

**MEMO# 34329**

October 28, 2022

# **SEC Adopts Amendments for Summary Shareholder Reports and Fee Information in Investment Company Advertisements**

[34329]

October 28, 2022

TO: ICI Members

Investment Company Directors SUBJECTS: Advertising

Compliance

Disclosure

Exchange-Traded Funds (ETFs)

Fees and Expenses

Fund Accounting & Financial Reporting

Operations

Variable Insurance Products RE: SEC Adopts Amendments for Summary Shareholder Reports and Fee Information in Investment Company Advertisements

Earlier this week, the Securities and Exchange Commission adopted amendments<sup>[1]</sup> that will require open-end funds to (1) create and transmit summary shareholder reports highlighting key information to investors and (2) tag the contents of shareholder reports in a structured data language.<sup>[2]</sup> The amendments will preclude open-end funds from satisfying shareholder report transmission requirements the way many currently do by making the reports and other materials available online and providing a notice of that availability. The amendments also will prevent open-end funds from preparing a single shareholder report for multiple series and will require that they prepare and transmit to shareholders a report that covers only the specific class of fund in which a shareholder is invested. In addition, the amendments modify the advertising rules for all registered investment companies and business development companies to require standardized fee and expense disclosures from those entities that provide fee and expense figures and to address materially misleading statements and representations about fees or expenses.

Notably, the amendments do not include three significant items from the Proposing Release.<sup>[3]</sup> First, the SEC did not adopt proposed Rule 498B under the Securities Act of 1933, which would have permitted a fund to avoid delivering prospectus updates to existing

shareholders under a new layered disclosure framework. That framework would have required the fund to, among other things, deliver a notice of material change whenever a material change occurs from a list of enumerated events.<sup>[4]</sup> Second, the SEC did not approve changes to fund prospectus fee disclosures,<sup>[5]</sup> including the way that acquired fund fees and expenses ("AFFE") are disclosed in the fee table.<sup>[6]</sup> Finally, the SEC did not adopt amendments to prospectus risk disclosure that would have clarified that a "principal" risk is one that would place more than 10 percent of the fund's assets at risk and is reasonably likely to occur in the future and that would have required a fund to rank those risks in order of importance.<sup>[7]</sup>

The amendments take effect 60 days after publication in the Federal Register ("effective date"). Funds will have 18 months from that date to adjust their shareholder reports, tag the contents of the shareholder reports in Inline XBRL, comply with the shareholder report transmission changes, and adhere to the advertising rule amendments. Thus, fund shareholder reports must comply with the requirements if they are transmitted to shareholders 18 months or more after the effective date. The amendments that address materially misleading fee and expense representations in fund advertisements take effect on the effective date.<sup>[8]</sup>

We summarize the rulemaking in five sections, below: (I) Annual and Semi-Annual Shareholder Reports; (II) Form N-CSR; (III) Items Removed from Shareholder Reports; (IV) Transmission of Shareholder Reports; and (V) Investment Company Advertising Rule.

## **I. Annual and Semi-Annual Shareholder Reports**

The amendments set forth several requirements pertaining to shareholder reports, including with respect to their: (A) design and content; (B) scope; and (C) format. In addition, the Commission added helpful statements that the adopted changes are not intended to impact the "total mix of information" available to shareholders.

### **A. Design and Content of Shareholder Reports**

A key aspect of the amendments is the new requirement that funds provide streamlined, tailored shareholder reports to investors. In this regard, the SEC has adopted new Item 27A to Form N-1A to specify the design and content of funds' annual and semi-annual reports. The amendments also remove the provisions of current Item 27 of Form N-1A that relate to annual and semi-annual reports.

