

MEMO# 29743

March 2, 2016

ICI Draft Second Comment Letter on SEC Proposal for Modernization of Shareholder Report Delivery; Your Comments Requested by March 8

[29743]

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TO:

CLOSED-END INVESTMENT COMPANY COMMITTEE No. 1-16
SEC RULES COMMITTEE No. 9-16
SMALL FUNDS COMMITTEE No. 8-16
VARIABLE INSURANCE PRODUCTS ADVISORY COMMITTEE No. 3-16

RE:

ICI DRAFT SECOND COMMENT LETTER ON SEC PROPOSAL FOR MODERNIZATION OF SHAREHOLDER REPORT DELIVERY; YOUR COMMENTS REQUESTED BY MARCH 8

The Securities and Exchange Commission issued proposed rule 30e-3 in May 2015. [\[1\]](#) The rule would permit website transmission of mutual fund shareholder reports, provided that funds mail a notice indicating where the report is available online, along with a toll-free number that shareholders could call to request a paper report. ICI provided comments on August 11, 2015, including a detailed cost savings analysis. [\[2\]](#) ICI is providing additional data and comment on proposed rule 30e-3 in the attached draft letter (the “Letter”), as briefly summarized below.

Please provide comments as soon as possible, but, in any event, no later than end of day on Tuesday, March 8. Please send your comments to Linda French at linda.french@ici.org.

In the Letter, we describe new information that has come to our attention that has the potential to negate the cost savings from the Commission’s proposal. In particular, we disagree in the Letter with the view that New York Stock Exchange (NYSE) rules permit the application of processing fees in a way that will require funds to pay more for not delivering paper shareholder reports than they currently pay to print, mail and deliver paper reports.

The Letter urges the SEC to make clear in any adopting release exactly how the NYSE fees would apply to the rule 30e-3 delivery mechanism (i.e., in a manner that preserves significant cost savings for fund shareholders). As a more long-term initiative, the Letter asks the Commission to consider whether fund shareholders would be better served by a separate, specially tailored fee schedule for processing costs associated with fund shareholder report delivery. The Letter specifically requests the Commission to direct the NYSE, which appears to have little regulatory interest in fees brokers charge for delivery of fund materials, to work with the Financial Industry Regulatory Authority, Inc. (FINRA) to transfer the rules regarding these fees to FINRA.

In addition to discussing the cost savings available for shareholders, the Letter responds to critics of proposed rule 30e-3 who claim that the proposed rule 30e-3 delivery mechanism will reduce readership of shareholder reports. In the Letter, we also note many critics' significant commercial interests in paper products and emphasize the positive environmental impact of proposed rule 30e-3.

Linda M. French
Counsel

[Attachment \(in .pdf format\)](#)

endnotes

[1] Investment Company Reporting Modernization, 80 Fed. Reg. 33590 (June 12, 2015), available at <http://www.gpo.gov/fdsys/pkg/FR-2015-06-12/pdf/2015-12779.pdf>.

[2] See Letter from David W. Blass, General Counsel, Investment Company Institute, to Brent J. Fields, Secretary, U.S. Securities and Exchange Commission, dated August 11, 2015, available at <http://www.sec.gov/comments/s7-08-15/s70815-315.pdf>.