

Amendments to Rule 2-01(c)(1)(ii)(A) of Regulation S-X (the “Loan Rule”)

(ii) *Other financial interests in audit client.* An accountant is not independent when the accounting firm, any covered person in the firm, or any of his or her immediate family members has:

(A) *Loans/debtor-creditor relationship.*

(1) Any loan (including any margin loan) to or from an audit client, or an audit client’s officers, directors, or ~~record or~~ beneficial owners ~~of more than ten percent~~ (known through reasonable inquiry) of the audit client’s equity securities where such beneficial owner has significant influence over the audit client, except for the following loans obtained from a financial institution under its normal lending procedures, terms, and requirements:

- (1i) Automobile loans and leases collateralized by the automobile;
- (2ii) Loans fully collateralized by the cash surrender value of an insurance policy;
- (3iii) Loans fully collateralized by cash deposits at the same financial institution; and
- (4iv) A mortgage loan collateralized by the borrower’s primary residence provided the loan was not obtained while the covered person in the firm was a covered person.

(2) For purposes of paragraph (c)(1)(ii)(A) of this section:

(i) The term *audit client* for a fund under audit excludes any other fund that otherwise would be considered an *affiliate of the audit client*;

(ii) The term *fund* means: an investment company or an entity that would be an investment company but for the exclusions provided by Section 3(c) of the Investment Company Act of 1940 (15 U.S.C. 80a-3(c)); or a commodity pool as defined in Section 1a(10) of the U.S. Commodity Exchange Act, as amended, that is not included in paragraph (c)(2)(ii)(a) of this section.