New Item 27A lists certain items that are either required or permitted to be included in a fund's annual and semi-annual reports. Under the new form requirements, shareholder reports will be required to include the following:

- Certain required disclosures on the cover page (or at the beginning) of the report;<sup>[9]</sup>
- A simplified expense example;
- Management's discussion of fund performance ("MDFP") (required in annual reports only; permitted in semi-annual reports);
- Certain "fund statistics;"
- Graphical representation of the fund's holdings;
- A discussion of material fund changes (required in annual reports only; permitted in semi-annual reports);
- A discussion of changes in, or disagreements with, the fund's accountant;<sup>[10]</sup> and
- A statement of the availability of additional information about the fund.<sup>[11]</sup>

Certain of these items are discussed in more detail below.

*Fund Expenses.* The amendments will require that annual and semi-annual reports include a table showing the expenses associated with a hypothetical \$10,000 investment in the fund during the preceding reporting period both: (1) as a percent of a shareholder's investment in the fund (i.e., expense ratio); and (2) as a dollar amount.[\[12\]](#) Item 27A specifies the format of the expense example and also includes instructions providing guidance on calculation.

*Management's Discussion of Fund Performance.* MDFP disclosure will be required only in annual reports, but it will be permitted to be included in semi-annual reports as well. Money market funds are not required to include MDFP disclosure.

The amendments require funds to "briefly summarize the key factors that materially affected the [f]und's performance during the reporting period, including the relevant market conditions and the investment strategies and techniques used by the [f]und's investment adviser." The amended form item and instructions generally maintain the current requirements for MDFP disclosure, with certain changes, including:

- Amendments intended to make MDFP disclosure more concise, including a requirement that the MDFP disclosure "briefly summarize" the "key" factors that materially affected the fund's performance, and an instruction encouraging funds to use graphics or text features such as bullets or tables to present the key factors, as appropriate;
- A requirement to include additional performance information showing average annual total returns without sales charges and comparative information showing the average annual total returns of one or more benchmark indices; and
- A change to the definition of "appropriate broad-based securities market index" to require that all funds compare their performance to "an index that represents the overall applicable domestic or international equity or debt markets, as appropriate."[\[13\]](#)

*Fund Statistics.* Funds will be required to disclose the following statistics in their annual and semi-annual reports:

- Net assets;
- Total number of portfolio holdings;
- Portfolio turnover rate (not required for money market funds);
- Total advisory fees paid by the fund during the reporting period (required in annual reports only); and
- Any additional statistics that the fund believes would help shareholders better understand the fund's activities and operations during the period.

Funds may also briefly describe the significance or limitations of disclosed statistics in a parenthetical or similar presentation (not in a footnote). Item 27A includes instructions for calculating the statistics, including in the case of multi-class funds. An instruction to Item 27A also provides that any additional statistics included must be reasonably related to the fund's investment strategy.

*Graphical Representation of Holdings.* The amendments retain the current requirements related to the graphical representation of holdings, with certain revisions.[\[14\]](#) As is currently required, funds will be required to disclose one or more tables, charts or graphs illustrating the fund's holdings by category as of the end of the reporting period.

*Material Fund Changes.* As proposed, annual reports will be required to include a description of material fund changes. Such a description will be permitted, but not required, in semi-annual reports. Item 27A specifies that material fund changes include changes to:

- the fund's name;
- the fund's investment objectives or goals;
- the fund's annual operating expenses, shareholder fees, or maximum account fee, including the termination or introduction of an expense reimbursement or fee waiver arrangements;
- the fund's principal investment strategies;
- the principal risks of investing in the fund; and
- the fund's investment adviser(s), including sub-adviser(s).

In addition, a fund may describe: (i) other material fund changes that it would like to disclose to shareholders; (ii) other changes that may be helpful for investors to understand the fund's operations and/or performance during the reporting period; and (iii) material planned changes in connection with updating its prospectus for the current fiscal year.[\[15\]](#)

The SEC clarified that they are not "defining a material change for this purpose as a change that would require a fund to file an amendment to the fund's registration statement under [R]ule 485(a) under the Securities Act because [they] do not believe that linking this new disclosure requirement to that rule is necessary."[\[16\]](#) The Adopting Release further states, "Factors funds may wish to consider [in determining if a change is a material fund change for these purposes] include the nature of the change, whether it reflects a material change in the way the fund is currently being managed, whether it reflects a material change in the fund's risk profile, which section(s) of the prospectus the change affects, and how likely the change would be to influence a shareholder's decision to continue to invest in the fund."[\[17\]](#) A footnote states that a change affecting the summary prospectus "is more likely to rise to the level of a material change"[\[18\]](#) than a change only affecting the statutory prospectus.

