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Via E-Mail to: rule-comments@sec.gov

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Release No. IC-31610; File No. S7-08-15; May 20, 2015
Investment Company Reporting Modernization

Dear Secretary Fields,

Mediant Communications Inc. appreciates the opportunity to comment on the proposed new Investment Company Act Rule 30e-3, which would permit a mutual fund to use web site availability of certain information to comply with requirements to deliver that information to the fund's shareholders. Mediant is an investor communications company that, among other things, acts as agent for broker dealers and handles the distribution of information to account holders who beneficially own corporate and fund securities through those brokerage accounts.¹ Our understanding of the "nuts and bolts" of this process permits us to evaluate the impact of certain elements of the proposed rule, and we hope that the Commission will find our observations useful.

Overview:

The Release notes that the proposal draws on the Commission's experience with use of the Internet as a medium to provide documents and other information to investors, and the proposal is similar in certain respects to the "notice and access" regime adopted by the Commission in 2007 (and amended in 2010) for the delivery of proxy communications to corporate shareholders. However, proposed Rule 30e-3 differs from the existing notice and access regime in several important respects, and we believe that those differences will adversely affect the utility of the proposed rule and unnecessarily increase the cost of using it.

¹ Mediant also provides distribution services to corporate issuers who deliver required materials to their *registered* holders. However, our comments on proposed Rule 30e-3 will be limited to what is referred to in the industry as the "beneficial side".



These are:

1. The proposal does not specifically contemplate the distribution to fund shareholders who hold their shares through brokerage accounts rather than directly with a fund. Perhaps as a result, it contemplates handling shareholder preferences on an issuer-specific basis, rather than at the brokerage account level, and thus will require a completely different approach to preference tracking than is currently utilized across the industry.
2. The proposal will require multiple notices to shareholders regarding the use of web site delivery.
3. The proposal will also require that a business reply envelope be included with each of those notices.

While the mix of record and beneficial fund shareholders varies among funds and fund companies, it is clear that a significant number of fund shareholders hold beneficially through brokerage accounts. We are concerned that the cost and utility of the proposed rule in connection with servicing that population will adversely impact the hoped-for benefits to funds and fund shareholders.

Differences from existing regimes:

Today Mediant has processes to maintain preference records for electronic or paper delivery of material to beneficial shareholders, and as the Release notes those processes will remain in use after the promulgation of Rule 30e-3. But Mediant will have to develop a separate set of processes if it is to be able to accommodate delivery to fund shareholders pursuant to Rule 30e-3, and those processes will be considerably more complex than those needed for either existing e-delivery or existing notice and access.

Records for e-delivery with consent are maintained entirely at the brokerage account level – an account holder’s election of e-delivery applies to all securities held in the account, whether corporate or fund securities. And a request to switch to paper delivery would similarly be applied to all securities in the account.

Notice and access for corporate proxy materials is obviously employed by specific issuers for specific proxy distributions, and there is a fulfillment process to accommodate security holders who request full set delivery of a single proxy distribution. But if a holder requests full set delivery on an ongoing basis, that preference is recorded and applied on an account-wide basis.



Accordingly, tracking on a security-specific basis to accommodate proposed Rule 30e-3 will require the development of new systems and processes. Interestingly, if Rule 30e-3 is adopted as proposed and the delivery preference must be maintained on a security-specific basis, it would likely be less complicated to track preferences on a CUSIP-specific basis, as the proposal appears to contemplate, rather than, for example, tracking on a fund complex or fund-family basis.

A further complexity in proposed Rule 30e-3 is the multiple notices that are involved – one when a fund decides to begin relying on Rule 30e-3 for deliveries, and another in connection with each filing that is to be delivered pursuant to the Rule. Of course the first notice is not a one-time event, since it must be furnished to each new fund shareholder that the fund acquires and for whom it wishes to rely on Rule 30e-3. It is ironic that a rule intended to reduce the cost of mailing materials to shareholders will increase the number of mailings to shareholders.

Another significant ongoing cost issue presented by the proposed rule is the requirement that each notice to a shareholder must include a postpaid business reply envelope (“BRE”). All the other regimes to reduce paper mailings call for shareholders to be provided with simply a toll-free number or an email address to which a request for paper delivery may be directed, and at most provide the *option* to include a BRE in addition to the toll-free number. For the first time in Rule 30e-3 the Commission is requiring that each notice include both a toll-free number *and* a BRE. This is both a process complication, given the additional handling that a BRE entails, and a paper and postage cost, and the Release does not explain why the Commission has introduced this complexity into a process that in other contexts has been acceptable for many years.²

As noted above, implementation of this proposed rule for delivery to those holding fund shares through a brokerage account will require process development and processing expenditures that will be in addition to anything utilized in the other methods by which electronic delivery is accomplished today. Funds, intermediaries and their agents will have to factor these new costs into the level and nature of reimbursements provided by the funds for distribution of material to beneficial shareholders pursuant to Rule 30e-3.

² We note that when the proposed rule refers to shareholders requesting or stating a preference for paper delivery it describes this as a communication from the shareholder to the fund. Of course in the case of a fund held through a brokerage account, this will be a communication to the broker (or in fact, the agent handling document distribution), and it will be the broker/agent that will maintain the record and will make the requested mailing. This is an example of why it would be helpful if the Commission adopted specific rule language covering the process to be followed when applying Rule 30e-3 to beneficial owners holding through brokerage accounts, as it has in the case of broker involvement in the provision of proxy materials through existing notice and access.



Summary:

We appreciate the Commission's willingness to expand electronic delivery in the context of mutual funds, and understand the careful path the Commission seeks to tread between making the delivery of information more cost effective and efficient, and protecting the interests of those fund shareholders who may continue to want paper mail delivery of fund materials. Unfortunately we believe that the proposed Rule 30e-3 process will be more costly and complex than the other electronic delivery regimes currently existing, due to the issuer-level preference tracking required, the multiple notices involved and the requirement that a BRE be included with each of those notices.

As explained above, due to the unique processing issues presented by Rule 30e-3, it will be necessary to introduce specific charges for funds wishing to utilize the process for distribution to shareholders holding funds through brokerage accounts.

* * *

Thank you for the opportunity to comment on the proposal. If we can answer any questions or provide any additional information, please let us know.

Very truly yours,

A handwritten signature in black ink that reads 'Sherry M. Moreland'. The signature is fluid and cursive, with the first name 'Sherry' being the most prominent.

Sherry M. Moreland
Chief Operating Officer

cc: The Honorable Mary Jo White, Chair
The Honorable Luis A. Aguilar, Commissioner
The Honorable Daniel M. Gallagher, Commissioner
The Honorable Kara M. Stein, Commissioner
The Honorable Michael S. Piwowar, Commissioner
David Grim, Director, Division of Investment Management