

Summary of COVID-19 Relief for Regulated Funds

05.20.20

*(Article from Registered Funds Alert, May 2020)**For more information, please visit the [Registered Funds Alert Resource Center](#).*

As the coronavirus disease 2019 (“COVID-19”) pandemic continues across the globe, regulators have moved to provide targeted relief aimed at lessening the impact felt by regulated funds. To help you stay informed, we have published comprehensive summaries of the available relief, available at the [Simpson Thacher COVID-19 Resource Center](#). In addition, the chart below provides an at-a-glance overview of the relief granted thus far. Additional, short-form guidance published by the SEC staff can be found on the [SEC’s website](#).

[View/Download full chart](#)[Jump to Business Development Companies \(“BDCs”\)](#)[Jump to Open-End Funds](#)

Closed-End Funds (“CEFs”)

Relief Granted (and link to STB alert)	Application	Applicable Conditions (other than approval or notice)	Board Approval	Notice Requirements	Relief Extends Until
Suspending Requirements of In-person Board Meetings	An <i>in-person</i> board meeting is not required for the board of a CEF to enter into, renew or materially amend investment advisory contracts, underwriting and distribution agreements and Rule 12b-1[1] plans, and select its independent public accountant.	Reliance on the relief is necessary or appropriate due to circumstances related to current potential effects of COVID-19 (some boards have been approving a resolution to this effect at the non-in-person meeting).	Required. The board must ratify the actions taken pursuant to the exemptive relief at its next in-person meeting.	None.	August 15, 2020

Closed-End Funds (“CEFs”)

Relief Granted (and link to STB alert)	Application	Applicable Conditions (other than approval or notice)	Board Approval	Notice Requirements	Relief Extends Until
Filing Deadlines Extended for Form N-CEN, Form N-PORT and Annual and Semi-Annual Reports	A CEF may delay filing its Form N-CEN and Form N-PORT filings and annual and semi-annual reports past the deadlines required by Section 30(e) and Rule 30e-1 thereunder.	A CEF must file the applicable reports as soon as practicable, and must do so no later than 45 days after the original due date.	Not required.	<p>Prompt disclosure on the CEF’s website and notice to SEC staff at IM-EmergencyRelief@sec.gov stating intent to rely on the relief.</p> <p>With respect to Form N-CEN and Form N-PORT, the form eventually filed must include a statement of the filer stating it relied on the relief and the reason it was unable to file such report on a timely basis.</p>	June 30, 2020
Disregarding Prior Notice Timing Requirements for Rule 23c-2 Filings	<p>A CEF may call or redeem securities by filing Form N-23C-2 on a date that is closer in time to the call or redemption than the required 30 days prior to calling or redeeming securities.</p> <p>Form N-23C-2 must be filed prior to: any call or redemption of existing securities; the commencement of any offering of replacement securities; and providing notice to the existing shareholders whose securities are being called or redeemed.</p>	A CEF must ensure that the filing of the notice on an abbreviated time frame is permitted under relevant state law and the fund’s governing documents, and ensure that the notice otherwise complies with Rule 23c-2.	Not required.	Prompt notice to SEC staff at IM-EmergencyRelief@sec.gov stating the fund’s intent to rely on the order.	August 15, 2020
Delayed Delivery of Fund Prospectuses for Subsequent Purchases	A relying fund is permitted to delay delivery of its prospectus to investors.	The sale of shares to an investor cannot be an initial purchase of shares. A relying fund must deliver its prospectus to investors as soon as practicable, and no later than 45	Not required.	<p>Prompt notice to the SEC staff at IM-EmergencyRelief@sec.gov.</p> <p>A CEF must post notice on its website.</p>	June 30, 2020

Closed-End Funds (“CEFs”)

Relief Granted (and link to STB alert)	Application	Applicable Conditions (other than approval or notice)	Board Approval	Notice Requirements	Relief Extends Until
		days after the date originally required.			
Delaying or Changing the Location of Shareholder Meetings	A CEF may change the date, time or location of its shareholder meeting without mailing additional soliciting materials or amending its proxy materials.	Any changes must also comply with applicable state law requirements.	Not required to rely on the relief (but required to set or change meeting details).	A CEF must issue a press release and file the announcement as definitive additional soliciting material on EDGAR and take all reasonable steps necessary to inform other intermediaries in the proxy process of such change.	Such time as delays in meetings are not due to COVID-19.
Modifications to Interfund Lending	A CEF may make loans through an existing interfund lending (“IFL”) facility in an aggregate amount that does not exceed 25% of its current net assets or make additional loans subject to board approval. Closed-end funds are not permitted to borrow through interfund lending.	A CEF must previously have obtained an IFL order from the SEC or it must agree to adhere to the conditions of an order granted to another fund in the 12 months preceding March 23, 2020.	Required to make loans exceeding 25% of current net assets.	<p>Prompt notice to the SEC staff at IM-EmergencyRelief@sec.gov stating the fund’s intention to rely on the temporary relief and identifying the existing order it will follow.</p> <p>For a CEF that had previously been able to rely on an existing IFL order, disclose on its public website that it is relying on an SEC exemptive order that modifies the terms of its existing IFL order.</p>	June 30, 2020
Satisfying Item 34.1 of Form N-2[2]	If the CEF’s net asset value declines more than 10% from the CEF’s net asset value as of the effective date of its registration statement, the CEF must suspend	The FAQ includes certain specific items that CEFs should consider disclosing in the prospectus supplement (<i>see</i> Notice Requirements).	Not required to rely on the guidance.	One business day’s prior notice to the CEF’s Disclosure Review and Accounting Office staff reviewer is recommended in advance of filing the prospectus supplement.	Such time as market conditions that caused the NAV decline are not due to COVID-19.