*Householding.* Funds will be permitted to continue to explain in their shareholder reports how to revoke consent to the householding of the shareholder report.

*Limits on Information in Shareholder Reports.* As proposed, the amendments generally allow a fund to include only the information that Item 27A specifically permits or requires in its annual and semi-annual reports.[\[19\]](#) The SEC also adopted, as proposed, three additional provisions relating to the content of shareholder reports. First, if a fund's particular circumstances may cause the required disclosures to be misleading, the fund may add generally brief information to the report that is necessary to make the required disclosure not misleading. Second, a fund may omit a required disclosure if it is inapplicable, and a fund may modify a required legend or narrative information if the modified language contains comparable information. Finally, funds may not incorporate by reference any information into shareholder reports.

## **B. Scope of Shareholder Reports**

As proposed, funds will be required to prepare separate annual and semi-annual reports for each series of a fund. In the final amendments, the SEC went a step further and is also requiring that funds prepare separate annual and semi-annual reports for each class of each fund. A shareholder therefore will receive a shareholder report that covers only the single class of a multi-class fund in which the shareholder invests.

## **C. Format of Shareholder Reports**

The amendments include, substantially as proposed, certain general instructions related to the format and presentation of shareholder reports, including that:

- Information in shareholder reports must appear in the same order as required by Item 27A;
- Funds must use plain English principles for the organization, wording and design of shareholder reports;
- Funds are encouraged to consider using, as appropriate, question-and-answer format, charts, graphs, tables, bullet lists, and other graphics or text features; and
- Funds must satisfy certain legibility requirements for the body of every printed shareholder report and other tabular data.

The amendments also include certain instructions regarding the presentation of electronic shareholder reports.[\[20\]](#)

## **D. Total Mix of Information**

Consistent with ICI's request, the SEC provided guidance in the Adopting Release that information that will now be submitted online on Form N-CSR will still be considered part of the 'total mix of information' assessed by courts in instances of shareholder litigation, stating, "The final rules are not intended to change courts' assessment of the total mix of information."[\[21\]](#)

## **II. Form N-CSR**

The amendments move certain information from shareholder reports to Form N-CSR. Funds will need to post such information to their websites and deliver it in paper or electronically upon request.

### **A. Form N-CSR**

As proposed, the Commission will require funds to file certain information, which currently is included in their shareholder reports, on Form N-CSR. In particular, the following information will move to that form:

- Financial Statements. Funds will file their complete financial statements on Form N-CSR but retain the graphical representation of holdings in shareholder reports.[\[22\]](#) Consistent with ICI recommendations, the Commission will allow funds to combine financial statements for multiple series or portfolios in a trust for the Form N-CSR filing.[\[23\]](#)
- Financial Highlights. Funds will file their financial highlights information on Form N-CSR but retain certain elements of the information in shareholder reports, including: a fund's expense ratio, certain information about a fund's annual total returns, and a fund's net assets and portfolio turnover rate.[\[24\]](#)
- Remuneration Paid to Fund Directors, Officers, and Certain Affiliates.[\[25\]](#)
- Changes In and Disagreements with Fund Accountants.[\[26\]](#)
- Matters Submitted to Fund Shareholders for a Vote.[\[27\]](#)
- Statement Regarding the Basis for the Board's Approval of the Investment Advisory Contract.[\[28\]](#)

### **B. Website Accessibility and Delivery Upon Request**

The Commission will require funds to make available the new Form N-CSR information on a website from 60 days after the end of the relevant fiscal period until 60 days following the

end of the next respective fiscal period.[\[29\]](#) The website address where the required information appears must be specified on the cover page or beginning of the shareholder report and cannot be the address of the Commission's electronic filing system. It also must be specific enough to lead investors to the particular information to ensure that investors are able to easily locate the information they are seeking.[\[30\]](#) In addition, the online materials must be presented in a format convenient for both online reading and printing on paper,[\[31\]](#) and the persons accessing the information must be able to retain permanently (free of charge) an electronic copy of the materials in that format.[\[32\]](#)

In addition to posting the relevant information online, funds must send, at no cost to any requestor, a paper or electronic copy of the materials that must appear online within three business days after receiving a request. These requirements also apply to any financial intermediary through which shares of the fund must be purchased or sold.

