

SEC Modernizes the Delivery of Fund Reports and Seeks Public Feedback on Improving Fund Disclosure

FOR IMMEDIATE RELEASE

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Washington D.C., June 5, 2018 — Yesterday, the Commission voted to improve the experience of investors who invest in mutual funds, ETFs and other investment funds. In three related releases, the Commission provided a new, optional “notice and access” method for delivering fund shareholder reports, invited investors and others to share their views on improving fund disclosure and sought feedback on the fees that intermediaries charge for delivering fund reports. These actions are part of a long-term project, led by the Division of Investment Management, to explore modernization of the design, delivery and content of fund disclosures for the benefit of investors.

“These actions are an important part of the Commission’s effort to better serve Main Street investors in our ever changing marketplace,” said SEC Chairman Jay Clayton. “The new rule significantly modernizes delivery options for fund information while preserving the right of fund investors to receive information in paper form as they do today. I look forward to public feedback on next steps, and encourage everyone with an interest in fund disclosure—especially Main Street investors—to give us their ideas on how to improve the design, delivery and content of fund disclosures.”

In the first of three releases, the Commission adopted new rule 30e-3. The rule creates an optional “notice and access” method for delivering shareholder reports. Under the rule, a fund may deliver its shareholder reports by making them publicly accessible on a website, free of charge, and sending investors a paper notice of each report’s availability by mail. Investors who prefer to receive the full reports in paper may—at any time—choose that option free of charge. Funds may rely on the new rule beginning no earlier than January 1, 2021.

The Commission is also seeking public comment on additional ways to modernize fund information. Investors, academics, literacy and design experts, market observers, and fund advisers and boards of directors are invited to visit www.sec.gov/tell-us to provide feedback on how to improve

the experience of fund investors. This input will help inform the Commission on how to modernize the design, delivery and content of fund information, including how to make better use of 21st century technology to provide more interactive and personalized disclosure.

Finally, the Commission is seeking comment on the framework for certain processing fees that broker-dealers and other intermediaries charge funds for delivering fund shareholder reports and other materials to investors.

The Commission requests that commenters provide feedback on the requests by October 31, 2018.

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FACT SHEET

Investment Company Disclosure and Delivery Rulemaking Package June 5, 2018

The Commission adopted a new rule and related rule and form amendments that provide certain registered investment companies (“funds”) with an optional method to transmit shareholder reports to investors. The Commission also issued two requests for comment: the first seeking comment from individual investors and others on enhancing fund disclosures to improve the investor experience; and the second seeking comment on the framework for processing fees charged to funds by intermediaries for the forwarding of fund shareholder reports and other materials to investors. These actions are part of the Commission’s larger initiative to improve and modernize the design, delivery, and content of information provided to fund investors.

Highlights

Adoption of an Optional Delivery Method for Fund Shareholder Reports

New rule 30e-3 under the Investment Company Act provides an optional “notice and access” method to allow funds to satisfy their obligations to transmit shareholder reports. Subject to conditions in the rule, a fund may make its reports and other required materials publicly accessible at a specified website address, free of charge, and send investors a paper notice of each report’s availability by mail. Funds will be permitted to satisfy their delivery obligations for shareholder reports by mailing reports in paper, delivering reports electronically to investors who have chosen this method under the Commission’s electronic delivery guidance, providing notice and website accessibility under rule 30e-3, or a combination of the above.

Investors who prefer paper could—at any time—elect to receive all future reports in paper that are sent by the fund complex or forwarded by the financial intermediary, or request to receive particular reports in paper on

an ad-hoc basis. Each notice provided to investors under the rule is required to explain how investors may access the report and request paper copies. The final rule provides for an extended transition period that is intended to better inform current investors of the coming change and better enable them to easily continue to receive paper reports if they wish.

The conditions of new rule 30e-3 include:

- **Report accessibility.** The shareholder report and the fund's most recent prior report must be publicly accessible, free of charge, at a specified website.
- **Availability of quarterly holdings.** Quarterly holdings for the last fiscal year must also be publicly accessible at the website. These holdings would include those in the shareholder reports, which would cover the second and fourth fiscal quarters, and would also include holdings for the first and third fiscal quarters.
- **Format.** Funds must satisfy conditions designed to ensure accessibility of reports for shareholders, including format and location.
- **Notice.** Investors will receive a notice of the availability of each report that includes a website address where the shareholder report and other required information is posted and instructions for requesting a free paper copy or electing paper transmission in the future. The notice may include certain additional information, including, (1) instructions by which an investor can elect to receive shareholder reports or other documents by electronic delivery, and (2) additional content from the shareholder report.
- **Print upon request.** Funds must send a free paper copy of any of these materials upon request.
- **Investor elections to receive reports in paper.** At any time, an investor may elect to receive all future reports in paper by calling a toll-free telephone number or otherwise notifying the fund or intermediary. Elections to receive reports in paper with respect to one fund will apply to other funds held currently or in the future in the same account with the fund complex or financial intermediary.
- **Extended transition period.** During the extended transition period, the earliest that notices may be transmitted to investors in lieu of paper reports is January 1, 2021. In general, funds will be required to provide two years of notice to shareholders before relying on the rule, if relying on the rule before January 1, 2022.

Request for comment on enhancing fund disclosure to improve the investor experience

The Commission seeks public input, particularly from individual investors, on enhancing fund disclosures. This request for comment is the first

major step in a long-term initiative, led by the Division of Investment Management, to improve the investor experience by updating the design, delivery, and content of fund disclosure for the benefit of individual investors. The request for comment investigates whether fund information is presented in a way that works best for individual investors. The release requests feedback directly from individual investors, academics, literacy and design experts, market observers, and fund advisers and boards of directors on the design, delivery, and content of fund disclosure, including shareholder reports as well as prospectuses, advertising, and other types of disclosure. It also solicits feedback on investor preferences for means of delivery and how to make better use of 21st century technology, including how to make disclosure more interactive and personalized. In order to encourage feedback from individual commenters, the release includes a short Feedback Flier, which includes key questions from the request for comment and can be submitted to www.sec.gov/tell-us.

Request for comment on processing fees intermediaries charge for forwarding fund materials

With the adoption of rule 30e-3, the Commission believes that it is appropriate to consider more broadly the overall framework for the processing fees that broker-dealers and other intermediaries charge funds. These fees are charged in connection with forwarding shareholder reports and other materials to beneficial shareholders under current rules of the New York Stock Exchange and other self-regulatory organizations. The Commission seeks public comment and additional data on the current processing fee framework for fees charged by intermediaries for the distribution of disclosure materials other than proxy materials (e.g., shareholder reports and prospectuses) to fund investors to better understand the potential effects on funds and their investors. The Commission is requesting comment on topics such as, but not limited to, the assessment of processing fees, transparency of these fees, remittances received by financial intermediaries for delivery of fund documents, whether the structure and level of processing fees should be set by another entity, and the appropriateness of these fees in cases where intermediaries are separately paid shareholder servicing fees from fund assets.

What's Next?

New rule 30e-3 and the related amendments to rules and forms will be published on the Commission's website and in the Federal Register. Funds will be permitted to rely on the new rule as early as January 1, 2021.

The Commission will seek public comment on the two requests for comment until October 31, 2018. These extended comment periods will permit retail investors and other interested parties the opportunity to

review the releases, and potentially to gather relevant data for submission in the comment file.

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Related Materials

- [Request for Comment on Fund Retail Investor Experience and Disclosure](#)
- [Fund Disclosure Feedback Flier](#)