

October 31, 2018

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

Dear Secretary Fields,

In this letter, Donnelley Financial Solutions responds to the Commission's Request for Comment on Fund Retail Investor Experience and Disclosure, File Number S7-12-18. We support the Commission's efforts to improve disclosures that help investors make more informed investment decisions. Donnelley Financial Solutions' 30 years of experience related to innovative SEC disclosure creation and distribution qualifies us to comment on changes in investor behavior. It also qualifies us to propose solutions that leverage technology to improve the next generation of disclosures with audio interface, social media, SMS, chatbots and personal cloud solutions.

**Background on Donnelley Financial Solutions:** With the right solutions in moments that matter, Donnelley Financial Solutions delivers risk and compliance solutions that fuse deep industry experience, unparalleled service and elegant technologies to provide our clients with insights that power their decisions and shape global markets. The company has 3,100 employees in 59 locations across 17 countries, serving thousands of clients globally.

Donnelley Financial Solutions is the largest regulatory filer in the U.S., and has developed one of the largest industry customer bases for modern taxonomies for registered funds. We have learned that automation and data aggregation allow for significant gains in regulatory efficiency.

**SEC's stated purpose of disclosure:** The Commission's objective with this Request for Comment is to empower investors to make informed financial decisions. The Commission is committed to gain insights from retail investors and industry participants to make disclosure regulation more efficient, effective and appropriately tailored. The Commission is committed to understand investor behavior of current and next-generation investors, and to consider technologies that support communications that go beyond email and PDF attachments. Donnelley Financial Solutions believes the next generation of disclosure communications should be based on app and text messaging, and Donnelley Financial Solutions has met with Commissioners about our proposed approach in support of the SEC's initiative to improve the investor experience.

**Recent changes in disclosure communications:** In the past few years, there has been a significant shift in the industry—a move from documents to data in terms of how the industry discloses financial information. The e-Delivery Rule 30e-3, which we support, continues this trend. However, we also encourage the Commission to consider a wider range of communication channels to digitize information and make it more accessible. Rule 30e-3, as it currently stands, allows investors to receive a PDF in their inbox. To truly improve the investor experience, the Commission should consider a step further and take advantage of new technology beyond sending information in a PDF via email.

**Web access and investor behavior for digital disclosure:** A good investor experience allows shareholders to merely access disclosure documents. A great investor experience allows shareholders to receive documents in an interactive and personalized manner to foster engagement and an open dialogue.

When considering new technologies to improve the investor experience, we must keep in mind not only how modern investors work, but also how they live, and provide them with financial information the way they want to receive it. We should evaluate experiences they receive outside of investing, such as personalized Netflix recommendations, the convenience of Uber and the level of choice in digital music services like Spotify. The industry must find a way to provide investors with reports that deliver a seamless user experience, on par with everyday digital interactions.

A standard has been set, and as an industry, we should be trying to exceed it—not just meet it. The following questions can serve as a guide when considering investor communications:

1. Is the content delivered in an easily accessible and digital manner?
2. Once investors receive the content, is it presented in a format that's engaging, interactive and intuitive? Is it easy to absorb and actively process the material?
3. Does the communication channel have features that are enhanced for different levels of accessibility? For example, someone with a visual impairment should be able to access the content easily, and understand the content in a meaningful way.
4. Does the vehicle used to disclose information provide insights back to the mutual fund industry about how investors are interacting with content, so that we, as a sector, can continue to improve? We have technology at our fingertips that allows us to analyze the way information is being consumed, which should be strategically leveraged to discover what the investor reads, wants, ignores and struggles with to improve what we offer.
5. With email delivery, disclosures can be subject to spam, virus or loss within daily volume. Does the distribution channel protect against these problems? Does the vehicle used to disclose information provide proper notification to the investor that new material is available for review?

