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August 11, 2015

Office of the Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

File Reference: File Number S7-08-15

Dear Mr. Fields:

MFS Investment Management (MFS) appreciates the opportunity to comment on the Securities and Exchange Commission's ("SEC's" or "the Commission's") Proposed Rule on *Investment Company Reporting Modernization* (the "Proposed Rule").

Background on MFS

MFS is a global asset management firm providing investment management services to clients including 131 registered investment products which in total represent approximately $205 billion in assets. MFS and its predecessor organizations have been registered as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act") since 1969. MFS is a majority owned subsidiary of Sun Life Canada (U.S.) Financial Services Holdings, Inc., which in turn is an indirect majority owned subsidiary of Sun Life Financial, Inc. (a diversified financial services organization). MFS has been a subsidiary of Sun Life since 1982. As of June 30, 2015, MFS managed approximately $440 billion in assets.

As is the case with most investment companies, the registered funds for which MFS provides advisory and administrative services (the "MFS Funds") have no employees of their own (with the exception of an Independent Senior Officer) and their operations are carried out by various affiliated entities (e.g., the investment adviser, the administrator, the transfer agent and the distributor) and unaffiliated service providers (e.g., the custodian and the fund accounting agent) under the oversight of the funds' Board of Trustees.

Overview of the Proposed Rule

The Proposed Rule would rescind Forms N-Q and N-SAR and introduce new Forms N-CEN and N-PORT which would be used to collect census-type information and monthly portfolio holdings, respectively, in an XML structured data format. Under the Proposed Rule, certain sections of Regulation S-X also would be amended to standardize the presentation of derivatives, enhance the reporting of portfolio investments and augment securities lending disclosures. Additionally, the Commission has proposed a new rule, Rule 30e-3, under which registered investment companies could, after satisfying certain conditions, make shareholder reports accessible on a website in lieu of printing and mailing those reports to shareholders.

The various provisions of the Proposed Rule are collectively intended to improve the level of information provided to the Commission by registered funds, with the anticipated benefits being two-fold, in that the enhanced reporting would both assist the Commission in its regulatory role and also allow investors to make more informed investment decisions. MFS understands the intent of the Commission's Proposed Rule and, consistent with the industry views expressed by the Investment Company Institute (ICI) and the Securities Industry and Financial Markets Association (SIFMA), we support the majority of the provisions. As such, our comments focus on those areas of the Proposed Rule for which we either have specific concerns or perceive that further clarification is necessary.

Newly Created Form N-PORT

Under the Proposed Rule a new form, Form N-PORT would be created on which funds would file monthly portfolio holdings information, as well as other information including risk metrics and fund flows in an XML structured data format within 30 days of month-end. As proposed, month-end portfolio holdings would be treated as non-public information with the exception of month-end holdings for the third month of each fund's fiscal quarters which would be made public 60 days after each fiscal quarter-end. Funds within larger fund complexes would be required to comply with Form N-PORT filing requirements within 18 months of the Proposed Rule's effective date. Proposed Form N-PORT is intended to assist the Commission in understanding industry trends, investment strategies and risks.

MFS has a number of concerns related to the proposed Form N-PORT including, but not limited to, concerns over the Commission's information technology controls with respect to data collection, storage and sharing; the need for proprietary information to be kept non-public; and the sheer volume of data to be compiled on a monthly basis under very tight timeframes.

Commission's Information Technology Controls

In light of the recent data breaches in the private sector as well as at government agencies, we are concerned that the fund data that the SEC proposes to collect will be a potential target for hackers. Our concerns are heightened due to the immense volume, comprehensiveness and financial significance of the monthly data to be provided and by the potential for the SEC to share that data with other agencies. We would like to understand the Commission's plans for safeguarding that data and to affirm that the Commission's information technology controls around data security with respect to collection, storage and sharing are sufficiently robust to thwart cybersecurity threats. Should unauthorized access to the data occur, the fund industry's reputation and competitiveness would undoubtedly suffer. To address these concerns, we request that the Commission clarify its plans for data security and that the Commission's information technology controls be subjected to independent, third-party testing before the industry is required to comply with the proposed requirement to submit monthly portfolio holdings data. MFS agrees with the ICI's recommendation that while the Commission is analyzing its information security systems and implementing any necessary enhancements, the Commission collect fund portfolio holdings information quarterly with a 60-day lag and begin collecting other proposed Form N-PORT information on a monthly basis. We believe that as an added benefit to lengthening the compliance period for the submission of monthly portfolio holdings, the Commission will have an opportunity to assess whether or not monthly reporting of portfolio holdings information is necessary, or whether quarterly portfolio holdings data is sufficient for its analysis.