Closed-End Funds (“CEFs”)

Relief Granted (and link to STB alert)	Application	Applicable Conditions (other than approval or notice)	Board Approval	Notice Requirements	Relief Extends Until
	the offering of its shares until the prospectus is amended. The guidance confirms that a CEF may amend its prospectus through a supplement to satisfy this undertaking. The CEF may resume offering its shares upon filing a prospectus supplement pursuant to Rule 497 under the Securities Act.			SEC Staff suggests the prospectus supplement should include disclosure regarding, among other items, a statement that the CEF’s offering has been suspended as of a certain date; the date on which the CEF will restart its offering; and the extent, in dollars and by percentage amount, that the net asset value has fallen from the effective date of the CEF’s registration statement.	
Reducing Cash Distribution Requirements	A CEF that relies on the safe harbor for distributions under Revenue Procedure 2017-45 may temporarily reduce the aggregate amount of cash included in distributions to shareholders to 10% (down from 20%).	Only applicable to CEFs that qualify as publicly offered RICs. A publicly offered RIC is a RIC the shares of which are continuously offered pursuant to a public offering, regularly traded on an established securities market, or held by, or held by (or for) no fewer than 500 persons at all times during the taxable year. The other conditions for the safe harbor set forth in Revenue Procedure 2017-45 still apply.	Not required to rely on the relief, but required to set dividends and distributions.	Not required.	December 31, 2020

Business Development Companies (“BDCs”)

Relief Granted	Application	Applicable	Board Approval	Notice Requirements	Relief Extends Until
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(and link to STB alert)		Conditions (other than approval or notice)			
Adjusted Asset Coverage Ratio	A BDC can adjust the calculation of its asset coverage ratio for purposes of issuing senior securities.	A BDC will face limitations on new investments; restrictions on the ability of the BDC and its affiliates to receive transaction fees or other remuneration; and the BDC must be able to meet the standard asset coverage ratio at the end of the exemption period.	Required. The board must also obtain certifications from the investment adviser as well as advice from an “independent evaluator” regarding whether the terms and conditions of any senior security issuance in reliance on the relief are fair and reasonable.	A BDC must make an election by filing on Form 8-K prior to issuing or selling covered senior securities.	December 31, 2020
Flexibility for Follow-On Investments	A BDC with an existing co-investment exemptive order may participate in a follow-on investment with affiliated private funds that do not currently hold an interest in the issuer.	Transactions with affiliated registered funds may only be completed if the affiliated registered fund also participated in the initial investment. Any transaction in reliance on this relief must otherwise be effected in accordance with the terms and conditions of the BDC’s existing co-investment exemptive order.	Required for negotiated transactions. The board must approve the proposed follow-on investment after considering the opportunity on both on a stand-alone basis and in relation to the total economic exposure to the issuer.	None.	December 31, 2020
Suspending Requirements of In-person Board Meetings	An <i>in-person</i> board meeting is not required for the board of a BDC to enter into, renew or materially amend investment advisory contracts, underwriting and distribution agreements and Rule 12b-1 plans, and select its independent public accountant.	Reliance on the relief is necessary or appropriate due to circumstances related to current potential effects of COVID-19 (some boards have been approving a resolution to this effect at the non-in-person meeting).	Required. The board must ratify the actions taken pursuant to the exemptive relief at its next in-person meeting.	None.	August 15, 2020
Disregarding Prior Notice Timing Requirements for Rule 23c-2 Filings	A BDC may call or redeem securities by filing Form N-23C-2 on a date that is closer in time to the call or redemption than the required 30 days prior to calling or redeeming securities.	A BDC must ensure that the filing of the notice on an abbreviated time frame is permitted under relevant state law and the fund’s governing documents, and ensure that the notice otherwise	Not required.	Prompt notice to SEC staff at IM-EmergencyRelief@sec.gov stating intent to rely on the order.	August 15, 2020