**Metrics on human behavior support our observations:** As of the end of 2017, ICI reports that more than 100 million individuals representing nearly 60 million households owned funds. Effective disclosure is essential to help decide how to invest. SEC’s Investor Advocate’s Policy Oriented Stakeholder and Investor Testing for Innovative and Effective Regulation (POSITIER) initiative reports that disclosures can take many forms, and funds provide disclosure on paper as well as through electronic media. Regardless of the medium used, an effective disclosure system should help investors:

1. Find what they need.
2. Understand what they find.
3. Use what they find to make informed investment decisions.

**Donnelley Financial Solutions tracks investor preferences about using apps for financial disclosure:** We propose that trends listed here support investor preference for mobile apps in place of links to websites. Today, people spend nine times more time on apps than on mobile websites, especially millennials. That mobile usage outweighs desktop usage, and millennials are poised to be the largest, most influential demographic in nearly every industry.

A large body of research shows the growth of active investor use of smartphones and financial apps. Currently, 63 percent of smartphone users have at least one financial app, and in Q2 2018, global app downloads and consumer spend hit a new record with over 28.4 billion app downloads globally across iOS and Google Play in the quarter—up 15 percent year over year. Consumers trust their money to app usage; they spent more money in apps, \$18.5 billion, than any other quarter before. This represents a growth rate of over 20 percent year over year.<sup>1</sup> In addition, 64 percent of millennials and 59 percent of Gen Xers said they have at least one full-service banking app and 31 percent said they have at least one investing app on their phones.<sup>2</sup> The adoption of investing apps by people between the ages of 18 and 34 supports our strategy.

From these data points, we can create a logical narrative that supports a mobile app endeavor that’s based on trending data within mobile app usage and the investment vertical.

**Donnelley Financial Solutions’ response to investor behaviors:** To be prepared for the future of investment engagement, we must understand future investors. Donnelley Financial Solutions is the largest filer in the U.S., so we’re extremely in tune with various stakeholders and their needs. We know that an emailed PDF is not going to meet every investor’s expectations. We believe traditional e-delivery can be enhanced and updated. Fund providers spend countless hours and expenses creating and preparing disclosures for the exact purpose

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<sup>1</sup> <https://www.appannie.com/en/insights/market-data/global-app-downloads-grew-15-and-consumer-spend-20-in-q2-2018-versus-a-year-ago>

<sup>2</sup> <https://www.bankrate.com/personal-finance/smart-money/americans-and-financial-apps-survey-0218/>

of informing investors. Therefore, the industry must engage investors in the way they want to consume information, and provide them with information that's meaningful, so they can understand the disclosures the regulatory body outlines and requires.

Electronic delivery of disclosures was never intended to be primarily a cost-saving measure. This was meant to improve the investor experience, and simply providing an email or a website with a lengthy URL does not balance the disclosure with improved investor experience. We believe there's a way to do both. We've seen some estimates that the shift to a "notice and access" method that digitally delivers investor reports could save fund companies \$2 billion over the next decade, mostly in printing costs. This is certainly important, but there are other returns associated with this modernization, like better shareholder engagement and confidence, a deeper understanding of the industry and investor needs by fund groups, and more efficient disclosure processes.

**Apps and text messaging present the logical next channel for disclosures:** Apps and text messaging are future alternatives to email with PDF attachments that require maintaining e-delivery consent databases. Convenience, ease of use and reduced cost are key reasons why apps are the best-suited disclosure channels for initial adoption and ongoing use.

**Donnelley Financial Solutions has tracked investor suggestions about financial disclosure:** Donnelley Financial Solutions believes a modern app-based fund disclosure solution is the best technology to provide investors with streamlined, user-friendly information that is central to making an investment decision. Apps used for financial disclosure should include:

- **Layered presentation capability.** Apps should organize complex financial content by presenting personalized "summary level" disclosures related to investments an individual owns, and then offer access to additional, on-demand, in-depth information. Stock trading apps that exist today allow investors to view a personal brokerage account, drill down to place trades, and fund their account without exiting the session. Disclosure apps should include this functionality.
- **Dynamic charting of content with QR codes.** Disclosure apps position QR codes next to graphics that can be scanned to links, and this should enable comparisons such as annual total return against common benchmarks and other investments. Additionally, QR codes can compare fees and expenses between investment products and can initiate communication with the fund's customer service and facilitate voting. Bar codes in disclosure apps could have a wide range of functions and recent data shows 34 percent of U.S. smartphone users have scanned QR codes.<sup>3</sup>