Non-Public Information

MFS believes that a number of the data points called for in the proposed Form N-PORT should be treated as non-public information. These data points include portfolio-level risk metrics; securities deemed illiquid; country of risk determinations for investments; securities lending fee structures; and financing rates for OTC derivatives. MFS requests that these data points be treated as non-public because risk metrics, country of risk determinations and illiquid security designations are subjective based on unique assumptions and inputs used by a fund's management and because the fees and rate structures are often heavily negotiated and, therefore, proprietary in nature. As expressed by the Commission, proposed Form N-PORT is primarily designed for use by the Commission and not for disclosing information directly to investors. Should these data points be included in the public section of the proposed Form N-PORT filing, we worry that (i) investors may reach unfounded conclusions based on the comparison of data points between funds that are not comparable due to the subjectivity of the related inputs and assumptions used; (ii) a fund's competitive advantage achieved through fee/rate negotiations with its service providers and counterparties would be jeopardized to the detriment of fund shareholders; and (iii) market participants, who would now have information on the fund's illiquid securities, may trade ahead of the fund which could adversely affect the price of the security that the fund is buying or selling.

Risk Metrics
The Commission has proposed the reporting of duration and spread duration risk metrics on proposed Form N-PORT for funds with fixed income exposure (either through direct investment or through indirect investment in derivatives with fixed income reference assets) that represents at least 20% of the fund's notional value. We support the use of a threshold, but recommend that the percentage threshold be increased to 25% and that the threshold be based on a percentage of the fund's net asset value (NAV) and not notional. Also, we suggest that the calculation be based on a 3-month average of the fund's fixed income exposure versus a single period-end point in time so that a fund does not inadvertently trip the threshold due to timing issues with major market moves and the related portfolio rebalancing. With respect to individual currencies, we would encourage the Commission to use a threshold such that reporting would not be required for currencies to which the fund has de minimus exposure of less than 5 percent of the fund's total duration. Further, we request that the Commission clarify that the fixed income exposure as calculated by a top tier fund in a fund-of-funds structure would not include the top tier fund's exposure to an underlying fund's investments in fixed income securities and derivatives. Lastly, we suggest that the definition of investment grade, which as proposed would be based on liquidity, instead follow the standard industry definition based on credit quality.

Although the proposed risk metrics contemplate the calculation of duration and spread duration across the spectrum of applicable maturities in a fund's portfolio, we submit that reporting duration calculations for that many data points would be impractical. While we agree that key rate spread duration would be more informative than the commonly used metric of spread duration, we point out that key rate spreads are not, as the Commission suggests, readily available. MFS subscribes to a number of analytic vendors and only one of those vendors computes key rate spread duration. Since key rate spreads are not readily available, the costs to obtain them would be significant. As such, we recommend that the calculations be limited to single point on the yield curve.

Securities Lending Disclosures
Securities lending agreements often include indemnification provisions against borrower default. When covered by indemnification, the fund's counterparty exposure is not so much with the borrower but with the securities lending agent. As a result, we question whether the disclosure of borrower counterparties is relevant in understanding the fund's counterparty exposure. Should the Commission still feel that under these circumstances the disclosure of borrower counterparty is necessary, MFS supports the ICI's recommendation to limit borrower disclosures to the top 5 counterparties based on the aggregate value of loans outstanding with those borrowers.

Additionally, we request clarification regarding the proposed Form N-PORT requirement to present non-cash collateral as a fund asset. A fund typically does not have the right to sell or re-pledge securities received as collateral and as such does not meet the control criteria necessary to account for non-cash collateral as a fund asset. In order to comply with the Commission's request for non-cash collateral reporting, we support the ICI's suggestion for an additional line item on the proposed Form N-PORT in which the fund could disclose the details of any non-cash collateral received which does not meet the accounting criteria for recognition as a fund asset.

