

MEMORANDUM

July 15, 2015

TO: File No. S7-08-15

FROM: J. Matthew DeLesDernier
Division of Investment Management

RE: Investment Company Reporting Modernization — Release No.
IC-31610

On July 9, 2015, David Grim, Director, Diane Blizzard, Associate Director, Sara Cortes, Senior Special Counsel, Richard Rodgers, Senior Special Counsel, Michael Pawluk, Branch Chief, and J. Matthew DeLesDernier, Senior Counsel of the Division of Investment Management and Matthew Kozora, Financial Economist of the Division of Economic and Risk Analysis met with Chuck Callahan, Senior Vice President, Regulatory Affairs, Robert Schifellite, President, Investor Communication Solutions, and Lyell Dampeer, President, Investor Communication Solutions U.S. of Broadridge Financial Solutions, Inc. and Annette Nazareth, Partner, and Vishal Melwani, Summer Associate of Davis Polk & Wardwell LLP.

The purpose of the meeting was to discuss proposed rule 30e-3 under the Investment Company Act of 1940.

Attachment

Discussion Outline

- Broadridge actively supports the proposal's goals of greater levels of viewing of fund information by individual shareholders and additional printing & postage cost savings for fund companies.
- The experience with proxy Notice & Access indicates that an unintended consequence of the proposal would be an 80%+ reduction in viewing by groups of individuals that receive a mailed Notice.
 - In February, the SEC held a roundtable on "Retail Participation in the Proxy Process." Panelists acknowledged the decrease in participation with Notice & Access and discussed ways to improve retail engagement.
 - Once shareholders are taken out of the game, it is difficult to get them back.
- Several factors would diminish the proposal's potential cost savings on printing and postage.
 - The Notice & Access delivery method adds complexity and work effort and, therefore, processing costs.
 - Consents to electronic delivery of fund reports are projected to continue to become an even larger portion of all deliveries than they are today.
- Alternatives to a Notice & Access delivery method provide greater total cost savings AND far better viewing levels by shareholders.

Examples of alternatives to Notice & Access

Greater savings – together with higher viewing levels

- **A Summary Report delivery option**, modeled on the SEC's successful summary prospectus delivery option, would provide greater savings than Notice & Access (albeit lower savings than e-delivery). SEC studies conclude that many individual investors prefer user-friendly summary information by mail -- with access to an Internet site for additional, detailed information.
- **Electronic delivery with one-click access.** Electronic delivery currently accounts for nearly 45% of all annual and semi-annual report deliveries for funds held in brokerage accounts.
 - E-delivery is the lowest cost option. Viewing levels exceed those of mailed Notices.
 - Looking at trends over the past 5-years, Broadridge estimates that e-delivery will comprise approximately 60% of all deliveries in 2018.
 - E-delivery is provided with affirmative consent and applied to all positions in a brokerage account.
- **Customizable and more user-friendly email messages** for sending links to shareholder reports (expected launch September, 2015):
 - Issuer, investment company, and broker branding could be useful in stimulating shareholder interest and in providing a communications and customer relationship opportunity beyond a compliance purpose.
 - Summary information in the body of the email template could provide useful information as well as one-click access to the complete report.
 - "Responsive" design provides the same user experience across mobile, tablet, and desktop devices.
- **Enhanced broker Internet platforms ("EBIPs")** enable fund companies to provide shareholder reports to investors holding fund and ETF positions in a brokerage account by displaying them on a broker's client website, at no additional fee.
- **Digital mail channels** provide information where shareholders want to receive it. Interfaces have been developed and are available for Dropbox, Evernote, and other leading digital channels. Requires participation of brokers and investment companies, and shareholder consent to e-delivery.