

## Focus on Funds: Time to Bring Shareholder Report Delivery into the 21st Century

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Fund shareholders increasingly turn to the internet for a wide range of information and services—but outdated regulations leave them stuck with an inefficient and expensive method of receiving shareholder reports. In the April 6, 2018, edition of *Focus on Funds*, ICI President and CEO Paul Schott Stevens discusses the need for change.

#### Transcript

**Stephanie Ortals-Tibbs, ICI director of media relations:** After many years of discussion, the SEC is taking up the question of how to modernize shareholder reports and their delivery. ICI President and CEO Paul Schott Stevens lays out the issue for me, explaining how ICI has been a leading advocate on this issue and what might change that would benefit funds and their investors.

**Paul Schott Stevens, ICI president and CEO:** We basically want to bring it into at least somewhere in the 21st century. It's a paper-based system right now, and that's regulatorily required. We believe 95 percent of mutual fund investors have ready access to the internet. More and more of our younger investors are relying upon mobile devices and other things to access all things in their lives, including their financial lives.

So, we need to begin serving our investing public better, and that requires a change in SEC rules. It's one of the reasons why, frankly, we've been pleased that the Division of Investment Management—and the SEC more generally—has signaled in a recent publication that it intends to move toward adoption of a rule that was proposed earlier to change the way in which we deliver shareholder reports.

**Ortals-Tibbs:** It is great to see the SEC putting attention on this. It is a bit shocking that, in today's digital world, we're talking so much about paper still. What exactly are we getting at here? Why is there this concern about delivering shareholder reports by paper, and what would it mean if we can convert this to an electronic delivery?

**Stevens:** The basis for the concerns kind of evades me. There are narrow interests in the debate that want to preserve an attachment to a 20th- or even 19th-century form of information delivery.

But the world is quickly going elsewhere. Most of it has already gotten there. In fact, we are among the last, I think, of the financial services providers that are still stuck and condemned to this paper environment.

What has the SEC proposed with respect to shareholder report delivery? We could send a postcard to our investors letting them know that the recent annual or semiannual report is available to them online, but under terms that would say, “If you want to continue to receive that lengthy, bulky document in paper, we’ll be happy to provide it to you.”

So it provides an option to the investor, continuing to allow them to receive it in paper form, but otherwise assures that they can get it online—as many would prefer to do—and in the process substantially reduces the cost. We estimate that we are spending \$340 million annually to mail out these reports.

And by the way, the nature of the reports is such that I suspect that very few investors look at or consult them at all, which leads to another issue, of course—we need to reform our shareholder reports and revise them. But that can be a second-order priority. We need to get the delivery system straightened out first.

We can achieve most of the objectives of modernizing the system and achieve the cost reductions—that are cost reductions for shareholders, they’re not for the fund companies; they are for the shareholders themselves—by, if you will, flipping the presumption that you will get it online unless you affirmatively opt to get it in paper.

## Additional Resources

- [Speech: SEC Chairman Can Champion the Critical Role of Investment Funds](#)
- [Release: ICI Urges SEC to Take Action to Ensure Fund Shareholders Benefit from Web Delivery of Fund Reports](#)
- [Report: Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2017](#)
- [Don’t Let Paper Take Over \(Electronic Delivery Resource Center\)](#)