

**BUSINESS DEVELOPMENT COMPANIES—SEPARATE FINANCIAL STATEMENTS  
OR SUMMARIZED FINANCIAL INFORMATION OF CERTAIN SUBSIDIARIES**

**Applicability of Regulation S-X Rules 3-09 and 4-08(g) to Business Development Companies (BDCs).** In reviewing registration statements filed by BDCs, the staff has observed that some BDCs that have certain significant subsidiaries do not provide separate financial statements or summarized financial information for those subsidiaries as required by Regulation S-X. This written guidance reflects the comments that the staff has provided to these BDCs. The bases of the staff's comments are Regulation S-X Rules 3-09 and 4-08(g), which apply to BDCs. Rule 3-09 describes, among other things, the circumstances under which separate financial statements of an unconsolidated majority-owned subsidiary are required to be filed. Rule 4-08(g) describes, among other things, the circumstances under which summarized financial information must be presented in the notes to the financial statements for subsidiaries not consolidated.

BDCs register their securities under the Securities Act of 1933 on Form N-2. For purposes of Form N-2, “[a] business development company should comply with the provisions of Regulation S-X generally applicable to registered management investment companies. (See . . . Sections 210.6-01 through 210.6-10 of Regulation S-X . . .).”<sup>1</sup> Under Regulation S-X, in turn, “[t]he financial statements filed for persons to which [rules 6-01 to 6-10] are applicable shall be prepared in accordance with the . . . special rules [6-01 to 6-10] in addition to the general rules [1-01 to 4-10] (Articles 1, 2, 3, and 4). Where the requirements of a special rule differ from those prescribed in a general rule, the requirements of the special rule shall be met.”<sup>2</sup> Rules 3-09 and 4-08(g) apply to BDCs because they are general rules and there are no special rules in Rules 6-01 through 6-10 that differ from the requirements in Rules 3-09 and 4-08(g) related to whether, and for what periods, financial statements and financial information are required to be presented.

Rule 4-08(g) generally requires registrants to present in the notes to their financial statements summarized financial information for all unconsolidated subsidiaries when any unconsolidated subsidiary, or combination of unconsolidated subsidiaries, meets the definition of a “significant subsidiary” in Regulation S-X Rule 1-02(w). If a BDC is required to present summarized financial information, the Division generally would not



object if the BDC presents summarized financial information in the notes to the financial statements only for each unconsolidated subsidiary which individually meets the definition of a “significant subsidiary” in Rule 1-02(w) but does not present summarized financial information in the notes to the financial statements for all unconsolidated subsidiaries.

If a BDC believes the application of Rule 3-09 or Rule 4-08(g) results in the presentation of either financial statements or summarized financial information of an unconsolidated subsidiary that is not necessary to reasonably inform investors, the BDC should contact the Division’s Chief Accountant’s Office at 202-551-6918 or [imoca@sec.gov](mailto:imoca@sec.gov).

BDCs are also encouraged to contact the Division’s Chief Accountant’s Office with any other questions or concerns about the application of these requirements to their particular situations.

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### Endnotes

- 1 Instruction 1.a to Item 8.6.c of Form N-2.
- 2 Regulation S-X Rule 6-03.

This IM Guidance Update summarizes the views of the Division of Investment Management regarding various requirements of the federal securities laws. Future changes in laws or regulations may supersede some of the discussion or issues raised herein. This IM Guidance Update is not a rule, regulation or statement of the Commission, and the Commission has neither approved nor disapproved of this IM Guidance Update.

The Investment Management Division works to:

- ▲ protect investors
- ▲ promote informed investment decisions and
- ▲ facilitate appropriate innovation in investment products and services

through regulating the asset management industry.

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**If you have any questions about this IM Guidance Update, please contact:**

Chief Accountant’s Office

Phone: 202.551.6918

Email: [IMOCA@sec.gov](mailto:IMOCA@sec.gov)