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October 31, 2018

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Request for Comment on Fund Retail Investor Experience and Disclosure (File No. S7-12-18)

Dear Mr. Fields:

Vanguard[1] appreciates the opportunity to comment on the Securities and Exchange Commission's ("Commission") recent release requesting comment on the delivery, design, and content of fund disclosures (the "Release").[2] Most of Vanguard's retail clients connect with us through a digital platform, on the web or through a mobile device,[3] and we support the Commission's efforts to continuously improve the investor experience and to help investors make more informed investment decisions. Our primary comments are:

- **Delivery**: We urge the Commission to modernize the requirements for disclosure delivery in light of advancements in technology and the substantial costs to fund shareholders associated with printing and mailing paper documents.
- **Design**: We believe the number of regulatory documents could be meaningfully reduced by consolidating the information contained in the fund prospectus, statement of additional information, and shareholder reports into a single fund disclosure document.
- **Content**: We recommend that the Commission be mindful of balancing the benefits of standardizing disclosure requirements across the industry with the risks of advancing rules that are so prescriptive that they will not benefit investors in the long term. We urge the Commission to adopt a principles-based disclosure and delivery regime that will allow funds and their advisers to continue to leverage rapid developments in technology advancements in a device-agnostic manner.

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[1] Vanguard is one of the world's leading asset managers. The Vanguard Funds have over $5 trillion in assets. Vanguard's mission is to take a stand for all investors, treat them fairly, and give them the best chance for investment success.

[2] Request for Comment on Fund Retail Investor Experience and Disclosure, Investment Company Act Release No. IC-33113.

[3] In 2017, approximately 90% of Vanguard's retail client interactions were conducted through digital channels.

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I. Modernization of the Fund Disclosure Delivery Framework

We commend the Commission for adopting rules to modernize the delivery framework for fund shareholder reports;[4] however, we believe that the time has come to allow electronic delivery to be the default delivery option for all fund disclosure documents. As noted previously, we strongly encourage the Commission to continue its efforts in leveraging technology to reduce expenses borne by fund shareholders.[5] For example, we encourage the Commission to consider modernizing the manner in which funds must deliver their prospectuses to investors. The vast majority of fund shareholders prefer a digital experience. The specific digital delivery mechanisms utilized should be flexible to evolve with changes in technology and the tools fund shareholders use to access digital information. Moreover, funds would still offer to provide paper copies free of charge upon request. At a minimum, funds should be permitted to utilize notice and access for all disclosure delivery. For example, a fund purchase confirmation could include a notice that the fund disclosure statement is available on the fund's website. We believe a 12-month transition period would provide sufficient notice to allow fund shareholders to "opt in" to receive paper documents.

II. Improving the Design of Fund Disclosures

We support the Commission's efforts to modernize the design of fund disclosure documents. We agree with the Commission's summarization that "extensive disclosure…may serve more to protect funds from liability rather than to inform investors."[6] As the means of accessing fund information has evolved (e.g., away from paper and towards websites, etc.), the notion that bulky paper documents can serve the dual purposes of (1) being user friendly and (2) protecting funds from liability, is increasingly unrealistic. We believe that a significant step forward in the modernization of fund disclosure would be to combine the fund prospectus, statement of additional information, and shareholder reports into a single disclosure document that is available primarily on the fund's website but also on paper upon request. While such a change might feel like a disclosure overhaul, we view it as simply the streamlining of the Commission's existing disclosure framework.[7]

Together with modernizing the delivery framework, combining the most significant fund disclosure documents would give fund investors greater control over what they receive (and thus a better experience) at a reduced cost to the fund (and thus the shareholders). The new framework could be achieved as follows:

1. Post a single annual disclosure document (essentially combining the prospectus, statement of additional information, and shareholder report,) on the fund's website (or similarly accessible means); and

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[4] *See* Optional Internet Availability of Investment Company Shareholder Reports, Investment Company Act Release No. IC-33115. We would note, however, that the paper semi-annual notices are still expected to cost our fund shareholders, in the aggregate, more than $10 million annually.

[5] *See* Letter from Mortimer J. Buckley, The Vanguard Group, Inc. to Brent Fields, Secretary, U.S. Securities and Exchange Commission re: Investment Company Reporting Modernization and Amendments to Form ADV and Investment Advisers Act Rules - File Nos. S7-08-15 and S7-09-15, dated August 11, 2015.

