

December 1, 2017

The Honorable Anne Sheehan
Chairman, Investor Advisory Committee
U.S. Securities and Exchange Commission
100 F St. NE
Washington, DC 20549

Re: Proposed SEC Rule 30e-3's "Implied Consent" Adverse Impact on Investors & the Need for Streamlined Reports

Dear Chairman Sheehan:

On behalf of millions of consumers across the United States, we write to encourage the SEC Investor Advisory Committee to endorse the move to a more streamlined annual and semi-annual investment report but only if the SEC specifically ends efforts to advance proposed Rule 30e-3 and any future proposals that would eliminate the current default requirement for mutual funds to transmit shareholder reports and other important information to investors in paper form. As the Advisory Committee considers ways to improve the readability of annual and semi-annual performance reports, we suggest that investors continue to receive paper versions of these reports by default, until such time as they choose to opt-in to electronic delivery.

Rule 30e-3 would essentially force e-delivery without the affirmative consent of the individual consumer. We believe this approach of implied consent is wrong and that investors should retain the right to receive paper versions by default as the best way to streamline the process while preserving consumer choice, express consent and access.

Despite the perception that the digital revolution means consumers are conducting all their business online, the reality is that a significant portion of the country's population lacks consistent and regular Internet access. Studies by the Pew Research Center and the U.S. Department of Commerce reveal that more than 30 percent of Americans still lack broadband Internet at home, while nearly 40 percent of citizens in rural areas – 23 million people – lack access to broadband Internet service, according to the Federal Communications Commission's latest Broadband Progress Report.^{1,2,3}

Moreover, many consumers with internet access still lack the tech savvy necessary to navigate online transactions and don't fully understand the real or perceived cybersecurity risks of implied consent for digital delivery. Phishing scams are also increasingly prevalent across all electronic services, making it easy enough for a hacker to impersonate a mutual fund and gather personal information about the user—especially if that user were ill-prepared to use digital platforms in the first place.

¹ Pew Research Center, Broadband Technology Fact Sheet, <http://www.pewinternet.org/fact-sheets/broadband-technology-fact-sheet/> (2017).

² US Department of Commerce, Exploring the Digital Nation: Computer and Internet Use at Home, (2011).

³ Federal Communications Commission Broadband Progress Report, <https://www.fcc.gov/reports-research/reports/broadband-progress-reports/2016-broadband-progress-report> (2016).

We encourage the committee to challenge the notion of “implied consent,” which is embedded in Rule 30e-3. These reports are a critical and widely read resource for American investors, and in relying on “implied consent” to cease the mailings of these reports, the SEC runs the risk of decreased readership, decreased use of information, and decreased participation. Mutual fund investors who say they would be likely to look at fund reports under current delivery methods – with paper as the default, and electronic as the option – outnumber those who would be likely to look at the fund reports under Rule 30e-3’s proposed method by a factor of 3 to 1.⁴

According to an SEC study, a majority of American investors prefer to read annual reports in paper format rather than online versions, and a large number of study respondents asserted that they retain more information from the printed materials.⁵ The research is definitive: print is a far easier, more reliable, more accessible medium for American consumers to monitor and understand their finances and investments.

Furthermore, when the SEC adopted a “notice and access” model in 2009 to permit issuers to post proxy materials online – providing shareholders with notice of the Internet availability – viewership sharply decreased. Prior to the “notice and access model,” surveys by AARP, NYSE, and Broadridge noted that more than 85 percent of respondents looked at the print proxy information at least some of the time.⁶ Following implementation of the “notice and access model,” fewer than one-half of 1 percent of those who received notification by mail visited the URL and chose to view the disclosure information. To be clear, the policy of “implied consent” has demonstrably decreased investor participation.

We support the offer of a streamlined, summary report that fulfills all legal disclosure requirements which would, by contrast, provide a succinct overview of the key metrics investors need to make informed decisions, and would do so at a fraction of the cost of today’s lengthier shareholder reports. The success of the 2009 summary prospectus with its “layered disclosure” approach is the model that should be considered for reports. For years, these summary prospectuses have provided key information in print and electronic form with easy access to more detailed content, while lowering the cost of compliance

We believe that Rule 30e-3 is not only unnecessary, but will interfere with consumer access to critical information on their investments and finances. We therefore call on the Commission to immediately withdraw the proposed rule. Efforts to streamline this information and to improve its user-friendliness and consumer accessibility, while understandable, should not occur at the expense of readership.

Sincerely,



Linda Sherry
Director, National Priorities
Consumer Action



Sally Greenberg
Executive Director
National Consumers League

⁴ Forrester Consulting on behalf of Broadridge Financial Solutions, Inc., How Might the Proposed Rule on Accessing Annual and Semiannual Mutual Fund Reports Affect Investor Behavior, (2015).

⁵ Siegel + Gale, “Investor Testing of Selected Mutual Fund Annual Reports (Revised),” (2012).

⁶ AARP Survey <http://paperoptions.convergencecms.co/templates/files/aarp-survey.pdf> (2012).

⁷ Forrester Consulting on behalf of Broadridge Financial Solutions, Inc., How Might the Proposed Rule on Accessing Annual and Semiannual Mutual Fund Reports Affect Investor Behavior, (2015).