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For IMMEDIATE Release Friday, May 29, 1953

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.

INVESTMENT COMPANY ACT OF 1940
Release No. 1868
SECURITIES ACT OF 1933
Release No. 3475
SECURITIES EXCHANGE ACT OF 1934
Release No. 4860
ACCOUNTING SERIES
Release No. 74

ADOPTION OF AMENDMENTS TO CERTAIN RULES OF
ARTICLE 6 OF REGULATION S-X

On March 16, 1953, the Commission announced that it had under consideration proposed amendments to certain rules of Article 6 of Regulation S-X which governs the form and content of financial statements of management investment companies other than those which are issuers of periodic payment plan certificates required to be filed under the Investment Company Act of 1940, the Securities Act of 1933 and the Securities Exchange Act of 1934. It invited all interested persons to submit views and comments on the proposed amendments. The Commission has considered the comments and suggestions received, and has determined that the proposed amendments should be adopted with certain modifications which have been incorporated in the amended rules.

Purpose of Amendments

The purpose of the amendment of Rule 6-08 of Article 6 of Regulation S-X is to segregate the effect of changes in "Undistributed Net Income" account from other changes in net assets and to permit the showing of certain items included presently in the rule subordinate to a general caption "Capital" or "Principal" in order to distinguish more sharply between capital and income.

Rule 6-09 has been amended in order to provide a simple and self-explanatory title, to clarify the instructions and to distinguish here again more sharply between capital and income.

The use of the optional Statement of Sources of Net Assets prescribed by Rule 6-09 is extended to closed-end companies having only one class of outstanding capital securities and reflecting their assets at value.

To avoid misinterpretation of the qualifying parenthetical phrase "(excluding gain or loss on investments)"

presently shown in Rule 6-09-6, which was understood by some as calling attention to the existence of additional income or loss and by others as emphasizing the exclusion of such gains or losses from income, the qualifying phrase has been omitted from Rule 6-09-6 and Rules 6-03-21(a)(2), 6-04, 6-04(b)-7 and 6-07-2, which latter four rules also include the qualifying phrase. Further, since the rules require that all three elements ^{1/} of performance during the period be separately stated but assembled on one page, it appears appropriate to discard the qualifying phrase in the above rules.

Statutory Basis

The amendments of the rules are adopted pursuant to authority conferred upon the Commission by the Securities Act of 1933, particularly Sections 7, 10 and 19(a) thereof, the Securities Exchange Act of 1934, particularly Sections 12, 13, 15(d) and 23(a) thereof, and the Investment Company Act of 1940, particularly Sections 8, 30, 31(c) and 38(a) thereof.

Text of Amendment of Rules

The texts of the amendments of the rules hereby adopted are as follows:

I. Rules 6-03-21(a)(2), 6-04, 6-04(b)-7 and 6-07-2 are amended by deleting from each of these rules the qualifying parenthetical phrase "(excluding gain or loss on investments)."

II. Rule 6-08(b)(1) is amended by adding to the instruction the following sentence: "Show parenthetically or otherwise the balance of undistributed net income included in net assets at the beginning of the period."

Rule 6-08(b)(8) is amended by adding to the instruction the following sentence: "Show parenthetically or otherwise the balance of undistributed net income included in net assets at the end of the period."

Rule 6-08(b) is amended by inserting the following general instruction immediately following Rule 6-08(b)(8): "Captions (b)(3) to (6), inclusive, may be shown subordinate

^{1/} Net income from interest, dividends and other income; net realized gain or loss on investments; and increase or decrease of unrealized appreciation or depreciation of assets.

to a general caption 'Capital.' If appropriate, the term 'Principal' may be used in place of 'Capital.'"

III. Rule 6-09 is deleted and the following amended Rule 6-09 is substituted therefor:

Rule 6-09. Statement of Sources of Net Assets.

Companies having only one class of outstanding capital securities, and reflecting all assets at value, may combine captions 20 and 21(a)(1) of rule 6-03, provided (1) the analyses prescribed by rule 6-03-21(b) are furnished and (2) other information comparable to that prescribed by captions 20 to 24 of rule 6-03 is set forth in substantially the following form:

(1) Capital.--If appropriate, the term Principal may be used in place of this caption.

(a) Excess of amounts received from sale of capital shares over amounts paid out in redeeming or reacquiring shares.--State here or in a footnote the number of shares authorized, the number of shares outstanding, and the capital shares liability thereof. The information required by rule 6-02-8 shall be given in a footnote or by reference to the statement of changes in net assets.

(b) Aggregate distributions from net proceeds from sale of capital shares.--See also rule 6-07-1(b).

(c) Balance of capital paid in on shares.

(d) Accumulated net realized gain or loss on investments.

(e) Accumulated distributions of realized gain on investments.--The amount shown under this caption (e) shall be added to or deducted from caption (d) as appropriate to give a single total which need not be separately designated. See rule 6-07-3 with respect to companies organized or most recently reorganized prior to January 1, 1925.

(f) Unrealized appreciation or depreciation of assets.--See rule 6-02-9.

(g) Total of captions (a) to (f), inclusive.

(2) Balance of undistributed net income.

(3) Net assets applicable to outstanding shares.

The proposal to amend Rule 6-09 did not extend its application to closed-end companies. Since, however, the amendment of Rule 6-09 to include closed-end companies has been adopted pursuant to requests of certain registrants and since it extends a privilege to all registrants and is not adverse to investors, the Commission finds that the giving of notice and the institution of public rule-making procedure pursuant to Section 4 of the Administrative Procedure Act with respect to the applicability of Rule 6-09 to closed-end companies are unnecessary.

Effective Date

The foregoing amended rules shall become effective July 1, 1953; however, they may, at the option of the registrant, be applied immediately.

By the Commission.

(SEAL)

Orval L. DuBois
Secretary

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