

Investment Management Legal and Regulatory Update

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LATEST DEVELOPMENTS: FUNDS

SEC Proposes Amendments to Form N-PORT to Reduce Reporting Burden

The Securities and Exchange Commission (SEC) proposed amendments to Form N-PORT, the form used by most registered investment companies to file portfolio holdings information, that reduce more onerous reporting requirements adopted under the previous administration.

Currently, reports on Form N-PORT provide monthly information to the SEC regarding a fund's complete portfolio holdings, as well as related information. Form N-PORT is published publicly on a quarterly basis. Such reports must be filed no later than 60 days after the end of the relevant fiscal quarter. In 2024, the SEC adopted amendments that were intended to provide the Commission and the public with more timely information about funds' holdings by requiring the monthly reports to be filed no later than 30 days after the end of the relevant month, with information being made public 60 days after month end. Prior to the compliance date for these amendments, President Trump signed a Presidential Memorandum directing agencies to consider postponing the effective date for any rules that had been issued but had not yet taken effect. The President also issued Executive Orders expressing a policy goal of reducing regulatory burdens. In light of these directives and after receiving feedback from industry participants, the SEC extended the effective and compliance dates for these requirements in April 2025 to provide time for the Commission to complete its review of the amendments.

Based on this review, the SEC has proposed amendments designed to reduce the reporting burdens of the previous amendments in a way that will not significantly affect access to relevant information about a fund. The proposed amendments would extend the filing deadline from 30 days to 45 days after month end, and portfolio holdings information for only the third month of a fund's fiscal quarter would be made public 60 days after fiscal quarter end. Industry participants had raised concerns that the accelerated timeline adopted in 2024 would impose significant operational and compliance costs on registrants. The Commission believes the proposed amendments continue to allow for receipt of reasonably timely data while reducing burdens and the risk of error. By restoring the quarterly publication frequency of portfolio holdings information, the Commission aims to reduce the risk of external parties inferring a fund's proprietary trading strategy or trading intentions and acting on that information in a way that is harmful to the fund.

The proposed amendments would also streamline the information that registered funds provide by narrowing the scope of certain information collected on portfolio-level risk metrics and returns. Additionally, the SEC is proposing to eliminate the reporting requirements added to Form N-PORT when the amendments to Rule 35d-1 under the Investment Company Act (the Names Rule) were adopted. By separate action, the Commission is also

The information contained herein is based on a summary of legal principles. It is not to be construed as legal advice and does not create an attorney-client relationship. Individuals should consult with legal counsel before taking any action based on these principles to ensure their applicability in a given situation.

extending the compliance dates for the Names Rule-related reporting requirements to provide time to consider the proposed amendments.

Lastly, the proposed amendments would require registered funds with an ETF share class to report information on the ETF share class's net assets and shareholder flows separately.

The proposing release for the Form N-PORT amendments was published in the Federal Register on February 23, 2026. The comment period will remain open until April 24, 2026.

Godfrey & Kahn's Take: The proposed amendments to Form N-PORT do not represent a complete rollback of the requirements adopted in 2024, but rather strike a middle ground between the pre-2024 regime and where we would have been under the new rules. The shift from quarterly to monthly reporting, albeit on a 45-day lag, will still require thoughtful changes to registrants' operational systems and compliance policies.

Sources: SEC Proposes Amendments to Reduce Burdens in Reporting of Fund Portfolio Holdings, SEC Press Release 2026-19 (Feb. 18, 2026), available [here](#); Fact Sheet: Proposed Amendments to Form N-PORT Reporting; Extension of Compliance Dates for Names Rule Reporting, SEC (Feb. 18, 2026), available [here](#); Form N-PORT Reporting, SEC, Proposed Rule Release No. IC-35962 (Feb. 18, 2026), available [here](#); Investment Company Names Form N-PORT Reporting; Extension of Compliance Date, Federal Register (Feb. 23, 2026), available [here](#).