Derivative Disclosures
Although we are comfortable with a majority of the enhanced disclosures that the Commission calls for on the proposed Form N-PORT, we do have concerns with the Commission's proposed disclosure of monthly realized and unrealized gains and losses on derivatives. Our concerns stem from our belief that investors may reach incorrect conclusions on the success of a fund's investment strategies when derivative gains and losses are not viewed together with the gains and losses on the fund's related investments. However, if the Commission believes, despite this concern, that derivative gains and losses be should presented on the proposed Form N-PORT, then we request that those gains and losses be presented by contract type, not risk type and that they be presented along with realized and unrealized gains and losses on investments in order to more completely depict fund performance. Presentation by contract type is consistent with our current presentation of derivative

gains and losses on the Statement of Operations. Although U.S. Generally Accepted Accounting Principles (GAAP) require the disclosure of derivative gains and losses by risk type in a fund's semi-annual and annual notes to financial statements, the preparation of that disclosure is typically not automated and, therefore, time consuming. We believe that the immaterial benefit of this disclosure would be outweighed by the significant additional costs imposed on a fund and its shareholders to manually compile derivative gains and losses by risk type on a monthly basis.

We have similar concerns regarding the Commission's proposed disclosure of the individual components that make up a derivative's non-public reference asset when the notional amount of the related derivative represents more than 1% of the fund's NAV. Although our funds do not currently hold derivatives where the reference asset is a custom basket or non-public index, we appreciate the industry's concerns that the effort involved with reporting 100% of the securities that comprise the reference asset would greatly exceed any benefits derived by an investor. In lieu of this overly-comprehensive and costly presentation, we support the Commission's suggested alternative to require the disclosure of only the top 50 components of the index and any additional components that individually represent more than 1% of the index; we believe that this alternative is consistent with the Commission's intentions to understand the entities to which the fund has an indirect underlying exposure.

Omnibus Account Level Fund Flows

The proposed Form N-PORT would require funds to provide information on shareholder fund flows in order to aid the Commission in identifying investor trends with respect to certain types of funds (e.g., high yield funds, target date funds, etc.) as well as potential liquidity issues for a particular fund. Although the Commission explores various levels of fund flow information (e.g., gross versus net flows for omnibus accounts; class-level fund flows; etc.) in the Proposed Rule, we agree with the ICI's suggestion that any fund flow information be provided at the omnibus account level without requiring funds to look through to the underlying investors in those omnibus accounts. As mentioned by the ICI, requiring funds to perform such look-through would be difficult, if not impossible, given that (i) a significant number of a fund's outstanding shares may be held in omnibus accounts at financial intermediaries; (ii) those intermediaries have no regulatory obligation to provide the fund with the customer-level data underlying an omnibus transaction; and, (iii) a fund's transfer agency system may not be able to accommodate the customer-level data underlying an omnibus transaction without significant system and process redesign.

Legal Entity Identifiers (LEI)

In an effort to achieve greater specificity and comparability with respect to the fund's holdings and financial transactions, the Commission has proposed that LEI be provided not only for the fund but also for each of the fund's individual portfolio investments and counterparties. While providing the fund's LEI should not be a problem, it may be difficult for funds to obtain the LEI for each portfolio investment and each counterparty, because there is no complete source for researching LEI and because of the various legal entity names that may be used within an issuer's or counterparty's corporate structure. Although funds may be able to make reasonable efforts to obtain and report LEI, there is a notable potential for error which would be counter to the intended purpose of providing greater specificity and comparability. If the Commission moves forward with this proposed requirement, we agree with the ICI's recommendation for the Commission to clarify that funds may provide LEI information based on the fund's reasonable belief that the information is accurate.

T+1 Basis of Reporting

In order to comply with the proposed requirement to provide monthly portfolio holdings information as part of the proposed Form N-PORT, we request that the Commission permit funds to supply that information on a T+1 (trade date plus one) basis versus a T+0 (trade date) basis of reporting. When funds prepare their semi-annual and annual reports significant effort is involved in adjusting the accounting records from the T+1 basis, utilized by the fund accounting system, in order to achieve the GAAP T+0 reporting requirement. Like many fund complexes, MFS staggers the fiscal year-ends of its funds such that these required adjustments are manageable for the number of funds with a semi-annual or annual reporting requirement for any given month;

however, the costs would greatly exceed the benefits if funds were required to perform this same adjustment process on a monthly basis for each one of our approximately 130 funds.

