



October 31, 2018

Submitted via electronic filing: <https://www.sec.gov/rules/other.shtml>

Mr. 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; Release No. 33-10503; 34-83376; IC-33113; File No. S7-12-18

Dear Mr. Fields:

This letter responds to the request of the Securities and Exchange Commission (the “Commission” or “SEC”) for comment on the Fund Retail Investor Experience and Disclosure (the “Release”).¹ BlackRock, Inc. (together with its affiliates, “BlackRock”)² commends the Commission for seeking to enhance disclosures to improve the investor experience and help investors make informed investment decisions. Below, we outline principles we recommend the SEC consider throughout this process as it seeks to modernize the existing disclosure framework and embrace the benefits of technology:

1. Electronic delivery (e-delivery) should be the default mechanism for communication with investors, with physical copies available on an opt in basis
2. Form N-1A and other forms should be reviewed comprehensively to ensure disclosures are not duplicative across forms and are useful to retail investors
3. Disclosures should be simple, straightforward and based on factual information
4. Consider lessons learned from other jurisdictions before implementing similar requirements
5. Facilitate innovations that help investors focus on portfolio outcomes

¹ SEC, Request for Comment on Fund Retail Investor Experience and Disclosure (Jun 5, 2018), available at <https://www.sec.gov/rules/other/2018/33-10503.pdf>.

² BlackRock is one of the world’s leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed-income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers, and other financial institutions, as well as individuals around the world. We are the investment adviser to the iShares family of ETFs, which invest in US equity, international equity, commodities and a variety of fixed-income segments. BlackRock also advises non-US ETFs. BlackRock and its predecessor companies have provided investment advice to ETFs since 1996.

1. *Electronic delivery (e-delivery) should be the default mechanism for communication with investors*

Today, most people consume information through email, online, and through mobile applications. Research has shown that over 90% of investors in mutual funds have access to the internet.³ In addition to being the preferred method of communication for many investors, e-delivery reduces the cost of transmitting fund documents, which ultimately reduces costs to investors. Importantly, electronic shareholder reports make it easier for investors to navigate fund documents by allowing search functionality, and embedded hyperlinks can be used to provide additional information without overloading investors with more paper to manually search through. Further, e-delivery has a follow on effect of being better for the environment.

We appreciate the Commission's efforts to finalize Rule 30e-3 under the Investment Company Act of 1940, as amended ("Rule 30e-3"), and believe this is an important first step in working towards more electronic delivery of fund shareholder documents. While adoption of Rule 30e-3 is a step in the right direction, the SEC should consider electronic delivery of other documents in addition to the shareholder report, such as fund prospectuses. By utilizing electronic delivery, the delivery timeline of these fund documents could be aligned to the 70-day timeframe for shareholder reports, which would maximize benefits and cost savings to shareholders. While e-delivery should be the default mechanism for the transmission of fund documents, investors should be permitted to opt in to continue to receive physical copies.

2. *Form N-1A and other forms should be reviewed comprehensively to ensure disclosures are not duplicative across forms and are useful to retail investors*

Over the years, the required disclosures in Form N-1A have grown as new rules for mutual funds have created additional disclosure obligations for funds. While each of these additional disclosure obligations may be sensible when considered in isolation for different rulemakings, there is a need to consider whether this document as a whole is achieving the intended outcome of communicating important and timely information to investors, and where this document is duplicative with disclosures required in other forms. We recommend a comprehensive review of disclosure requirements including consideration of whether any aspects could be streamlined, improved, or eliminated.

Recent amendments to Article 6 and 12 of Regulation S-X have added a significant amount of new disclosures to financial statements. The goal of these new disclosures was to enhance and standardize derivatives disclosures in financial statements in order to drive comparability. In addition, Form N-PORT created additional new disclosure requirements on financial statements. Form N-PORT was designed to assist the Commission with its regulatory responsibilities including examination, enforcement, and monitoring funds, its formation of policy, and the review of fund registration statements and disclosures. The Commission has acknowledged that Form N-PORT was not primarily designed for individual investors.

We recommend a comprehensive review of the required annual and semi-annual financial statement disclosures under Form N-1A to determine whether the disclosures are primarily beneficial to the Commission's regulatory responsibilities or primarily useful to a retail investor's decision-making process. For example, information related to the description and

³ ICI, Letter to the SEC, Proposed Rule 30e3's Vital Importance to Fund Shareholders (Jul. 8, 2016), available at <https://www.sec.gov/comments/s7-08-15/s70815-610.pdf>.

terms of payments received from or paid to another party on open swap contracts are important to the Commission when forming new policies related to derivatives. This information may not be useful to retail investors when making investment decisions. We recommend that information that is primarily beneficial to the Commission's regulatory responsibilities and is not helpful for most investors be removed from the financial statements and only included in Form N-PORT.