SEC Issues Additional Names Rule FAQs

On February 18, 2026, the staff of the SEC's Division of Investment Management (IM Division) published additional Frequently Asked Questions (FAQs) related to the 2023 amendments to the Names Rule. The IM Division staff previously published FAQs related to the Names Rule amendments on January 8, 2025.

Of note, the FAQs clarify that a fund that makes a non-material amendment to an existing non-fundamental 80% investment policy solely to comply with the amended Names Rule would not need to provide a 60-day notice to shareholders. Similarly, the FAQs provide guidance that a fund that makes its existing 80% investment policy more stringent to comply with the amended Names Rule would not need to provide 60-day notice to shareholders to implement such a change, provided that the proposed change to the 80% investment policy is consistent with the fund's existing investment strategy.

The FAQs also specify that an 80% investment policy is not required with respect to the terms "growth" or "value" if a fund's name includes such terms along with a modifying term that makes it clear that "growth" and "value" are not the predominant components of the fund's portfolio. For example, the FAQs clarify that a fund that combines "growth" and "income" in a way that suggests the fund seeks a portfolio-wide outcome of growth of capital along with current income would not need to adopt an 80% investment policy with respect to the term "growth."

Also of note, the FAQs confirm that the terms "merger" or "merger arbitrage" in a fund's name suggest an investment technique or portfolio level result and do not, by themselves, require an 80% investment policy under the Names Rule.

Godfrey & Kahn's Take: This additional guidance provides relief to certain funds to forego additional regulatory filings to comply with the amended Names Rule. Registrants should consider how the guidance in the updated FAQs impacts a fund's obligations to come into compliance with the amended Names Rule. Funds that need to amend their 80% investment policies to comply with the amended Names Rule may be able to rely on the new guidance to avoid the cost of additional filings to provide shareholders with 60-day notice of the change.

Source: 2025-26 Names Rules FAQs, SEC (Feb. 19, 2026), available [here](#).

E-Delivery of Fund Documents on the Horizon

SEC Chairman Paul Atkins and Commissioner Hester Peirce, speaking at recent industry events, have expressed the need for a rule proposal on the electronic-delivery (e-delivery) of fund documents to investors. Commissioner Peirce called for rulemaking to either make e-delivery the default or to allow firms to offer disclosure regarding its document delivery practices in whatever form they prefer. The Investment Company Institute (ICI) and other industry groups have long been proponents of shifting to e-delivery, citing significant cost-savings, reduced waste and better alignment with evolving investor preferences. In Chairman Atkins' remarks at SEC Speaks, he outlined a framework, dubbed the

“A-C-T” strategy, that organizes all forthcoming SEC initiatives into three categories: those that “advance” industry rules to align with how markets operate today, those that “clarify” the regulatory regime, and those that “transform” current requirements by eliminating those that are burdensome and impractical. Chairman Atkins discussed the need to advance the industry’s regulatory posture to bring it into alignment with the world as it is, and offered the paper delivery default as one example of the gulf between regulation and reality. Similarly, in a recent speech at an ICI meeting, Brian Daly, Director of the IM Division, lamented at the lack of progress in standardizing the e-delivery of fund documents, noting that artificial intelligence could provide unique opportunities to reimagine the delivery of important disclosure to investors.

Sources: Misery Loves [Investment] Company?: Remarks at the 2026 Investment Company Institute Investment Management Conference, SEC Commissioner Hester M. Peirce Speech (Mar. 24, 2026), available [here](#); ICI to SEC: E-Delivery Can Save Investors Billions, ICI News Release (Nov. 19, 2025), available [here](#); Artificial Intelligence and the Future of Investment Management, Division of Investment Management Director Brian Daly Speech (Feb. 3, 2026); available [here](#); Prepared Remarks Before SEC Speaks, SEC Chairman Paul S. Atkins Speech (Mar. 19, 2026), available [here](#).