### **III. Items Removed from Shareholder Reports**

Consistent with ICI recommendations, the amendments remove information that currently appears in fund shareholder reports about a fund's directors and officers ("management information table") and the operation and effectiveness of a fund's liquidity risk management program ("LRMP"). The amendments also do not include a proposed requirement to provide a concise statement regarding a fund's LRMP.[\[33\]](#)

In removing the information currently in fund shareholder reports, the Commission deemed the management information table duplicative, as it currently is included in a fund's Statement of Additional Information. The Commission added that the currently required LRMP disclosures do not meaningfully augment more specific information from other fund liquidity disclosures. In determining not to adopt the proposed statement on a fund's LRMP, it noted that the proposed LRMP disclosure does not pertain directly to a retail shareholder's understanding of the operations and performance of the fund but added that helping shareholders better understand how a fund is managing liquidity risks merits further consideration.

### **IV. Transmission of Shareholder Reports**

As proposed, the amendments narrow the scope of Rule 30e-3 under the Investment Company Act of 1940 to exclude all funds registered on Form N-1A, including funds serving as underlying funds to insurance company separate accounts.[\[34\]](#) Despite ICI's objection, the Commission decision precludes funds from satisfying shareholder report transmission requirements as many currently do by making the reports and other materials available online and providing a notice of that availability. Instead, the Commission noted its belief that its decision enables all investors to receive the anticipated benefit of streamlined shareholder reports, which it believes represents a more-effective way for investors to access and use fund information and preserves much of the cost savings from funds relying on Rule 30e-3. [\[35\]](#) Although the Commission acknowledged that many funds now have come into compliance with Rule 30e-3 and borne the costs associated with the rule, it believes that providing information in shareholder reports directly to shareholders—as opposed to providing a notice of the reports' availability—will best effectuate the goals of the streamlined shareholder report.[\[36\]](#)

### **V. Investment Company Advertisements**

The amendments require that presentations of investment company fees and expenses in



advertisements and sales literature be consistent with relevant prospectus fee table presentations and be reasonably prominent and current. The rule amendments also address representations of fees and expenses that could be materially misleading. Unlike the shareholder report-related amendments, these amendments would affect all registered investment company and BDC advertisements that include fee and expense figures.

## **A. Requirements for Standardized Fee and Expense Figures**

The amendments will require that investment company advertisements providing fee or expense figures include certain standardized fee and expense figures, and these figures must be presented in compliance with certain prominence and timeliness requirements. In particular, amendments to Rule 482 under the Securities Act<sup>[37]</sup> will require that investment company advertisements that present fee and expense figures include: (1) the maximum amount of any sales load, or any other nonrecurring fee; and (2) the total annual expenses without any fee waiver or expense reimbursement arrangement (collectively, the "required fee and expense figures") based on the methods of computation for a prospectus that the investment company's registration statement form prescribes for those figures.<sup>[38]</sup> These amendments were carried over to Rule 34b-1 under the Investment Company Act<sup>[39]</sup> and Rule 433 under the Securities Act<sup>[40]</sup> to ensure that the same fee and expense-related requirements are applied consistently across all registered investment company and BDC advertisements and sales literature.

The amendments also incorporate prominence requirements for fee and expense figures that appear in investment company advertisements. Though advertisements may include other figures regarding an investment company's fees and expenses, the required fee and expense figures must be presented at least as prominently.<sup>[41]</sup> In addition, the final amendments require advertisements that include an investment company's total annual expenses net of fee waiver or expense reimbursement arrangement amounts to include the expected termination date of the arrangement.

