

Focus on Funds: ICI Calling for SEC Action on Shareholder Report Delivery

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Electronic delivery of shareholder reports could save shareholders money and foster innovation. But obstacles stand in the way. In the March 18, 2016, edition of *Focus on Funds*, ICI General Counsel David Blass outlines a potential threat, as well as some solutions.

Transcript

Stephanie Ortvals-Tibbs, ICI Director, Media Relations: The U.S. Securities and Exchange Commission has proposed an innovative rule that could deliver serious cost savings to investors and create new electronic forms of delivery for shareholder reports. But lately there's some concern about just how this rule might be implemented, and if the savings are actually going to be passed on to investors the way they were promised. At ICI's Mutual Funds and Investment Management Conference, ICI General Counsel David Blass explained what the issue is.

David Blass, ICI General Counsel: The SEC took some really good, positive first steps to move to more electronic delivery of shareholder reports and other really important shareholder communications, but we've got some groups pushing back on us. One of them—the main vendor that provides these shareholder reports to shareholders—says that they would actually increase their fees if the SEC goes forward not to deliver shareholder reports. It's kind of an absurd outcome that they would charge more to do nothing.

Ortvals-Tibbs: You know, the numbers really are a little bit shocking. This is a huge potential price swing in terms of investor savings.

Blass: You're absolutely right, it's about a billion-dollar swing. If this group gets its way, it would extract about a billion dollars over 10 years that should be in shareholders' funds.

Ortvals-Tibbs: So, what solutions are we suggesting?

Blass: Well, first of all, the SEC needs to move forward with its rule—go ahead and adopt the rule and allow funds to opt into an electronic-delivery default. Second, the SEC has it within their ability to provide some interpretive guidance about these fees, to be sure that they preserve shareholder savings, which is clearly their goal. And then, third, we think that FINRA should take over and scrutinize these fees, and take over a fairly obscure role that right now is on the New York Stock Exchange rule books—make it a

FINRA rule, and really delve into them and be sure the fees are fair to shareholders.

Ortbals-Tibbs: So, it's really important that the SEC be able to move forward with this the way that we expected them to, because otherwise it could really discourage innovation and it could really affect investor savings.

Blass: Well, this move has every opportunity to promote great innovation, and how funds [and] fund managers communicate with their shareholders. The shareholder report is really the most important document that funds and fund managers have with their shareholders, so it would unleash innovation, creativity, and disclosures, but also preserve savings to the shareholders, which clearly is what the SEC intended.

Additional Resources

- Event video: [ICI General Counsel David Blass Presents the Path Forward for Innovation in Fund Disclosure](#)
- Speech: ["Innovation in Fund Disclosure"](#)
- Release: [ICI Urges SEC to Take Action to Ensure Fund Shareholders Benefit from Web Delivery of Fund Reports](#)
- [ICI Comment Letter to SEC on Investment Company Reporting Modernization \(pdf\)](#)

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