ENFORCEMENT ACTIONS

SEC Charges Adviser for Violations in Connection with the Use of Hedge Clauses

On January 20, 2026, the SEC announced settled charges with two registered investment advisers, FamilyWealth Advisers, LLC and FamilyWealth Asset Management, LLC (the FamilyWealth Advisers) relating to asserted violations of the Advisers Act in connection with the use of liability disclaimers, otherwise known as “hedge clauses,” in their advisory agreements. The order also involves asserted violations of the Advisers Act relating to the assignment and custody provisions in the FamilyWealth Advisers’ advisory agreements.

The SEC order refers to prior SEC staff interpretative guidance issued in June 2019 stating that there are few circumstances in which a hedge clause in an advisory agreement with a retail client would be consistent with the antifraud provisions in the Advisers Act, as the SEC staff believes that such clauses are likely to mislead retail clients into not exercising their non-waivable legal rights. The SEC found that from at least May 2019 to May 2024, the FamilyWealth Advisers used improper hedge clauses in their advisory agreements with retail clients.

The SEC order highlighted the language that it found to be in violation of the Advisers Act, including language providing that the FamilyWealth Advisers were not liable to clients “for any act, omission, or determination made in connection with [the advisory agreement] except for its willful misconduct or gross negligence...” The SEC order indicated that such language is problematic even when accompanied by language indicating that no provisions in the agreement would constitute a waiver or limitation of any rights that clients had under federal or state securities laws or ERISA. The SEC order also highlighted indemnification language that required clients to indemnify the FamilyWealth Advisers for losses relating to any violation of federal or state securities laws by the FamilyWealth Advisers, any breach of the FamilyWealth Advisers’ representations or warranties, and any negligence, gross negligence or willful misconduct by the FamilyWealth Advisers or their employees.

The SEC order found that such hedge clauses were inconsistent with the FamilyWealth Advisers’ fiduciary duties because the clauses broadly limited the FamilyWealth Advisers’ liability to clients and could mislead retail clients into not exercising non-waivable legal rights. The SEC order indicated that a misleading statement alone can amount to fraud if the statement could lead a client to believe that they have waived a non-waivable cause of action against an investment adviser. The SEC order also noted that the FamilyWealth Advisers had updated the language in their advisory agreements following an SEC examination in 2024 but did not modify all of the hedge clauses in their advisory agreements and had only used the updated advisory agreement language with new clients. In addition, the advisory agreement language was inconsistent with policies and procedures set forth in the FamilyWealth Advisers’ compliance manual.

A further issue identified in the SEC order was that the language of the FamilyWealth Advisers’ advisory agreements included a provision that the agreements could be assigned without notice and without the consent of clients, which violates requirements in the Advisers Act.

Lastly, the order found that the FamilyWealth Advisers were in violation of Rule 206(4)-2 under the Advisers Act (the Custody Rule) because the advisory agreements included provisions that provided the FamilyWealth Advisers

with authority deemed to be “custody” of client assets, yet the FamilyWealth Advisers failed to obtain verification by an independent public accountant of client funds and securities.

Godfrey & Kahn's Take: Registered investment advisers should review their existing advisory agreements to determine if the agreements have any hedge clauses or impermissible assignment provisions. Advisers should also note the importance of prompt remediation of any issues the SEC staff previously identified as part of an examination and ensure that advisory agreements and current business practices are consistent with the policies and procedures set forth in advisers' compliance manuals.

Source: In the Matter of FamilyWealth Advisers, LLC and FamilyWealth Asset Management, LLC, Release No. 6941 (Jan. 20, 2026), available [here](#).

SEC Division of Enforcement Announces Updates to the Wells Process

The SEC Division of Enforcement (Enforcement Division) recently announced significant updates to its Enforcement Manual (Manual) that are intended to enhance efficiency, transparency, and uniformity in the Enforcement Division's enforcement practices. SEC Chairman Paul Atkins endorsed a comprehensive review of the Manual, which provides general guidance to the Enforcement Division in conducting enforcement activities, as part of his ongoing commitment to improving the due process practices at the SEC.