Compliance Dates
In light of the concerns expressed above about the Commission's information technology controls over data security, we suggest that the Commission take a staggered approach to compliance with the filing requirements of the proposed Form N-PORT. As described above, under this staggered approach, a fund would file a monthly Form N-PORT which would include all of the Commission's requested information with the exception of the fund's monthly portfolio holdings. The fund would file quarter-end portfolio holdings information along with its monthly Form N-PORT filing for each of the fund's fiscal quarters until such time as concerns regarding the Commission's information technology controls around data security were addressed. At which point, if the Commission still deemed it necessary to collect portfolio holdings information on a monthly basis, then monthly portfolio holdings information would be included along with the fund's monthly Form N-PORT filing.

Due to the number of new data points included in the filing as well as the number of groups within MFS, our service providers and our intermediaries that would need to be involved with supplying and compiling data for the filing, we request that the Commission consider extending (i) the proposed monthly filing dates from 30 to 45 days after each month-end and (ii) the proposed overall compliance deadline from 18 months to 30 months after the effective date of the Proposed Rule.

Amendments to S-X
Under the Proposed Rule, Articles 6 and 12 of Regulation S-X would be amended to standardize derivative reporting, to augment existing securities lending and tax-basis disclosures, and to further segment the categorization of portfolio investments. Funds would be required to comply with the proposed amendments within 8 months of the Proposed Rule's effective date. The proposed amendments to S-X, many of which the Commission believes are reflective of current industry reporting practices, are intended to facilitate comparability among funds and to increase transparency into the fund's use of securities lending and derivatives.

Chief among MFS' concerns regarding the proposed amendments to S-X are the expected, dramatic increase in the length of the schedule of investments and the need for proprietary information to be kept non-public.

Categorization of Portfolio Investments
Under the proposed amendments to S-X a fund's schedule of investments would be subject to further categorization according to the type of investment, the related industry and the related country or geographic region. We are concerned that this requirement for further categorization would dramatically increase the schedule of investments to almost double its current length. Such an expansion of the schedule of investments not only would result in increased typesetting, printing and mailing costs borne by shareholders but also would result in an overly cumbersome schedule of investments from which investors would not be able to easily obtain an understanding of the fund's various exposures. As an alternative, we suggest that the Commission consider amending the N-1A requirements for graphical presentation of holdings in shareholder reports to provide for two separate tables, charts or graphs - one that presents the relative weightings of the fund's investments by country or geographic region and a second that presents those relative weightings by industry.

Non-Public Information
Similar to our concerns expressed above on the proposed Form N-PORT, we believe that certain of the proposed amendments to S-X would result in the disclosure of information that we consider non-public. We believe the proposed disclosures around country of risk and illiquid investment determinations should be treated as non-public since they are subjective in nature in that they are based on unique assumptions and inputs used by a fund's management. Likewise, securities lending fees and derivative financing rates should also be treated as non-public because they are heavily negotiated and, therefore, are proprietary in nature. If

these disclosures are considered necessary for the Commission to conduct its analysis, then we propose that the disclosures be made in the non-public attachments to the proposed Form N-PORT, and not be a requirement of S-X. Should these data points be required disclosure under S-X, we worry that (i) investors may reach unfounded conclusions based on the comparison of data points between funds that are not comparable due to the subjectivity of related inputs and assumptions; (ii) a fund's competitive advantage achieved through fee/rate negotiations with its service providers and counterparties would be jeopardized to the detriment of fund shareholders; and (iii) market participants, who would now have access to information on the fund's illiquid securities, may trade ahead of the fund which could adversely affect the price of the security that the fund is buying or selling.

Despite the fact that we consider a fund's illiquid investment determinations to be non-public information, we are willing to consider alternative forms of financial statement disclosure. We do not support the Commission's proposal that illiquid investments be designated as such in the fund's schedule of investments because we believe that there are a number of scenarios in which two fund complexes could reach different conclusions with regard to the designation of the same security as "illiquid". For example in the case of a 144A security, one fund's board may follow certain prescribed procedures to remove the illiquid determination from the security, while another fund's board may retain the illiquid determination for that security; this difference in illiquidity determinations would be confusing for an investor who compares those two funds. However, if the Commission still feels that investors need information on illiquid securities, then we would not be opposed to financial statement disclosure of the overall percentage of NAV related to securities that have been deemed illiquid.

