

COMMENT LETTER

July 20, 2006

ICI Comments on NYSE Proposal to Require Listed Companies to Make Annual Reports Available Online (pdf)

July 20, 2006 Nancy M. Morris Secretary U.S. Securities and Exchange Commission Station Place 100 F Street, NE Washington, D.C. 20549-1090 Re: Annual Financial Statement Distribution Requirements (File No. SR-NYSE-2005-68) Dear Ms. Morris: The Investment Company Institute¹ applauds the New York Stock Exchange's proposal to require each listed issuer to have a website and to make its annual report to shareholders available on, or by a link through, its website.² The proposal is highly appropriate given the tremendous growth in Internet use and its importance to investors as an information source.³ Requiring issuers to make their annual reports available online will provide investors a more efficient way to access financial information.⁴ Online disclosure can provide investors with the ability to search through documents for key information. The Institute recommends a technical change to the proposal to facilitate investment company compliance. Investment companies typically do not have, or maintain, their own websites. Because, in almost all cases, investment companies are externally managed, a website that contains information

1 The Investment Company Institute is the national association of the U.S. investment company industry. More information about the Institute is available at the end of this letter.

2 SEC Release No. 34-54029 (June 21, 2006), 71 Fed. Reg. 37147 (June 29, 2006)

("Release"). 3 The Release indicates that 75 percent of Americans have access to the Internet in their homes and that this percentage is steadily increasing among all age groups. A recent Institute study found that an even higher percentage of mutual fund investors, nearly 90 percent, have access to the Internet. Investment Company Institute, "Mutual Fund Shareholders' Use of the Internet, 2005," Fundamentals, Vol. 15, No. 2 February 2006. The study is available on the Institute's website at www.ici.org/stats/res/fm-v15n2.pdf.

4 Significantly, the Institute study, *supra* note 3, found that fund investors who go online are more likely than other Internet users to access their financial and investment accounts, and that almost 60 percent of fund investors who use the Internet do so to obtain investment information. Ms. Nancy M. Morris July 20, 2006 Page 2 about an investment company is typically maintained by a separate entity, such as the fund's investment adviser. To accommodate this unique aspect of investment company operations, we recommend that in the case of an investment company that does not maintain its own website, if any of the investment company's investment adviser, sponsor, depositor, trustee, administrator, principal underwriter or any affiliated person of the investment company maintains a website that includes the investment company's name, the investment company shall make its annual report available on, or by a link through, any one such website.⁵ While investors will benefit from listed issuers making their annual

reports available on-line, we note that the potential cost savings that could result from the NYSE proposal cannot be realized until the Securities and Exchange Commission amends its proxy rules. This is because the SEC requires investment companies and other issuers to physically (or electronically to consenting shareholders) deliver annual reports to shareholders. Therefore, we urge the SEC to move quickly to amend the proxy rules to permit all issuers, including investment companies, to make annual reports available on-line as an alternative to the delivery requirement.⁶ If you have any questions about our comments or require additional information, please contact me at 202.218-3563. Sincerely,
/s/ Dorothy M. Donohue Associate Counsel cc: Mr. Andrew J. Donohue, Director Division of Investment Management U.S. Securities and Exchange Commission

5 Our recommended approach is consistent with Rule 16a-3(k) under the Securities Exchange Act of 1934, which permits investment companies that do not maintain websites to post Forms 3, 4, and 5 on an affiliated person's website. Consistent with Rule 16a-3, we recommend that if there is more than one such website, the investment company be required to post its annual report on one website and use the same website to post all of its annual reports. ⁶ The SEC proposed permitting issuers other than investment companies to post annual reports on their websites as an alternative to the current delivery requirement. See SEC Release No. 34-52926 (December 15, 2005), 70 Fed. Reg. 74598 (December 15, 2005). The Institute strongly urged the SEC to make this option available for investment company shareholder reports. See Letter from Elizabeth R. Krentzman, General Counsel, Investment Company Institute, to Ms. Nancy M. Morris, Secretary, U.S. Securities and Exchange Commission, dated February 13, 2006. Ms. Nancy M. Morris July 20, 2006 Page 3 Mr. Robert L. D. Colby, Acting Director Division of Market Regulation U.S. Securities and Exchange Commission Ms. Anne Marie Tierney, Assistant General Counsel New York Stock Exchange, Inc. About the Investment Company Institute ICI members include 8,712 open-end investment companies (mutual funds), 653 closed-end investment companies, 177 exchange-traded funds, and 5 sponsors of unit investment trusts. Mutual fund members of the ICI have total assets of approximately \$9.212 trillion (representing 98 percent of all assets of US mutual funds); these funds serve approximately 89.5 million shareholders in more than 52.6 million households.