

MEMO# 33007

December 22, 2020

IDC Comments on SEC's Disclosure Reform Proposal

[33007]

December 22, 2020 TO: ICI Members

Investment Company Directors SUBJECTS: Fund Governance RE: IDC Comments on SEC's Disclosure Reform Proposal

IDC submitted the attached comment letter on the SEC's disclosure reform proposal. The letter expresses support for the SEC's efforts to modernize the disclosure framework for open-end management investment companies. IDC notes that independent directors, as representatives of shareholder interests, have a distinct and unique interest in promoting effective shareholder disclosure. The letter outlines key principles that guide IDC's recommendations, such as the importance of clear, concise, understandable, and useful information.

While noting that some modifications are necessary, IDC's letter expresses strong support for the proposed streamlined shareholder reports that would feature concise and visually engaging key information that is particularly important for retail investors to assess and monitor their fund investments. In its letter, IDC also makes the following recommendations to the Commission with regard to certain aspects of the proposal that are of particular interest to fund directors:

- Encourage funds to present the information that would be newly filed on Form N-CSR in an easily accessible manner on the fund's website. A fund that chooses to post its entire Form N-CSR on its website to satisfy the requirement to make the information available online should make the information easily accessible through, for example, the use of clear headers and hyperlinks to the relevant information.
- Permit, but not require, a fund to include a brief statement in its shareholder report about the role of the fund's board of directors in overseeing the fund and how shareholders can find more information about the board. Consistent with the layered approach to disclosure, the brief statement could hyperlink to, or, if in paper, reference available information about the fund board and its directors.
- Preserve the ability of open-end funds to choose to rely on Rule 30e-3, the rule that generally permits funds, beginning January 1, 2021, to satisfy shareholder report transmission requirements by making the reports and other materials available online

and providing a notice of the reports' online availability, instead of directly providing the reports to shareholders.

- Change the default for shareholders to receive disclosure documents electronically, rather than requiring them to opt in to receive documents electronically, aligning with studies on shareholder preference in receiving communications.
- Confirm in any adopting release that the proposed amendments are not intended to alter the total mix of information available to shareholders or otherwise affect how courts should assess fund disclosures for purposes of shareholder litigation.

Lisa C. Hamman
Senior Associate Counsel
Independent Directors Council

[Attachment](#)

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