Derivative Disclosures
Although we support the proposed S-X amendments which are consistent with current derivative disclosure practices, there are several new derivative disclosures with which we are concerned. Consistent with our comments expressed above on the proposed Form N-PORT, we support the Commission's suggested alternative to only require disclosure of the individual components of a non-public reference asset when the notional amount of the related derivative represents more than 1% of the fund's NAV and to further limit that disclosure to only the top 50 components of the index and any additional components that individually represent more than 1% of the index. We believe that this alternative, without being overly burdensome for the fund, will allow investors to understand the entities to which the fund has an indirect underlying exposure.

Additionally, we suggest that the Commission either eliminate the proposed notional amount column in the options table or, if the requirement to present the notional column is retained, then the Commission should clarify the methodology for calculating the notional amount of an option.

Tax-Basis Disclosures
The Commission's proposed amendments would expand the existing tax-basis disclosures in Regulation S-X to include separate disclosures for each type of derivative as well as for securities sold short and investments in affiliates. We agree that tax-basis information is particularly important to fund investors due to the tax pass-through nature of investment companies; however, we believe that presenting tax-basis disclosures in the proposed level of detail is unnecessary and would confuse investors. Further, we believe that the fund-level, tax-basis disclosures currently required by GAAP are sufficient for investors and that, as such, the Commission should consider removing the existing tax-basis disclosure requirements in their entirety from Article 12.

Components of Income
As part of its proposed amendments to Regulation S-X, the Commission proposed that Rule 6-07 be amended to require the breakout of certain non-cash components of investment income including payment-in kind (PIK) interest, non-cash dividends and premium amortization/discount accretion on a fund's Statement of Operations. We are opposed to the separate presentation of non-cash interest for PIK securities because it would be duplicative of current disclosures and operationally difficult. Many funds currently provide clarifying disclosures for PIK securities within the schedule of investments. Those disclosures generally include the presentation of

(i) the current coupon as well as the percentage coupon for both cash and PIK interest and (ii) the amount of interest received during the reporting period broken out by cash and by additional par value. We believe that those disclosures are sufficiently informative. We would add that to break out the non-cash PIK component on the Statement of Operations would be operationally difficult since that income may include accruals for toggle bonds for which the issuer may from period to period decide to pay in either additional par or cash. Additionally, with respect to the presentation of amortization/accretion income separate from coupon income, we do not support this proposal because we believe that investors do not distinguish between those two components of interest income.

As for the other types of non-cash income, we support separate disclosure but only to the extent that those non-cash components are material. To that end, we suggest that the Commission establish a de minimus threshold for the separate disclosure of those non-cash components based on 5% of total net investment income; this threshold would be similar to that required for the separate disclosure of expenses in S-X Rule 6-07.2(b).

Compliance Dates

We request that the Commission consider extending the proposed overall compliance deadline of 8 months to a compliance period of at least 18 months after the effective date of the Proposed Rule. To further ensure a smooth transition, we suggest that the Commission use an implementation model similar to that used by the Financial Accounting Standards Board where a new standard is effective for all annual reporting periods beginning after 12/15/20XX and for interim periods within those annual periods. While many of the proposed derivative disclosures are consistent with current practice, there are other aspects of the proposed amendments that would require time to comply. New disclosures would need to be drafted, reviewed and approved and, in instances where new presentation formats were required, time would be needed to develop and test new system templates. Given that the development of the related disclosures and new system templates would likely to involve a number of groups within MFS as well as our service providers, we do not believe that the proposed 8-month compliance periods is sufficient.

Newly Created Form N-CEN

Under the Proposed Rule, the Commission has proposed that Form N-SAR be replaced by a new form, Form N-CEN on which census-type information for the fund would be reported annually in a XML structured data format within 60 days of the fund's fiscal year-end. Funds would be required to comply with the requirement to file their initial Form N-CEN within 18 months of the Proposed Rule's effective date. Although similar to Form N-SAR, the Commission believes that the proposed Form N-CEN will streamline the reporting of the fund's census-type information through its use of more yes/no type questions and by eliminating the reporting of items included in other filings. The structured data format will allow the Commission to more efficiently analyze the data provided which will facilitate its industry oversight efforts and its identification of industry trends. Our concerns and requests for clarification with respect to proposed Form N-CEN are outlined below.

