

MEMO# 32755

September 14, 2020

ICI Recommendations and Supporting Data for Facilitating Electronic Delivery of Information to Fund Shareholders

[32755]

September 14, 2020 TO: ICI Members
Accounting/Treasurers Committee
Closed-End Investment Company Committee
ETF (Exchange-Traded Funds) Committee
Money Market Funds Advisory Committee
Operations Committee
SEC Rules Committee
Small Funds Committee
Transfer Agent Advisory Committee
Variable Insurance Products Advisory Committee SUBJECTS: Closed-End Funds
Disclosure
Exchange-Traded Funds (ETFs)
Operations
Transfer Agency
Unit Investment Trusts (UITs)
Variable Insurance Products RE: ICI Recommendations and Supporting Data for Facilitating Electronic Delivery of Information to Fund Shareholders

We are pleased to report that we submitted a letter and a report, *E-Delivery Key Statistics Survey, Final Report to Participants* (September 2020), to the SEC recommending that it allow funds to communicate with shareholders using electronic contact information and, at the same time, honor the preference of any shareholder who opts for paper delivery.[\[1\]](#)

We summarize below the submission to the SEC, including the key results of a July 2020 survey regarding ICI members' experience with electronically delivering, or e-delivering, regulatory and other documents to direct-at-fund shareholders. In total, survey respondents manage approximately \$18 trillion of mutual fund assets, representing approximately 85 percent of industry mutual fund assets at the end of June 2020.

Section I of the letter explains how making electronic delivery the default method for communicating with investors (while still allowing investors to opt for paper) will:

- facilitate positive investor engagement, allowing immediate interaction to respond to

the information and facilitating a layered approach to disclosure;

- enhance the effectiveness of investor communications, particularly for individuals with disabilities or for whom English is not the primary language;
- allow funds to better satisfy investor preferences; and
- reduce the environmental impact of tons of discarded paper every year.

Section II of the letter asserts that, given the nearly universal access to the internet and broadband, the time has come for electronic delivery to be the default manner of delivery for all fund documents. In fact, data regarding the US population indicate that:

- access to broadband internet or high-speed mobile LTE services is nearly universal, regardless of urban or rural location;
- adults report high rates of internet use, across urban and rural locations;
- the federal government increasingly relies on electronic delivery for the communication of important information;
- mutual fund-owning households—the largest segment of the population investing in registered investment companies—have even higher rates of internet access; and
- high-speed or broadband internet is not necessary for downloading and viewing typical investor disclosures.

Section III of the letter highlights key member survey results that clearly demonstrate that the time has come for the SEC to act. These data suggest an ability for fund companies and a willingness of fund shareholders to engage electronically. For example:

- the vast majority (96 percent) of fund-company respondents offer e-delivery of investor materials;
- a majority of direct-at-fund accounts with email addresses opted into e-delivery of several important documents:
- 57 percent of direct-at-fund accounts with email addresses opted into e-delivery of prospectuses and, prospectus supplements, and 57 percent did so for annual and semiannual shareholder reports;
- 61 percent of direct-at-fund accounts with email addresses opted into e-delivery of account statements, 62 percent did so for daily confirmation statements, and 51 percent did so for tax forms;
- 24 percent of respondents reported a positive spike in requests for e-delivery from direct-at-fund accounts since the beginning of the COVID-19 pandemic with two of those experiencing an uptick of 17 percent; and
- few direct-at-fund accounts asked for paper shareholder reports in response to fund requests related to complying with rule 30e-3.

Dorothy M. Donohue
Deputy General Counsel - Securities Regulation

Sarah Holden
Senior Director, Retirement & Investor Research

Joanne Kane
Senior Director, Operations & Transfer Agency

endnotes

[1] The submission is *available at* https://www.ici.org/pdf/20_ltr_edelivery.pdf.

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