Further, the amendments require that fee and expense information in investment company advertisements be provided as of the date of the investment company's most recent prospectus or, if it no longer has an effective registration statement, as of its most recent annual report.<sup>[42]</sup> This timeliness requirement applies to fee and expense figures as well as to relevant narrative information.

## **B. Materially Misleading Statements About Fees and Expenses in Sales Literature**

The amendments also address statements and representations about an investment company's fees and expenses that could be materially misleading. Specifically, the amendments provide that, under Rule 156 under the Securities Act,<sup>[43]</sup> representations about fees or expenses associated with an investment in an investment company could be misleading because of statements or omissions involving a material fact, including situations where portrayals of the fees and expenses associated with the investment omit explanations, qualifications, limitations, or other statements necessary or appropriate to make the portrayals not misleading. This change would apply to all investment company sales literature, regardless of whether the investment company's prospectus contains total annual expense figures.

Consistent with the current framework in Rule 156, whether a particular description, representation, illustration, or other statement involving an investment company's fees and expenses is materially misleading depends on evaluation of the context in which it is made.

Under the amendments, an investment company, therefore, could determine not to include certain information regarding fees and charges from sales literature if, based on an evaluation of the context of the fees and charges presentation, the omission of that information would not be materially misleading. In such cases, an investment company may determine to exclude in its sales literature expenses that do not appear in its prospectus fee table, such as expenses related to its securities lending activities or other non-material information regarding fees and expenses.

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#### Notes

[1] See Tailored Shareholder Reports for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements (Oct. 26, 2022) ("Adopting Release"), available at <https://www.sec.gov/rules/final/2022/33-11125.pdf>. Open-end funds are mutual funds and exchange-traded funds that are registered on Form N-1A. Unless otherwise specified, this memorandum uses the term "fund" to refer to these open-end funds.

[2] Funds will be required to tag the contents of the shareholder report using the Inline eXtensible Business Reporting Language ("Inline XBRL") structured data language.

[3] See Tailored Shareholder Reports, Treatment of Annual Prospectus Updates for Existing Investors, and Improved Fee and Risk Disclosure for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements (Aug. 5, 2020) ("Proposing Release"), available at [www.sec.gov/rules/proposed/2020/33-10814.pdf](http://www.sec.gov/rules/proposed/2020/33-10814.pdf). For a summary of the Proposing Release, please see ICI Memorandum No. 32659, available at [www.ici.org/memo32659](http://www.ici.org/memo32659).

[4] In particular, under proposed Rule 498B, a fund would not need to deliver annual prospectus updates to existing shareholders. Instead, the fund would keep shareholders informed through shareholder reports, as well as timely notices of material fund changes delivered within 3 business days after the effective date of a post-effective amendment filing or the filing date of a prospectus supplement with the change. In addition, the fund would have had to maintain current versions of its prospectus and other key documents online and would have had to deliver those documents to shareholders in paper or electronically upon request. ICI raised concerns, among other things, with the proposed requirement to deliver the notices of material changes within the 3 business day timeframe. See Letter from Susan Olson, General Counsel, ICI, and Dorothy Donohue, Deputy General Counsel, ICI, to Vanessa Countryman, Secretary, SEC, dated December 20, 2020, available at <https://www.sec.gov/comments/s7-09-20/s70920-8186011-227164.pdf>.



For a summary of ICI's comment letter, please see ICI Memorandum No. 33001, available at [www.ici.org/memo33001](http://www.ici.org/memo33001).

[5] These changes would have replaced the existing fee table in the summary section of a fund's statutory prospectuses with a simplified fee summary, moved the full fee table to the statutory prospectus, amended the fee example, and replaced certain terms in the fee table. ICI strongly opposed the proposed fee summary as providing substantively the same information as the existing fee table and recommended that the SEC conduct investor testing before changing the fee table terminology.