The updated Manual includes significant changes to the Wells process, the mechanism through which parties to an SEC investigation are notified of potential charges and the evidentiary basis for such charges and are provided an opportunity to respond before the Enforcement Division staff recommends such charges to the Commission. Historically, the Enforcement Division's implementation of the Wells process has been largely discretionary, with the timing and structure varying greatly across different offices or units. The updated Manual provides that recipients of a Wells notice will, in the absence of time constraints, receive four weeks to make Wells submissions (an increase from the two weeks previously afforded to parties) and includes guidance on the appropriate form and content of Wells submissions, as well as the process for requesting extensions of time for a Wells submission. The Manual states that Wells submissions are “most helpful when they focus on disputed factual or legal issues, or raise significant legal risks or policy or programmatic concerns.” Furthermore, under the revised protocol, the Manual requires that a meeting with senior leadership within the Enforcement Division be scheduled within four weeks of receipt of a Wells submission.

The updated Manual acknowledges that recipients of a Wells notice may wish to review portions of the Enforcement Division's investigative file. In the interests of increasing transparency and efficiency throughout the process, the Manual states that the Enforcement Division “should be forthcoming about the content of the investigative file.” Judge Margaret Ryan, former Director of the Enforcement Division, who recently resigned from her role, noted the updates to the Manual “ensure greater uniformity, reflect the Division's best practices, and improve our staff's ability to carry out the mission-critical work they do on behalf of investors.”

Godfrey & Kahn's Take: The Wells process updates represent a positive shift in the SEC's enforcement practices. The heightened focus on transparency, fairness and consistency provides parties with predictability and a meaningful opportunity to engage in the enforcement process.

Sources: SEC's Division of Enforcement Announces Updates to Enforcement Manual, SEC Press Release 2026-20 (Feb. 24, 2026), available [here](#); SEC Enforcement Manual (Feb. 24, 2026), available [here](#); Keynote Address at the 25th Annual A.A. Sommer, Jr. Lecture on Corporate, Securities, and Financial Law, SEC Chairman Paul S. Atkins Speech (Oct. 7, 2025), available [here](#); US SEC to give probe subjects more notice as it updates enforcement manual, Reuters (Feb. 24, 2026), available [here](#).

OTHER NEWS OF INTEREST

FINRA Proposes Rule Change to Permit Projections of Performance in Member Communications

On February 20, 2026, the Financial Industry Regulatory Authority, Inc. (FINRA) proposed changes to FINRA Rule 2210 (Rule 2210), which governs broker-dealer communications with the public, that would permit broker-dealers to include performance projections and targeted returns in communications with certain non-retail investors, subject to certain conditions. The proposed changes to Rule 2210 are intended to more closely align Rule 2210 with Rule 206(4)-1 under the Advisers Act (the Marketing Rule), which governs advertisements made by SEC-registered investment advisers.

In its current form, Rule 2210 provides that broker-dealer communications may not predict or project performance, with limited exceptions. The proposed amendment to Rule 2210 would add an additional exception to the prohibition on predicted or projected performance.

The proposal would allow broker-dealer communications to include projected or targeted performance for a security, securities portfolio or asset allocation, or other strategy subject to the following conditions:

- the broker-dealer must adopt and implement written policies and procedures reasonably designed to ensure that the communication is relevant to the likely financial situation and investment objective of the intended audience;
- the broker-dealer must have a reasonable basis for the criteria used and assumptions made in calculating projected performance or a target return, as well as written records supporting the basis for such criteria and assumptions; and
- the broker-dealer must provide sufficient information to enable the intended audience to understand (i) the criteria used and assumptions made in calculating performance or targeted returns (including whether the figures are net of anticipated fees and expenses) and (ii) the risks and limitations of using the projected performance in making investment decisions.

