

Shareholder Reports for Mutual Funds and ETFs; Fee Information in Investment Company Advertisements



The Securities and Exchange Commission adopted amendments to the requirements for annual and semi-annual shareholder reports provided by mutual funds and exchange-traded funds (ETFs) to highlight key information for investors. The Commission also adopted amendments to the advertising rules for registered investment companies and business development companies to promote more transparent and balanced statements about investment costs.

What's Required

Shareholder Reports Tailored to the Needs of Retail Shareholders

The Commission's final rule amendments will require mutual funds and ETFs that are registered on Form N-1A ("open-end funds" or "funds") to transmit to shareholders concise and visually engaging annual and semi-annual reports that highlight information that is particularly important for retail shareholders to assess and monitor their fund investments on an ongoing basis. The final rule amendments also facilitate funds' ability to make electronic versions of their shareholder reports more user-friendly and interactive. In addition, open-end funds will be required to tag the information in their shareholder reports using Inline XBRL structured data language.

Availability of Additional Information on Form N-CSR and Online

The new rules will require that funds make available online certain information that may be more relevant to investors and financial professionals who desire more in-depth information. This information also must be delivered free of charge upon request and filed on a semi-annual basis on Form N-CSR. This information includes, for example, a fund's schedule of investments and other financial statement elements. The final rule amendments include requirements that will help ensure that investors can easily reach and navigate the information that appears online.

Amendments to the Scope of Rule 30e-3 to Exclude Open-End Funds

The Commission adopted amendments to exclude open-end funds from the scope of rule 30e-3, which generally permits certain registered investment companies to satisfy shareholder report transmission requirements by making these reports and other materials available online and providing a notice of the reports' online availability, instead of directly providing the reports to shareholders.

The amendments excluding open-end funds from rule 30e-3 are intended to help ensure that all open-end fund investors will experience the benefits of the new tailored shareholder reports. Open-end fund shareholders will directly receive the new tailored annual and semi-annual reports, either in paper or, if the shareholder has so elected, electronically. The final rule amendments will not affect the availability of rule 30e-3 for closed-end funds and management companies that offer variable annuity contracts.

Fee and Expense Information in Investment Company Advertisements

The final rule amendments require that presentations of investment company fees and expenses in advertisements and sales literature be consistent with relevant prospectus fee table presentations and be reasonably current. These rule amendments affect all registered investment company and business development company advertisements that include fee and expense figures. The rule amendments also address representations of fees and expenses that could be materially misleading.

What's Next

The final rule amendments will become effective 60 days after publication in the Federal Register. The Commission is providing an 18-month transition period after the effective date of the final rule amendments to allow open-end funds adequate time to adjust their shareholder reports and comply with the rule 30e-3 changes. The Commission is also providing an 18-month transition period after the effective date to comply with the final rule amendments to the advertising rules. The final rule amendments that address representations of fees and expenses that could be materially misleading apply on the effective date.