

MEMO# 29768

March 14, 2016

ICI Files Second Comment Letter on SEC Proposal for Modernization of Shareholder Report Delivery

[29768]

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TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 2-16

SEC RULES MEMBERS No. 9-16

SMALL FUNDS MEMBERS No. 6-16

VARIABLE INSURANCE PRODUCTS ADVISORY COMMITTEE No. 4-16 RE: ICI FILES SECOND COMMENT LETTER ON SEC PROPOSAL FOR MODERNIZATION OF SHAREHOLDER REPORT DELIVERY

Last May, the Securities and Exchange Commission issued proposed rule 30e-3. [\[1\]](#) 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. In August, ICI filed a comment letter strongly supporting the proposal but recommending modifications to make it more workable and to increase cost savings for fund shareholders. [\[2\]](#) Our comment letter also included a detailed cost savings analysis.

Today, ICI submitted a second comment letter providing additional data and comment on proposed rule 30e-3. The letter is attached and briefly summarized below.

The letter describes new information that has come to ICI's attention that has the potential to negate the cost savings from the Commission's proposal. In particular, it expresses ICI's disagreement 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). It also asks the Commission to consider whether fund shareholders would be best served by a separate, specially tailored fee schedule for processing costs associated with fund shareholder report delivery. The letter requests that the Commission direct the Financial Industry Regulatory Authority, Inc. (FINRA)—which has investor protection as part of its mandate—to assume primary responsibility for the rules regarding these fees, noting that the NYSE appears to have little

regulatory interest in fees brokers charge for delivery of fund materials. [3]

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. The letter also urges the Commission to consider many critics' significant commercial interests in paper products and emphasizes the positive environmental impact of proposed rule 30e-3.

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[Attachment](#)

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>.

[3] ICI also submitted letters to FINRA and the NYSE today, strongly urging them to work to transfer responsibility for these fees to FINRA.