Fund-of-Funds

As part of the proposed Form N-CEN, a fund would be required to indicate whether it falls into one or more of certain established categories (e.g., an index fund, an ETF; a fund-of-funds; etc.) in order to aid the Commission in its analysis. We are concerned that the proposed definition of fund-of-funds as "a fund that acquires securities issued by another investment company in excess of the amounts permitted under section 12(d)(1)(A) of the Investment Company Act of 1940, as amended (the "1940 Act")" is so broad that it captures funds that invest in another fund solely as a cash management strategy; these funds may meet the definition, but not the spirit of a fund-of-funds. To this end, we request that the Commission clarify whether or not it was the Commission's intention to capture such funds and if not, that the Commission revise the proposed fund-of-funds definition.

Compliance Dates

We are concerned that the proposed timeline for compliance is not sufficient given the volume of information to be reported on proposed Form N-CEN and given the proposed change in the filing format to XML, a format with which funds have limited experience. Time would be needed to develop and/or integrate existing systems for the collection of the data from various groups within MFS as well as our service providers and time would be needed to test a sample filing. We request that the Commission consider (i) extending the proposed annual filing dates from 60 to 75 days after fiscal year-end (at the very least for the initial filing for all funds in the fund complex) and (ii) extending the proposed overall compliance deadline from 18 months to 30 months after the effective date of the Proposed Rule.

Rule 30e-3

The Proposed Rule would introduce a new regime for website delivery of shareholder reports. Proposed Rule 30e-3 would allow, but not require, a fund to satisfy its shareholder report transmission requirements under the 1940 Act by posting its shareholder reports along with other required reports on a website and by notifying investors by mail of the availability of those reports. It is expected that proposed Rule 30e-3 would modernize the manner in which funds deliver shareholder reports to investors as well as significantly reduce the current printing and mailing costs borne by fund shareholders[1]. Since a fund's reliance on proposed Rule 30e-3 is entirely optional, there is no compliance date.

Overall, we support the Commission's intentions to modernize the delivery of shareholder reports. We agree with the ICI's suggestions with respect to the proposed Rule 30e-3 and specifically would like to highlight our concerns with regard to the role intermediaries, the continued use of e-delivery guidance, and the permitted use of implied consent on the Initial Statement for all funds within a complex. We would also like to emphasize the importance of (i) allowing the Initial Statement to be "householded" and (ii) permitting the inclusion of other fund documents along with mailings of Initial Statements and semi-annual Notices. We believe that enhancing proposed Rule 30e-3 with these additional features is critical to realizing the Commission's goal of providing meaningful reductions in the costs that are ultimately borne by shareholders. We believe with equal certitude that these enhancements to proposed Rule 30e-3 will not diminish the efficacy of shareholder disclosure or the transparency objectives of the Commission and of the 1940 Act.

Role of Financial Intermediaries

Given that a significant number of a fund's outstanding shares may be held in omnibus accounts at financial intermediaries, the manner and extent to which intermediaries support proposed Rule 30e-3 will determine the magnitude of the cost savings. We request that the Commission clarify the role of financial intermediaries with respect to satisfying the fund's compliance with Rule 30e-3 since, we are concerned that, absent clarification by the Commission, the shareholder cost savings that would otherwise be created by proposed Rule 30e-3 will not come to fruition. Given that the fund has no direct communication with shareholders who invest through omnibus accounts, we request that the Commission clarify that the obligation of broker-dealers to forward fund communications that is imparted by Rule 14b-1 under the Securities Exchange Act of 1934 extends to the Initial Statement and semi-annual Notices. More generally, we request that the Commission clarify that intermediaries are permitted to act as agents of delegees on behalf of funds in delivering Initial Statements and semi-annual Notices to shareholders and in mailing paper copies of shareholder reports when requested by a shareholder in satisfaction of proposed Rule 30e-3. Finally, we request that the Commission urge broker-dealers to either use existing or to develop new functionality to ensure that (i) only shareholders that request paper copies of shareholder reports are sent such reports and (ii) they exclude from any shareholder mailing, reimbursement requests for the accounts of any shareholder that has not opted out or that has delegated the right to receive shareholder reports to financial advisors (i.e., managed accounts).