Business Development Companies (“BDCs”)

Relief Granted (and link to STB alert)	Application	Applicable Conditions (other than approval or notice)	Board Approval	Notice Requirements	Relief Extends Until
	Form N-23C-2 must be filed prior to: any call or redemption of existing securities; the commencement of any offering of replacement securities; and providing notice to the existing shareholders whose securities are being called or redeemed.	complies with Rule 23c-2.			
Delaying or Changing the Location of Shareholder Meetings	A BDC may change the date, time or location of its shareholder meeting without mailing additional soliciting materials or amending its proxy materials.	Any changes must also comply with applicable state law requirements.	Not required to rely on the relief (but required to set or change meeting details).	A BDC must issue a press release and file the announcement as definitive additional soliciting material on EDGAR and take all reasonable steps necessary to inform other intermediaries in the proxy process of such change.	Such time as delays in meetings are not due to COVID-19.
Satisfying Item 34.1 of Form N-2 [3]	If the BDC’s net asset value declines more than 10% from the BDC’s net asset value as of the effective date of its registration statement, the BDC must suspend	The FAQ includes certain specific items that BDCs should consider disclosing in the prospectus supplement (<i>see</i> Notice Requirements).	Not required to rely on the guidance.	One business day’s prior notice to the BDC’s Disclosure Review and Accounting Office staff reviewer is recommended in advance of filing the prospectus supplement.	Such time as market conditions that caused the NAV decline are not due to COVID-19.

Business Development Companies (“BDCs”)

Relief Granted (and link to STB alert)	Application	Applicable Conditions (other than approval or notice)	Board Approval	Notice Requirements	Relief Extends Until
	the offering of its shares until the prospectus is amended. The guidance confirms that a BDC may amend its prospectus through a supplement to satisfy this undertaking. The BDC may resume offering its shares upon filing a prospectus supplement pursuant to Rule 497 under the Securities Act.			SEC Staff suggests the prospectus supplement should include disclosure regarding, among other items, a statement that the BDC’s offering has been suspended as of a certain date; the date on which the BDC will restart its offering; and the extent, in dollars and by percentage amount, that the net asset value has fallen from the effective date of the BDC’s registration statement.	
Reducing Cash Distribution Requirements	A BDC that relies on the safe harbor for distributions under Revenue Procedure 2017-45 may temporarily reduce the aggregate amount of cash included in distributions to shareholders to 10% (down from 20%).	Only applicable to BDCs that qualify as publicly offered RICs. A publicly offered RIC is a RIC the shares of which are continuously offered pursuant to a public offering, regularly traded on an established securities market, or held by (or for) no fewer than 500 persons at all times during the taxable year. Certain private BDCs will not qualify. The other conditions for the safe harbor set forth in Revenue Procedure 2017-45 still apply.	Not required to rely on the relief, but required to set dividends and distributions.	Not required.	December 31, 2020

Open-End Funds

Relief Granted (and link to STB alert)	Application	Applicable Conditions (other than approval or notice)	Board Approval	Notice Requirements	Relief Extends Until
Suspending requirements of In-person Board Meetings	An <i>in-person</i> board meeting is not required for the board of a relying fund to enter into, renew or materially amend investment advisory contracts, underwriting and distribution agreements and Rule 12b-1 plans, and select its independent public accountant.	Reliance on the relief is necessary or appropriate due to circumstances related to current potential effects of COVID-19 (some boards have been approving a resolution to this effect at the non-in-person meeting).	Required. A relying fund's board must ratify the actions taken pursuant to the exemptive relief at its next in-person meeting.	None.	August 15, 2020
Filing Deadlines extended for Form N-CEN, Form N-PORT and Annual and Semi-Annual Reports	A relying fund may delay filing its Form N-CEN and Form N-PORT filings and annual and semi-annual reports past the deadlines required by Section 30(e) and Rule 30e-1 thereunder.	A relying fund must file the applicable reports as soon as practicable, and must do so no later than 45 days after the original due date.	Not required.	Prompt disclosure on the relying fund's website and notice to SEC staff at IM-EmergencyRelief@sec.gov stating intent to rely on the relief. With respect to Form N-CEN and Form N-PORT, the form eventually filed must include a statement of the filer stating it relied on the relief and the reason it was unable to file such report on a timely basis.	June 30, 2020
Delayed Delivery of Fund Prospectuses for Subsequent Purchases	A relying fund is permitted to delay delivery of its prospectus to investors.	The sale of shares to an investor cannot be an initial purchase of shares. A relying fund must deliver its prospectus to investors as soon as practicable, and no later than 45 days after the date originally required.	Not required.	Prompt notice to the SEC staff by email at IM-EmergencyRelief@sec.gov . A relying fund must post notice on its website.	June 30, 2020
Delaying or Changing the Location of Shareholder Meetings	A relying fund may change the date, time or location of its shareholder meeting without mailing additional soliciting materials or amending its proxy materials.	Any changes must also comply with applicable state law requirements.	Not required to rely on the relief (but required to set or change meeting details).	A relying fund must issue a press release and file the announcement as definitive additional soliciting material on EDGAR or, if the meeting is held in connection with a business combination described in a registration statement on Form N-14, the announcement should be filed as a prospectus	Such time as delays in meetings are not due to COVID-19.