[6] The changes to AFFE, which ICI strongly supported, would have allowed a fund investing less than 10 percent of the value of its total fund assets in other investment companies to disclose AFFE as a footnote to the fee table.

[7] ICI raised significant concerns with both the proposed 10 percent standard and ranking of risks as requiring more precision than is possible and potentially raising second guessing and liability concerns.

[8] The amendments also include technical and conforming amendments to Form N-1A that change certain references to the ages or lengths of service for fund officers, directors, or portfolio managers to instead reference their birth year or the year their service began. These amendments also take effect on the effective date, and registration statements and post-effective amendments to registration statements filed after the effective date must reflect these changes.

[9] These required disclosures include: the fund's name and the name of the relevant share class; the fund's/class's ticker symbol; for ETFs, the principal U.S. market(s) on which the fund is traded; a statement identifying the report as an annual or semi-annual shareholder report; a required legend stating the dates of the reporting period and directing shareholders to additional information about the fund; and if applicable, a prominent statement, in bold-face type, explaining that the report includes a description of material fund changes that occurred during the reporting period.

[10] If a fund has a material disagreement with an accountant that has resigned or been dismissed, the amendments require the fund to include (i) a statement of whether the former accountant resigned, declined to stand for re-election, or was dismissed and the date thereof, and (ii) a brief, plain English description of the disagreement during the fund's two most recent fiscal years and any subsequent interim period that the fund discloses on Form N-CSR.

[11] A fund will be required to include a brief, plain English statement that informs investors about additional information that is available on the fund's website. The statement must reference, as applicable, the fund's prospectus, financial information, holdings and proxy voting information, and the statement may reference other information available on the website if the fund reasonably believes shareholders would likely view the other information as important. If the shareholder report is provided electronically, the fund must also provide a means of immediately accessing the additional information, such as a link or QR code.

[12] In a change from the Proposing Release, funds will not be required to include in the expense example either: (i) information about the fund's total return; or (ii) a footnote stating that expense information does not reflect shareholder transaction costs.

[13] ICI opposed the requirement to compare performance against an "appropriate broad-based securities market index" and commented that, instead, funds should be required to compare their performance to an "appropriate index."

[14] The changes include: a change permitting funds to show holdings based on total exposure to particular categories of investments; a change to the instructions that is intended to keep required disclosures about the credit quality of portfolio holdings brief and concise (if a fund chooses to include such information about credit quality); and a change explicitly permitting a fund to include, along with the graphical representation of holdings, a list of the fund's ten largest portfolio holdings and the percentage of the fund's net asset value, total investments or total exposure attributable to each such holding.

[15] While the Proposing Release would have required disclosure of such material planned changes, consistent with ICI's comments, the SEC opted to make such disclosure optional. In another change from the Proposing Release, also consistent with ICI's comments, the SEC did not include a change to the fund's portfolio manager on the enumerated list of material changes in Item 27A.

[16] Adopting Release at 104.

[17] Id. at 105.

[18] Id.

[19] Funds will be permitted, however, to provide additional information in the same transmission as the shareholder report, so long as the shareholder report is given greater prominence than any other materials, except for certain specified disclosure materials, including summary or statutory prospectuses, notices of the availability of proxy materials, and other shareholder reports.

[20] For example, funds are encouraged to use "online tools" in electronic shareholder reports, and funds must provide a way for shareholders to access information that is referenced in the shareholder report (for example, by providing a hyperlink).

[21] Adopting Release at 46.

[22] A fund will no longer be permitted to file a summary schedule of portfolio investments as part of the financial statements in its registration statement, because shareholder reports will no longer include the complete financial statements.

[23] In making its determination, the SEC noted the significant costs of preparing separate financial statements for each series or portfolio.

[24] A fund will be permitted, but not required, to incorporate by reference into its prospectus the financial highlights table from its Form N-CSR (as opposed to from shareholder reports).

[25] This information is identical to the information in current shareholder reports and requires disclosure of aggregate remuneration paid to: (1) all directors and all members of any advisory board for regular compensation; (2) each director and each member of an advisory board for special compensation; (3) all officers; and (4) each person of whom any officer or director of a fund is an affiliate.

