

The logo for K&L GATES is displayed in white, bold, sans-serif capital letters within an orange rectangular box. The background of the slide features a blurred night cityscape with a digital overlay of a world map and various financial data points, including candlestick charts and line graphs with numerical values and percentage changes.

K&L GATES

Disclosure Modernization: Where the SEC Landed, a Preview

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FINAL RULES

- On October 26, the SEC adopted final rule and form amendments representing major reforms to:
 - Shareholder reports for open-end mutual funds and ETFs; and
 - Advertisement rules for all registered investment companies, including closed-end funds, and BDCs.



SHAREHOLDER REPORT CONTENT

- Funds are required to produce “concise and visually engaging” shareholder reports that may be condensed into as few as three pages.
- Reports may include only specifically enumerated information, in a particular order.
- Required to disclose certain enumerated material changes that have occurred since the beginning of the reporting period.
- Definition of “appropriate broad-based securities market index” revised to an index that represents the overall applicable domestic or international equity or debt markets.



SHAREHOLDER REPORT DELIVERY

- Open-end mutual funds and ETFs excluded from the scope of Rule 30e-3.
- No longer able to satisfy their shareholder report transmission requirements by making shareholder reports available online.
- Revert to required mailing to each shareholder unless such shareholder affirmatively elects electronic delivery.



“LAYERED” DISCLOSURES

- A separate shareholder report is required for each series of a registrant, and each share class of a multi-class fund.
- “Less retail-focused” information currently included in shareholder reports moved to Form N-CSR filings and fund websites.



AMENDMENTS TO ADVERTISEMENT RULES

- Amendments to Rules 482 and 433 under 1933 Act and Rule 34b-1 under the 1940 Act:
 - All registered investment company and BDC advertisements providing fee and expense figures must include: (1) the maximum amount of any sales load or any other nonrecurring fee; and (2) the total annual expenses without any fee waiver or expense reimbursement arrangement.
 - Fee and expense information required to be at least as current as the date of the fund's most recent prospectus or, if the fund no longer has an effective 1933 Act registration statement, as of its most recent annual report.
- Amendments to Rule 156 under the 1933 Act provide that representations about fees or expenses in sales literature may be deemed materially misleading based upon:
 - Low fees and expenses based on the prospectus fee table do not reflect other costs;
 - Presentation of one component of expenses without stating that there are other costs; or
 - Lengthy or technical disclaimers regarding fees and expenses in small font sizes



WHAT'S NOT HERE?

- Registration statements largely untouched.
 - No summary prospectus “fee summary.”
 - No 10% of assets standard for principal risks.
 - No changes to acquired fund fees and expenses presentation.
- Proposed Rule 498B **not** adopted. Would have permitted funds to satisfy prospectus delivery obligations to existing shareholders with shareholder reports and notices of any material changes.



COMPLIANCE DATES

- The Final Rules will become effective 60 days after publication in the Federal Register.
- The compliance date will be 18 months after publication.
- **Except** that investment companies will be required to comply with amendments addressing representations of fees and expenses that could be materially misleading as of the effective date.

