

COMMENT LETTER

September 24, 2019

ICI Submits Comment Letter on SEC's Concept Release on Securities Offering Exemptions (pdf)

• • • • • Figure 1 Inflation Has Moved Many More Tax Returns over the \$200,000 Income Threshold Percentage of tax returns reporting Adjusted Gross Income of \$200,000 or more, tax years 1982–2016 Note: Data from 1982 through 2015 are from Justin Bryan, “High-Income Tax Returns for Tax Year 2015,” Statistics of Income Bulletin, Internal Revenue Service (Fall 2018), available at <https://www.irs.gov/pub/irs-soi/soi-a-hint-id1806.pdf>. Real data for 2016 were derived by ICI computation of IRS data using IRS' method for estimation. IRS 2016 nominal data are from SOI individual income tax returns tables, available at

https://www.irs.gov/statistics/soi-tax-stats-individual-high-income-tax-returns#_tables. Data for CPI-U are from the Bureau of Labor Statistics, available at <https://www.bls.gov/data/>.

Sources: ICI analysis using data from IRS Statistics of Income and Bureau of Labor

Statistics. 0.2 4.6 1.2 1982 1988 1995 2002 2009 2016 Actual Adjusted for inflation • • •

Figure 2 Accredited Investor Thresholds in 1983 and 2016 Under current thresholds Number of qualifying households Qualifying households as a percentage of US households (nominal dollar values) 1983 Income of \$200,000 or more 0.5 million 0.6% Net worth of \$1 million or more 1.4 million 1.7% Overall 1.5 million 1.8% (nominal dollar values) 2016 Income of \$200,000 or more 10.2 million 8.1% Net worth of \$1 million or more 11.3 million 8.9% (excluding home equity) Overall 14.9 million 11.8% Conditional on 1983 thresholds being indexed for inflation to 2016 (real dollar values) 2016 Income of \$200,000 or more PCE \$433,500 2.8 million 2.2% CPI-U \$497,000 2.4 million 1.9% Net worth of \$1 million or more (excluding home equity) PCE \$2,167,500 7.1 million 5.6% CPI-U \$2,485,000 5.9 million 4.7% Overall PCE 7.6 million 6.0% CPI-U 6.3 million 5.0% Conditional on percentage of households being maintained at 1983 levels (nominal dollar values) 2016 Income of \$1,195,900 or more 0.8 million 0.6% Net worth of \$5,886,500 or more 2.1 million 1.7% (excluding home equity) Overall 2.3 million 1.8% Sources: ICI tabulations of Survey of Consumer Finances data, available at

<https://www.federalreserve.gov/econres/scfindex.htm>; calculation of inflation based on data for CPI-U from the Bureau of Labor Statistics, available at <https://www.bls.gov/data/>; and data for the PCE from the Bureau of Economic Analysis, available at

<https://www.bea.gov/data/personal-consumption-expenditures-price-index>. • • • • •

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any applicable redemption or other fees; • how and when redemption proceeds will be paid; and • other terms of the tender offer (e.g., a description of pro rata purchases and circumstances in which the fund may suspend or postpone a tender). The terms of the repurchase offer, including: • a statement that the fund is repurchasing securities at NAV; • fees applicable to the repurchase; • the repurchase offer amount; • dates of the repurchase request deadline, pricing date, and repurchase pricing date; • procedures for tendering shares or modifying/withdrawing previous tenders; • a description of pro rata purchases; • circumstances in which a fund may suspend or postpone a repurchase order; and • the NAV/market price of the fund's shares. Purpose of Tender/ Repurchase Offer A description of the purpose of the tender offer. N/A Affiliated Transactions A description of certain affiliated transactions and significant corporate events over the past 2 years, and any agreements involving the fund's securities. N/A Source and Amount of Tender/ Redemption Proceeds A description of where the tender offer proceeds will come from. N/A Engaged Parties Disclosure of all advisers or solicitors the fund has engaged with respect to the tender offer. N/A Financial Statements Audited financial statements for the last two years and unaudited financial statements for the most recent fiscal quarter. N/A • • • •

1 COMPLIANCE COST SURVEY Appendix A- Excerpts from ICI's Compliance Cost Survey 2017 Survey Notes ICI conducted this survey during April 2017; 42 fund complexes provided survey responses. The participating complexes manage approximately \$7,092,852,204 of long-term mutual fund assets,¹ representing about 49.5 percent of open-end funds. Survey Results 1. Has your fund complex experienced an increase in compliance costs over the past five years as the result of new regulations and regulatory expectations (e.g., money market reform, FATCA, DOL fiduciary rule, distribution in guise, report modernization, liquidity risk management program rule)? 2. By what percentage have your costs increased over the past five years? Members reported an estimated 20 percent median increase in compliance costs over the past five years.^{2, 3} 1 Long-term assets as of March 31, 2017. 2 The median increase in compliance costs is among 35 members that were able to quantify the percentage by which compliance costs had increased over the past five years. 3 In comparison, over the five-year period from December 2011 to December 2016, consumer prices, as measured by the personal consumption expenditure index, rose 6.3 percent and the employment cost index for professional, scientific, and technical sectors rose by 8.7 percent. Yes 97.70% No 2.30% 42 RESPONDENTS 2 COMPLIANCE COST SURVEY 3. What particular area(s) have been the main drivers in increasing compliance costs? Please rank the drivers listed below by impact on increasing costs (1 being the highest and 6 being the lowest): 4. Do you outsource specific functions (e.g., fund accounting, custodial, transfer agent)? Drivers 1 (highest) 2 3 4 5 6 (lowest) Rating average Response count Compliance with new regulations (e.g., development and board approval of policies and procedures, development of controls, staff training) related to all areas within the fund complex (e.g., compliance, fund accounting/ administration, transfer agent). 18 8 11 4 1 0 2.10 42 Technology to support compliance with regulations 14 10 6 4 3 5 2.69 42 Use of vendors or outside software to support compliance with regulations 6 17 3 7 6 3 2.98 42 Increased oversight of intermediaries 5 2 12 8 11 4 3.71 42 Increased oversight of vendors 2 7 12 7 6 8 3.76 42 Increase in staff to support compliance initiatives 5 9 9 6 8 5 3.43 42 answered question 42 skipped question 1 Yes 96.30% No 4.70% 42 RESPONDENTS 3 COMPLIANCE COST SURVEY 5. What functions do you outsource (check all that apply)? 6. Over the past five years, have vendors increased their charges for services provided, citing higher compliance costs? 7. Please indicate the percent increase in cost by function. Compliance Custodial Fund accounting/Fund administration Transfer agent Other 96.7% 13.30% 80.0% 83.30% 40.0% 30 RESPONDENTS Yes 75.0% No 25.0% 40 RESPONDENTS 30 RESPONDENTS Compliance Custodial Fund accounting/Fund administration Transfer agent Other 13.13% 34.88% 16.40% 17.09% 45.86%

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