[26] This requirement complements the new annual report requirement to disclose a high-level summary of changes in and disagreements with accountants.

[27] The Commission believes that shareholders already will receive information about materials submitted for a shareholder vote in fund proxy statements and will receive material changes that have resulted from shareholder votes in their annual reports.

[28] The Commission moved this disclosure because it does not pertain directly to a retail shareholder's understanding of the operations or performance of a fund and does not lend itself to the type of focused disclosure that the annual report was designed to include.

[29] A fund's portfolio holdings information for its first and third fiscal quarters must remain publicly accessible online for a full fiscal year.

[30] Funds may group information by types of materials and/or by series but the grouped information must: (1) be presented in a format designed to communicate the information effectively; (2) clearly distinguish the different types of materials and/or each series (as applicable); and (3) provide a means for easily locating the relevant information.

[31] A fund will have the option to satisfy the website availability requirement by posting its most recent Form N-CSR report in its entirety on the website.

[32] The amendments also include a safe harbor providing that a fund will have satisfied its transmission obligations even if it did not meet the posting requirements of the rule for a temporary period of time. To rely on the safe harbor, a fund must have reasonable procedures to help ensure that the required materials appear online in the manner required by the rule and must take prompt action to correct non-compliance with the website availability requirements.

[33] The Proposing Release would have replaced currently required LRMP disclosure with a brief summary of: (1) key factors or market events that materially affected the fund's liquidity risk during the reporting period; (2) key features of the fund's LRMP; and (3) effectiveness of the fund's LRMP over the past year.

[34] Rule 30e-3 generally permits registered investment companies to satisfy their shareholder report transmission requirements by making these reports and other materials available online and providing a notice of that availability instead of mailing the reports to shareholders.

[35] In narrowing the applicability of Rule 30e-3, the Commission noted that reconsidering the Commission's electronic delivery regime for fund materials merits further consideration. Nevertheless, the Commission did not adopt any alternative transmission requirements despite the fact that several commenters supported them (e.g., by filing certain information on Form N-CSR and/or updating a website). In rejecting those approaches, the Commission noted that requiring investors to access a website to "pull" regulatory disclosures would place the burden on investors to seek out information and is disfavored compared to the "push" of information to investors, which is an important element of the Commission's current disclosure framework.

[36] The Commission also rescinded Rule 30e-1(d) under the Investment Company Act, which allows a fund to transmit a copy of its prospectus or SAI in place of its shareholder report, if either or both includes all the information that otherwise would be required in the shareholder report. The Commission rescinded the provision because it believes that

consolidation of those documents into a single document is inconsistent with the layered disclosure framework and because funds rarely rely on it.

[37] Rule 482 establishes certain content, legend, and filing requirements for investment company advertisements.

[38] If the advertisement in question includes only narrative information about fee and expense considerations without numerical fee or expense amounts or an investment company does not present total annual expense figures in its prospectus (e.g., variable insurance contract separate accounts), the amendments addressing the required fee and expense figures would be inapplicable.

[39] Rule 34b-1 applies to supplemental sales literature (i.e., sales literature that is preceded or accompanied by a prospectus) by any registered open-end fund, unit investment trust, or registered face amount certificate company. Under Rule 34b-1, "sales literature" will include any registered investment company or BDC advertisement, pamphlet, circular, form letter, or other sales literature that includes fee and expense figures to or intended for distribution to prospective investors in connection with a public offering.

[40] Rule 433 governs free writing prospectuses from closed-end funds and BDCs.

[41] For example, under the final amendments, an advertisement could include an investment company's fees and expenses net of certain amounts, such as a fee waiver or expense reimbursement arrangement, however, the advertisement could not present the net figure more prominently than the required fee and expense figures.

[42] An investment company, however, will be permitted to provide more current information, if available.

[43] Rule 156 applies to sales literature used by any person to offer to sell or induce the sale of securities of any investment company, including registered investment companies and BDCs.