The proposal also indicates that communications with performance projections or target returns should only be distributed when the broker-dealer reasonably believes that the investors receiving the communication have the financial expertise to understand the risks and limitations of the communication. Accordingly, broker-dealers generally would *not* be able to include projections of performance or targeted returns in communications directed to a mass audience or intended for general circulation, including to a general retail investor audience (e.g., investment company advertisements).

The proposal was published in the Federal Register on February 25, 2026, and interested parties had 21 days from that date to submit comments.

Godfrey & Kahn's Take: The proposed changes to Rule 2210 are a significant step towards aligning Rule 2210 and the Marketing Rule in ways that may benefit investors, who will be able to receive comparable information from both broker-dealers and registered investment advisers, and may benefit broker-dealers, who have been operating under more restrictive rules.

Source: Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Amend FINRA Rule 2210 (Communications with the Public), Release No. 34-104877 (Feb. 20, 2026); available [here](#).

COMPLIANCE DATES FOR FINAL RULES

Final Rules	Compliance Dates
Investment Company Names Rule Amendments	<p>Larger fund groups (net assets of \$1 billion or more): June 11, 2026.</p> <p>Smaller fund groups (net assets of less than \$1 billion): December 11, 2026.</p> <p>Note that the compliance dates specified above for existing funds are further modified based on the timing of a fund’s first “on-cycle” annual updating amendment.</p>
Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer Information	<p>Rule amendments were effective August 2, 2024, with tiered compliance dates:</p> <p>Larger entities (investment companies with net assets of \$1 billion or more, registered advisers with assets under management of \$1.5 billion or more, and broker-dealers and transfer agents that are not small entities under the Securities Exchange Act of 1934): December 3, 2025.</p> <p>Smaller entities (covered institutions who do not meet the “larger entity” thresholds): June 3, 2026.</p>
Form PF Amendments to Reporting Requirements	<p>The compliance date for the amendments to Form PF is October 1, 2026.</p>
Form N-PORT Reporting, including investment company names reporting on Form N-PORT	<p>Form N-PORT</p> <p>The final rule is effective November 17, 2027, with tiered compliance dates:</p> <p>Larger entities* (funds that, together with other investment companies in the same “group of related investment companies” with net assets of \$1 billion or more as of the end of the most recent fiscal year): November 17, 2027.</p> <p>Smaller entities* (funds that, together with other investment companies in the same “group of related investment companies” with net assets of less than \$1 billion as of the end of the most recent fiscal year): May 18, 2028.</p> <p>However, the newly proposed amendments to the Form N-PORT reporting requirements would prescribe new compliance dates if adopted.</p> <p>*The asset thresholds for “larger entities” and “smaller entities” may change if the rule amendments described below are adopted.</p>

COMPLIANCE DATES FOR FINAL RULES

Final Rules	Compliance Dates
FinCEN Anti-Money Laundering/Countering the Financing of Terrorism Program and Suspicious Activity Report Filing Requirements for Registered Investment Advisers and Exempt Reporting Advisers	As of January 1, 2028, advisers will be required to establish anti-money laundering/countering the financing of terrorism programs and file suspicious activity reports, among other requirements. In extending the compliance date to 2028, however, the Financial Crimes Enforcement Network said it will also review the adviser anti-money laundering rule “to ensure it strikes an appropriate balance between cost and benefit” and is consistent with the administration’s deregulatory agenda.

STATUS OF PROPOSED RULES

Proposed Rules for Funds and Advisers	Status
Amendments to the “Small Business” and “Small Organization” Definitions for Investment Companies and Investment Advisers	Comments were due March 13, 2026. The SEC has not taken any further action as of the date of publication.
Form N-PORT Reporting*	Comments due April 24, 2026.

**Discussion included in this Investment Management Update.*