

March 7, 2018

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

Re: Oppose efforts to block modernization of fund shareholder communications

Dear Leader McConnell:

I am writing on behalf of the Investment Company Institute (ICI)¹ to urge you to oppose any effort to include a rider from the Senate Financial Services and General Government (FSGG) appropriations bill that would block the Securities and Exchange Commission (SEC) from moving forward with a rule to modernize delivery of mutual fund shareholder reports in a year-end appropriations package.

Section 632, included in the fiscal year 2018 Senate FSGG appropriations bill, would stop the SEC from finalizing rule 30e-3, which would modernize how fund shareholders receive annual and semi-annual shareholder reports. The Institute strongly believes the SEC should be able to do its work as an independent agency and not be precluded from moving forward with a rule if the Commission believes it is in the best interests of investors.

Printing and mailing fund shareholder reports is an increasingly outdated, expensive delivery mechanism that fund investors pay for as a fund expense. Instead of delivering paper reports, proposed rule 30e-3 would allow funds to mail investors a paper notice that tells them where their report is available online and how they can opt back into receiving paper if they so choose. This modernized approach to delivery would create direct and very

¹ The Investment Company Institute (ICI) is the leading association representing regulated funds globally, 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\$22.5 trillion in the United States, serving more than 100 million US shareholders, and US\$7.5 trillion in assets in other jurisdictions. ICI carries out its international work through ICI Global, with offices in London, Hong Kong, and Washington, DC.

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material cost savings for fund investors—close to \$2 billion over the next 10 years.² It also would preserve shareholders' right to choose whether to continue receiving paper.

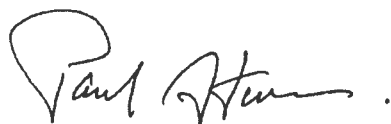
In nearly every other corner of the US economy and financial system consumers readily receive and access information online. US households that own mutual funds are no different—years of research have shown that 95 percent of US households owning mutual funds have internet access.³

Fund investors should no longer have to bear the cost of a paper-based framework when those who prefer paper shareholder reports represent a declining share of the investor population. Nevertheless, ICI and its members strongly and unequivocally support providing investors the choice to receive paper reports by providing them a simple means of opting in to receive paper. A modernized shareholder report delivery system therefore would accommodate the preferences of all investors, preserving choice while providing substantial cost savings to 100 million fund shareholders.

We urge you to oppose efforts to include this Senate FSGG rider in any final appropriations package. If you have any questions, please contact me or one of the Institute's Co-Heads of Government Affairs, Dean Sackett ((202) 326-8319) and Don Auerbach ((202) 326-5894).

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 large initial "P" and "S".

Paul Schott Stevens
President and CEO
Investment Company Institute

² 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.

³ See Holden, Sarah, Michael Bogdan & Daniel Schrass, *Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2017*, ICI Research Perspective 23, no. 7 (October), available at www.ici.org/pdf/per23-07.pdf, at p. 18.