[6] Investment Company Act Release No. IC-33113 at 6.

[7] The Commission's current formulation of the fund statement of additional information ("SAI") is emblematic of this: it is not uncommon for a fund's SAI to include dozens of pages of disclosure, but the SAI is not delivered to shareholders unless they specifically request one.

2. Post fund financial statements semi-annually on the fund's website (or similarly accessible means)

While paper fund disclosure documents provide valuable information, they are not (and cannot be designed to be) as interactive or customizable as a website, app, or financial advisor tools, and are inherently less dynamic and layered. We believe that a combined disclosure document can be delivered digitally while maintaining its utility as a protective document. Moreover, by combining the prospectus, statement of additional information, and shareholder reports, funds can further reduce the cost to shareholders associated with administering three separate disclosure documents. Furthermore, when combined with modernized fund disclosure content (see Section III of this letter), shareholders can have greater control over their disclosure experience.

III. Balancing the Benefits and Costs of Prescriptive Fund Disclosure Content

We agree with the ICI's analysis and conclusions about disclosure of fund performance, risks, and advertisements.[8] We believe that fund shareholders should be provided with information about short-term performance in addition to medium- and long-term performance. We agree that risks are too nuanced for such quantification and the inclusion of such amounts could be misleading.

We strongly urge the Commission to develop principles-based disclosure and delivery rules that allow funds and their advisers to leverage rapid developments in technology advancements to continuously improve investors' experiences.[9] Clear and succinct disclosure of relevant information benefits clients both by informing them and by keeping fund operating costs low. We believe it is important for the Commission to support evolving methods of disclosure and delivery so that investors can navigate seamlessly through information as they research, analyze, purchase, and sell mutual funds and exchange-traded funds. Accordingly, we recommend that the Commission adopt principles-based (rather than prescriptive) rules that contemplate digital platforms in a technology and device-agnostic manner, in order to accommodate all available means of making disclosures more meaningful and engaging for fund shareholders as they interact with those materials. For example, while the specific tools referenced in the Release (such as pop-ups, hovers, and personalized data visualizations) are powerful ways to enhance web-based disclosures, their effectiveness varies based on whether the investor is accessing the content through a desktop or mobile web browser, or through a standalone mobile application. Given the continued increase in mobile usage over desktop web browsing,[10] other technology tools could be leveraged and tailored to the types of applications utilized by investors to access information (such as animation and dynamic tooltips) that call attention to key information and action items, customized user experiences to guide an investor through lengthy content, or in-browser/in-app customer engagement tools to trade funds or conduct fund comparison research. Furthermore, principles-based rules and technology- and device-flexibility may allow for enhanced opportunities to layer disclosures to provide a more customized and informative investor experience.

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[8] Letter from Susan Olson, Investment Company Institute to Brent Fields, Secretary, U.S. Securities and Exchange Commission re: *SEC Request for Comment on Fund Retail Investor Experience and Disclosure (File No. S7-12-18)*, dated October 24, 2018 at 38-54.

[9] *Id.* at 28-30.

[10] *See* Eric Enge, *Mobile vs Desktop Usage in 2018: Mobile takes the lead*, https://www.stonetemple.com/mobile-vs-desktop-usage-study/; *see also* and Jana Garanko, *FinTech User Behavior Trends: Mobile vs. Desktop*, https://www.semrush.com/blog/fintech-user-behavior-trends-mobile-desktop/.

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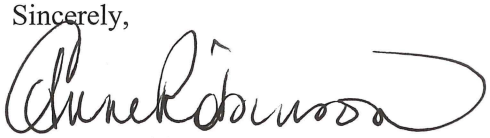
Vanguard appreciates the opportunity to submit these comments and we would welcome further discussion and participation with the Commission on these topics. If you have any questions or wish to discuss in greater detail, please do not hesitate to contact Erica Green at [redacted] or Lex Smith at [redacted].

Sincerely,



Anne E. Robinson
General Counsel and Managing Director
The Vanguard Group, Inc.

cc. The Honorable Jay Clayton, Chairman
The Honorable Kara M. Stein
The Honorable Robert J. Jackson, Jr.
The Honorable Hester M. Peirce
The Honorable Elad L. Roisman
Dalia Blass, Director, Division of Investment Management