We appreciate that significant consideration was given to ensuring the disclosures on Form N-PORT and on financial statements are substantially similar, and we encourage the SEC to consider further harmonizing these requirements. Currently, Form N-PORT requires information to be reported on a trade date plus one day basis, while financial statements require information to be trade date basis. Reconciling the additional reporting information between the two reports has created additional operational burdens to funds. To address this, we recommend the SEC revisit the reporting requirements for consistency.

3. Disclosures should be simple, straightforward and based on factual information

As the SEC revisits disclosure requirements or considers new requirements under existing regulations, we reiterate that care must be taken to avoid disclosures that include forecasts, which can be subject to manager assumptions and therefore introduce subjectivity for investors in comparing funds. We also highlight the importance of using plain language to the extent possible to ensure disclosures are comprehensible to investors.

4. Consider lessons learned from other jurisdictions before implementing similar requirements

The promulgation of new transaction cost disclosures has created challenges in the European Union ("EU") and has made it difficult for investors to understand what they are paying for. Specifically, new disclosures introduced in the Markets in Financial Instruments Directive II and the Packaged Retail Investment and Insurance-Based Products Regulations at the EU level, as well as national initiatives such as the UK Financial Conduct Authority's upcoming requirements for pension funds, have yielded several lessons learned where the practical application of the requirements have presented both market participants and investors with a number of challenges. We explore some of the lessons learned in our August 2018 *ViewPoint*, "Disclosing Transaction Costs – The Need for a Common Framework."⁴ We believe the SEC's existing requirements for funds to disclose total return and turnover rates are sufficient to convey a fund's transaction costs to investors, and we do not recommend additional disclosures, which could be potentially confusing for investors.

5. Facilitate innovations that help investors focus on portfolio outcomes

There is a need for investors to focus on the outcomes associated with their overall portfolio allocations. While disclosures related to individual funds' risks, performance, and expenses are important, equally important is the need to ensure investors understand how their investments can help them meet future retirement or savings goals. For example, many

⁴ BlackRock, *ViewPoint*, Disclosing Transaction Costs - The need for a common framework (Aug. 2018), available at <https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-disclosing-transaction-costs-august-2018.pdf>.

investors do not know how their assets will convert into lifetime income or cash flow in retirement.⁵

We recommend the SEC consider ways to facilitate tools that can provide a holistic view of an investor's portfolio of [assets/investments] and reduce impediments to providing streamlined, engaging and interactive resources that can help improve investment outcomes for individual investors.⁶ We are supportive of tools that can help investors understand their portfolio as a whole and make informed decisions to better achieve their investment objectives. For example, tools that can show investors how a fund investment fits within an overall portfolio should be encouraged. We recommend the SEC revisit existing regulations that may deter investment advisers from providing such tools to retail investors, and to allow for flexibility for firms to innovate and use technology to more effectively communicate with investors.

We thank the Commission for providing BlackRock with the opportunity to comment on the Release. Please contact the undersigned if you have any questions or comments regarding BlackRock's views.

Sincerely,

Alexis Rosenblum
Director

Chuck Pulsfort
Director

cc:

The Honorable Jay Clayton
Chairman
Securities and Exchange Commission

The Honorable Robert J. Jackson Jr.
Commissioner
Securities and Exchange Commission

The Honorable Hester M. Peirce
Commissioner
Securities and Exchange Commission

⁵ 2018 BlackRock DC Pulse Survey, available at <https://www.blackrock.com/investing/financial-professionals/defined-contribution/news-insight-analysis/from-confident-to-prepared>.

⁶ As noted in the Release, the Office of the Investor Advocate has undertaken a program that seeks to identify and test ways to increase investor understanding of key investment features and, in turn, help improve investment outcomes for individual investors. See SEC's Office of the Investor Advocate to Hold Evidence Summit, Launch Investor Research Initiative, Securities and Exchange Commission Press Release (Mar. 2, 2017), available at <https://www.sec.gov/news/pressrelease/2017-59.html>.

The Honorable Elad L. Roisman
Commissioner
Securities and Exchange Commission

The Honorable Kara M. Stein
Commissioner
Securities and Exchange Commission

Dalia Blass
Director, Division of Investment Management
Securities and Exchange Commission