

April 24, 2017

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
S-230, The Capitol  
Washington, DC 20510

The Honorable Charles Schumer  
Minority Leader  
United States Senate  
S-221, The Capitol  
Washington, DC 20510

The Honorable Thad Cochran  
Chairman  
Senate Committee on Appropriations  
113 Dirksen Senate Building  
Washington, DC 20510

The Honorable Patrick Leahy  
Ranking Member  
Senate Committee on Appropriations  
437 Russell Senate Building  
Washington, DC 20510

Re: Oppose efforts to block modernization of fund shareholder communications

Dear Majority Leader McConnell, Minority Leader Schumer, Chairman Cochran and Ranking Member Leahy:

I am writing on behalf of the Investment Company Institute<sup>1</sup> to urge you to oppose any effort to add language to the FY17 OMNIBUS spending package that would block the Securities and Exchange Commission from finalizing rule 30e-3, which would modernize how fund shareholders receive annual and semi-annual shareholder reports. A rider to this effect was included in the Senate Financial Services and General Government (“FSGG”) appropriations bill, but purposely excluded from the House bill.

Printing and mailing fund shareholder reports is an increasingly outdated, expensive delivery mechanism that fund investors pay for as a fund expense. Moving away from this outdated model to the SEC’s proposed framework - which merely changes the default delivery method from paper to e-delivery while preserving shareholder rights to receive paper - would create direct and very material cost

---

<sup>1</sup> The Investment Company Institute (ICI) is a leading global association of regulated funds, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI’s members manage total assets of US\$19.3 trillion in the United States, serving more than 95 million US shareholders, and US\$1.6 trillion in assets in other jurisdictions. ICI carries out its international work through ICI Global, with offices in London, Hong Kong, and Washington, DC.

savings for fund investors—close to \$2 billion over the next 10 years.<sup>2</sup> Fund shareholders bear the costs of printing and mailing paper shareholder reports as these costs are expenses of the fund, and therefore fund shareholders—not the adviser.

In nearly every other corner of our economy and financial system, consumers readily receive and access information online. US households that own mutual funds are no different—as years of research make quite clear.

Fund investors should no longer bear the cost of a paper-based framework when those who prefer paper shareholder reports represent a declining share of the investor population. On the other hand, the Institute supports providing investors who still wish to receive paper shareholder reports the ability to receive them by allowing them a simple means of opting in to receive paper. A modernized shareholder report delivery system therefore would accommodate the preferences of all investors, increasing choice while providing substantial cost savings to fund shareholders.

Reducing our reliance on paper shareholder reports would have an immediate, positive impact on the environment. Moving to a more modern delivery process would save close to 2 million trees each year for shareholder reports alone and would significantly reduce the fund industry's carbon footprint.<sup>3</sup> In addition to deforestation, the paper production process pollutes our air, water, and land. A significant portion of the paper produced through this ecologically harmful process results in paper waste. In fact, paper waste accounts for up to 40% of total waste in the United States.

Accordingly, we urge you to allow the SEC to modernize how funds deliver shareholder reports to investors.

Please contact me or one of the Institute's Co-Heads of Government Affairs, Dean Sackett and Don Auerbach, with any questions.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Schott Stevens". The signature is fluid and cursive, with a period at the end.

Paul Schott Stevens  
President and CEO  
Investment Company Institute

---

<sup>2</sup> The Institute has estimated that, if the SEC adopted our suggested modifications to proposed rule 30e-3, funds would save \$101 million the first year of the rule and \$182 million annually thereafter.

<sup>3</sup> See Letter from Paul Schott Stevens, President and CEO, Investment Company Institute, to Brent J. Fields, Secretary, Securities and Exchange Commission, dated March 14, 2016, at p. 14, available at <https://www.sec.gov/comments/s7-08-15/s70815-581.pdf>.