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<sup>3</sup> <https://www.forbes.com/sites/paularmstrongtech/2017/09/22/apple-just-made-qr-codes-a-must-have-for-your-strategy/#66e0953c50dd>

- **Features that improve financial literacy.** Disclosure apps can offer education enrichment by providing definitions of terms using “roll-over” or “tappable” terms with plain English definitions.
- **Features that meet the needs of Americans with disabilities.** The World Health Organization reports that 1 billion people around the world have some form of disability, while 285 million people are visually impaired worldwide.<sup>4</sup> Also, 10.4 percent of Americans have vision challenges and 15.4 percent have hearing problems, yet 72 percent of adults with disabilities own a smartphone, and 70 percent use a smartphone to access mobile apps.<sup>5</sup> Disclosure apps can make content readable for a wider audience of users. Apps should include a high-contrast feature that modifies colors for ease of viewing. For investors who are color-blind, disclosure apps should allow investors to shift to high contrast fonts or colors.
- **Audio/video presentations.** Apps can provide audio/video functionality for the hearing impaired by clicking on an icon next to each document section. Disclosure apps should include multimedia, closed-captioning and text-based transcripts so that those with hearing difficulties can receive the content.
- **Features that improve access for those who speak English as a second language.** Nearly a quarter of American households do not speak English as their first language.<sup>6</sup> In 2014, nearly one in 10 working-age U.S. adults—19.2 million persons aged 16 to 64—was considered limited English proficient.<sup>7</sup> Translation software can be added to disclosure apps, which can dramatically improve the availability and quality of financial communications to the millions of Americans for whom English is not their first language.
- **Fluid disclosure communication.** App-based communications will allow the Commission to easily enhance, roll out and distribute new communications to a large investor base. Any changes to regulatory documents can be easily formatted, connected and delivered via the same method with limited incremental cost.

**Closing:** Donnelley Financial Solutions has been a regulatory leader in this shift from documents to data. As the largest filer to the SEC, we have been enhancing our platforms so they can help clients intuitively gather, disclose and analyze intelligent data. We’re focused on leveraging new technology to streamline workflows, make disclosure more efficient, and allow fund groups to mine disclosure data for reliable insights they can use in their business.

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<sup>4</sup> <http://www.who.int/en/news-room/fact-sheets/detail/disability-and-health>

<sup>5</sup> <https://www.disabled-world.com/disability/statistics/cbff.php>

<sup>6</sup> <https://www.washingtonexaminer.com/washington-secrets/22-of-us-population-does-not-speak-english-at-home>

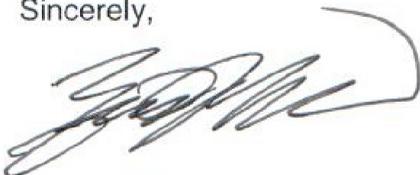
<sup>7</sup> <https://www.brookings.edu/research/investing-in-english-skills-the-limited-english-proficient-workforce-in-u-s-metropolitan-areas/>

Donnelley Financial Solutions is considering all possibilities for e-delivery, and what the future of digitizing investor reports could look like. We still see gaps in providing a truly great investor experience, and we're working to fill those gaps. We are confident about our role in this bigger shift to data, as well as digital delivery of prospectuses and shareholder reports.

We see these similar shifts in other regions. In the EU, we're seeing the shift from documents to data, as well as the calculation of risks associated with portfolios. SEC and EU regulators are constantly learning lessons from the global financial crisis of 2008. They're making sure that data, risk measurements and liquidity information are readily available in a format that can be easily consumed, analyzed and acted upon. U.S. and other regulators around the globe are embracing the shift from documents to data, as well as providing risk metrics and other associated calculations to help investors and regulators become better informed about investments. Disclosure apps will be essential to reaching this objective.

The SEC has taken the lead in efforts to improve and prioritize the investor experience. The world is watching, and we expect it's only a matter of time until this becomes a global standard. We appreciate the Commission's commitment to work with investors and industry participants to improve the investor experience with better disclosures. Thank you for the opportunity to comment, and we are eager to continue discussions about how Donnelley Financial Solutions can contribute to the Commission's objective for an improved investor experience.

Sincerely,



Eric J. Johnson  
President, Global Investment Markets  
Donnelley Financial Solutions