[1] Printing and mailing costs for MFS Funds were approximately $1.2 million and $6.0 million, respectively, in 2014.

Continuation of E-delivery
We request that the Commission retain existing guidance regarding electronic delivery of shareholder reports and other documents to investors who have given affirmative consent for e-delivery. For such shareholders, the Initial Statement and semi-annual Notices would not be required to be mailed, thus, increasing the potential for cost savings. We also agree with the ICI's suggestions that funds be permitted to include an option for affirmative consent to e-delivery in both the Initial Statement and the semi-annual Notices.

Implied Consent for All Funds in a Complex, Householding and Returned Mail
To achieve maximum benefit from e-delivery under proposed Rule 30e-3, we suggest that the Commission consider permitting funds to issue one Initial Statement covering all of the funds offered by a particular fund complex. A similar concept would apply for financial intermediaries acting on behalf of a fund, where one Initial Statement would cover all of the funds offered to accountholders by that intermediary. That Initial Statement would be evergreen in that it would apply for that shareholder's subsequent investments in other funds within the fund complex or that shareholder's subsequent investments in other funds within that shareholder's accounts with that financial intermediary. This approach would be consistent with the Commission's existing guidance regarding e-delivery[2]. We note that a shareholder would continue to receive semi-annual Notices for each individual fund alerting the shareholder to the availability of shareholder reports on the website and providing the shareholder with the opportunity to request paper delivery of shareholder reports.

On a related note, we suggest that the Commission consider extending the application of "householding" to the Initial Statement. We commend the Commission on recognizing the importance of applying existing householding rules to semi-annual Notices and we believe that the same rationale for householding these and most other shareholder mailings applies to Initial Statements.

Finally, we request that the Commission clarify how RPO/returned mail accounts should be treated under proposed Rule 30e-3.

Content of Mailings
For consistency's sake and in order to maximize the cost savings derived from e-delivery under proposed Rule 30e-3, we request that the Commission remove the requirement to provide shareholders with a postage-paid reply form in the mailing of each Initial Statement and each semi-annual Notice. Consistent with the Commission's notice requirements for the online posting of proxy materials, we suggest that the Commission instead require funds to provide shareholders with a toll-free phone number or a pre-addressed, postage paid reply form. As part of the Initial Statement and semi-annual Notice, the Commission also may wish to consider the option of allowing a fund to supply a website link in addition to the toll-free phone number or a pre-addressed, postage paid reply form.

On a related note, we recommend that the Commission broaden the proposed list of shareholder communications permitted to accompany mailings of Initial Statements and semi-annual Notices to include other types of shareholder communications such as account statements, new account welcome kits, and dividend checks. We do not believe there is any reason to think that the commingling of such documents in a single envelope reduces the prominence or transparency of the content of any of the documents. Further, we concur with the ICI's suggestion that shareholders may be more likely to read the Initial Statement and semi-annual Notices if they were mailed with other important account materials.

Taking these additional steps would go a long way in achieving the Commission's goal of reducing the printing and mailing costs borne by fund shareholders.

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[2] See *Use of Electronic Media*, Securities and Exchange Commission Release No. 33-7856 (April 28, 2000)

Conclusion

MFS appreciates the opportunity to provide comments on the Commission's Proposed Rule. We support the SEC's goals of enhancing fund financial reporting through which the SEC intends not only to enhance its regulatory role but also to allow investors to make more informed investment decisions. We do, however, have significant concerns on certain items outlined in the Proposed Rule. In response to those concerns, we encourage the Commission to:

- Clarify its plans for data security and subject its information technology controls to independent, third-party testing before the industry is required to comply with the proposed requirement to submit monthly portfolio holdings data.
- Consider modifying, or in some cases even eliminating, certain of the proposed reporting and disclosure elements as outlined above.
- Entertain requests for the extension of the proposed compliance dates and timelines for filings.
- Consider applying the web delivery concepts outlined in proposed Rule 30e-3 to the delivery of fund prospectuses and summary prospectuses.
- Conduct pre-implementation workshops with industry players to work through issues.

Should you have any questions about our comments regarding the Proposed Rule, please feel free to call David DiLorenzo at 617-954-5000.

Sincerely,

David DiLorenzo
Fund Treasurer
Senior Vice President
MFS Investment Management