered investment advisers, where applicable.

new or additional obligations for any person. Future changes in rules, regulations, and/or staff no-action and interpretive positions may supersede these statements.

In this letter we have highlighted new positions and updates to prior Staff positions 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.² These new positions and updates will be set forth in the Accounting Matters Bibliography on our website,³ which reflects all positions taken in Dear CFO letters since 1994, including positions that we have modified or withdrawn. 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 reevaluation.

IM-DCFO 1999-05 Adviser Accounting for Offering Costs – WITHDRAWN

The December 30, 1999 Dear CFO Letter expressed Staff views regarding the capitalization of offering costs by an investment adviser. On June 30, 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2009-01, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, which established the FASB Accounting Standards Codification as the source of authoritative U.S. GAAP. Investment adviser accounting for offering costs was codified in ASC 946-720. Therefore, we are withdrawing the views discussed in this position.

² We have also made certain revisions to previously expressed Staff positions to more clearly articulate the positions as applied broadly to all registrants. We have not described these revisions as we view these updates to be non-substantive and self-explanatory. These revisions are reflected in the Accounting Matters Bibliography described herein.

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

IM-DCFO 2001-01 Audit Guide Implementation – WITHDRAWN

We are withdrawing the views discussed in IM-DCFO 2001-01 and expressing updated Staff views in IM-DCFO 2023-03 as explained below.

IM-DCFO 2023-03 Change in Accounting Principle – NEW

The February 14, 2001 Dear CFO Letter expressed Staff views regarding the codification of new accounting standards by the AICPA’s Audit and Accounting Guide, Audits of Investment Companies. On June 30, 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2009-01, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, which established the FASB Accounting Standards Codification as the source of authoritative GAAP recognized by the FASB. Therefore, we are withdrawing the views discussed in IM-DCFO 2001-01 and expressing a Staff position regarding changes in accounting principle. This Staff position is consistent with previously expressed views and previously published guidance contained in SAB Topic 11.M, and restates our views with respect to the requirements of Item B.21 of Form N-CEN.

IM-DCFO 1995-11 Pro Forma Fee Tables and Capitalization Tables – MODIFIED

The November 2, 1995 Dear CFO Letter expressed Staff views regarding pro forma financial statements to be included in a registration statement on Form N-14 where multiple potential outcomes may exist. In May 2020, the Commission amended forms and rules concerning the financial reporting of acquisition and disposition of businesses, including investment companies.⁴ In particular, the Commission adopted Regulation S-X rule 6-11, which among other things, removed the requirement to provide pro forma financial statements in connection with fund acquisitions and instead requires supplemental information to be provided in its place.⁵ In March of 2021, we modified the position to reflect the impact of rule 6-11 and to provide Staff views regarding pro forma fee tables and

⁴ *Amendments to Financial Disclosures about Acquired and Disposed Businesses*, Investment Company Act Release No. 33872 (May 20, 2020) [85 FR 54002 (Aug. 31, 2020)] (“Acquired Businesses Adopting Release”).

⁵ See Rule 6-11(d)(2) of Regulation S-X.

capitalization tables to be included in a registration statement where multiple potential outcomes may exist. We are further modifying the position in the Accounting Matters Bibliography to express Staff views regarding the determination of ‘current fees,’ which are disclosed in the fee table pursuant to Item 3 of Form N-14, and to express Staff views regarding the dating of the capitalization table.

IM-DCFO 1999-08 Transmittal of Reports and Financial Statements Submitted via EDGAR – MODIFIED

The December 30, 1999 Dear CFO Letter expressed Staff views regarding the rules governing the filing of semi-annual and annual reports with the Commission. We are modifying this position in the Accounting Matters Bibliography to discuss the rules governing the transmittal and filing of semi-annual and annual reports to stockholders (“shareholder reports”).

IM-DCFO 2019-01 Auditor Verification of Securities Owned for Registered Investment Companies and BDCs – MODIFIED

The November 22, 2019 Dear CFO Letter reflected Staff views regarding expectations for audit procedures performed over the existence assertion for investments held by business development companies. We are modifying this position to express our views, applicable to all investment companies, regarding auditor confirmation of pending trades.

IM-DCFO 2023-01 Financial Highlights Requirements for Registered Closed-End Funds and BDCs – NEW

We are expressing a new Staff position regarding the financial highlights requirements for registered closed-end funds and BDCs. This position is consistent with instructions to Item 4, instructions to Item 24, and the General Instructions of Form N-2.

IM-DCFO 2023-02 Rule 6-11 and Supplemental Financial Information in Connection with an

Acquisition – NEW

We are expressing a new Staff position regarding the application of the “facts and circumstances evaluation” and the supplemental financial information required by Rule 6-11 of Regulation S-X. This Staff position is consistent with Rule 6-11 of Regulation S-X and the corresponding adopting release.

These topics are meant to assist registrants and auditors in answering complex accounting and auditing questions. This letter contains information of importance to a registrant’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 Michael Republicano, Assistant Chief Accountant, Melissa McDonough, Branch Chief, Christina Fettig, John Kernan, or Megan Miller, Staff Accountants, or me, at (202) 551-4283 or via email at IM-CAO@SEC.GOV.

Sincerely,



Jenson Wayne

Chief Accountant

Division of Investment Management