Open-End Funds

Relief Granted (and link to STB alert)	Application	Applicable Conditions (other than approval or notice)	Board Approval	Notice Requirements	Relief Extends Until
				supplement under 1933 Act Rule 497, and take all reasonable steps necessary to inform other intermediaries in the proxy process of such change.	
Secured Borrowings from Affiliates	A relying fund may borrow on a secured basis from its investment adviser or other affiliated entities. Provides an exemption from Sections 17(a), 12(d)(3) and 18(f)(1), but not Rule 17d-1.	None.	Board must determine that the loan is in the best interests of the relying fund and will be used to satisfy shareholder redemptions.	Prompt notice to the SEC staff by email at IM-EmergencyRelief@sec.gov stating the fund's intention to rely on the temporary relief.	June 30, 2020
Modifications to Interfund Lending	<p>A relying fund may make loans through an existing interfund lending ("IFL") facility in an aggregate amount that does not exceed 25% of its current net assets at the time of the loan notwithstanding any lower limitation in an existing IFL order (typically 15% of current net asset value).</p> <p>A relying fund may borrow or make loans through the facility for any term (up to and including the date this temporary relief is rescinded), notwithstanding any conditions normally limiting the term of such loans.</p>	<p>A relying fund must previously have obtained an IFL order from the SEC or it must agree to adhere to the conditions of one granted to another fund in the 12 months preceding March 23, 2020.</p> <p>The term of any IFL made in reliance on the relief may not extend beyond the expiration of the temporary relief.</p>	Board approval required to extend the maximum term of an interfund loan.	<p>Prompt notice to the SEC staff by email at IM-EmergencyRelief@sec.gov stating the fund's intention to rely on the temporary relief and, if the fund does not have an IFL order, identifying the existing order it will adhere to.</p> <p>For a fund that had previously been able to rely on an existing IFL order, disclose on its public website that it is relying on an SEC exemptive order that modifies the terms of its existing IFL order.</p>	June 30, 2020
Deviation from Registration Statement Policies	A relying fund may enter into lending or borrowing transactions that deviate from any	None.	Required.	Prompt notice to the SEC staff by email at IM-EmergencyRelief@sec.gov stating the fund's intention	June 30, 2020

Open-End Funds

Relief Granted (and link to STB alert)	Application	Applicable Conditions (other than approval or notice)	Board Approval	Notice Requirements	Relief Extends Until
	relevant policy recited in its registration statement without prior shareholder approval.			to rely on the temporary relief. Must notify shareholders of the deviation by filing a prospectus supplement and includes a statement on the applicable fund's public website.	
Permitting Additional Affiliated Transactions to Provide Liquidity	A relying fund's affiliates that are not registered investment companies may purchase debt securities held by the relying fund notwithstanding the restrictions of Section 17(a).	The debt securities must be sold at fair market value in cash-settled transactions. If the relying fund's affiliate later sells the purchased security for a higher price than paid to the relying fund, the affiliate must pay the relying fund the difference.	Not required.	Prompt notice to the SEC staff by email at IM-EmergencyRelief@sec.gov and publicly posted on the relying fund's website stating the name of the affiliate, the securities sold and the quantity and purchase price.	Notice from the SEC staff that the relief is withdrawn.
Reducing Cash Distribution Requirements	A relying fund that relies on the safe harbor for distributions under Revenue Procedure 2017-45 may temporarily reduce the aggregate amount of cash included in distributions to shareholders to 10% (down from 20%).	Only applicable to relying funds that qualify as publicly offered RICs. A publicly offered RIC is a RIC the shares of which are continuously offered pursuant to a public offering, regularly traded on an established securities market, or held by fewer than 500 persons at all times during the taxable year. The other conditions for the safe harbor set forth in Revenue Procedure 2017-45 still apply.	Not required to rely on the relief, but required to set dividends and distributions.	Not required.	December 31, 2020

[1] Unless otherwise indicated, all section and rule references herein are to sections of, and rules under, the 1940 Act.

[2] See *Division of Investment Management Coronavirus (COVID-19) Response FAQs*, Question III.5, <https://www.sec.gov/investment/covid-19-response-faq>.

[3] See *Division of Investment Management Coronavirus (COVID-19) Response FAQs*, Question III.5, <https://www.sec.gov/investment/covid-19-response-faq>.

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