



## CENTER FOR CAPITAL MARKETS COMPETITIVENESS

**TOM QUAADMAN**  
EXECUTIVE VICE PRESIDENT

1615 H STREET, NW  
WASHINGTON, DC 20062-2000  
(202) 463-5540  
tquaadman@uschamber.com

September 6, 2016

The Honorable Mary Jo White  
Chair  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

### **Re: Electronic Delivery and Investment Company Reporting Modernization**

Dear Chair White:

The U.S. Chamber of Commerce (the “Chamber”) created the Center for Capital Markets Competitiveness (“CCMC”) to promote a modern and effective regulatory structure for capital markets to fully function in a 21st century global economy.<sup>1</sup> As such, we are extremely dismayed by recent reports indicating that the Securities and Exchange Commission (“SEC” or the “Commission”) has abandoned proposed rule 30e-3 (the “Proposed Rule”), which would permit mutual funds to deliver reports to shareholders by making them available on the internet.<sup>2</sup>

The CCMC has long advocated for the modernization of disclosures and their delivery and have encouraged the SEC to proactively facilitate the use of electronic and web based communications to improve investor decision making. We believe that the SEC should move away from a 1930’s paper based model and embrace the information delivery systems used by the general public, including investors and the businesses they invest in. Backing away from the Proposed Rule, which would further support the ability of investors to choose between paper-based or electronic delivery of shareholder reports, is a major step backwards. In fact, we believe that this decision runs counter to the Commission’s tripartite mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation and ignores the significant demand for electronic access to such documents.

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<sup>1</sup> The U.S. Chamber of Commerce is the world’s largest business federation, representing the interests of more than three million businesses and organizations of every size, sector, and region.

<sup>2</sup> See Andrew Ackerman and Patrick O’Connor, Print is Dead? Not in Mutual-Fund Reports, WALL STREET JOURNAL, Aug. 24, 2016, <http://www.wsj.com/articles/print-is-dead-not-in-mutual-fund-reports-1472064595>

As part of its mission, CCMC believes that modernizing the manner in which periodic information is transmitted to shareholders is critically important. As we have previously written in our comments relating to the Commission's Concept Release on Business and Financial Disclosure Required by Regulation S-K, information should always be disclosed in a way that makes it easier for investors to access the information and understand it.<sup>3</sup> In addition to disclosure requirements, delivery of such information remains critically important to facilitating investor understanding of important information contained in periodic filings, including shareholder reports.

CCMC has long supported greater use of web-based communications and technology, finding that they increase shareholder access to key information about their investments and promote constructive shareholder engagement with management.<sup>4</sup> Facilitating shareholder communication through electronic means meets the needs of many investors, improves efficiencies in delivery, and reduces the cost of delivering communications, providing additional savings to shareholders.

As such, we strongly support "notice and access" delivery for the dissemination of annual and semi-annual reports as outlined in the Proposed Rule. Such distribution would provide substantial cost savings to shareholders and complement the practices of the overwhelming majority of existing mutual fund shareholders.<sup>5</sup> Even lower bound estimates of cost savings amount to tens of millions of dollars, which will only grow in size as more and more investors use the Internet to access these reports.<sup>6</sup> In addition, by reducing unnecessary production of shareholder reports via paper, mutual funds could also deliver required information in an environmentally friendly manner.

Importantly, we also note that this is a small, but important, change, given that mutual fund shareholders may already elect to receive shareholder reports electronically. Moreover, we acknowledge that not all investors have easy access to the internet and some investors will prefer to continue to receive paper reports, and the Proposed Rule preserves their ability to do so by making a request through a website, via phone, or through e-mail.

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<sup>3</sup> See Letter from David Hirschmann, CEO, Center for Capital Markets Competitiveness, U.S. Chamber of Commerce, July 20, 2016, available at <https://www.sec.gov/comments/s7-06-16/s70616-173.pdf>

<sup>4</sup> See U.S. Chamber of Commerce, Letter to Securities and Exchange Commission on Roundtable on Proxy Voting (Feb. 18, 2015), available at <http://www.sec.gov/comments/4-681/4681-6.pdf>.

<sup>5</sup> See *Id.* at Pg. 15 (Other commenters have noted that the vast majority of mutual fund shareholders have access to the Internet, with widespread use among various socioeconomic backgrounds, ages, and education levels).

<sup>6</sup> See Pg. 4, Letter from Investment Company Institute to Securities and Exchange Commission, Supplemental Comments on Investment Company Reporting Modernization (File No.S7-08-15), Mar. 14, 2016, available at <https://www.sec.gov/comments/s7-08-15/s70815-581.pdf>.

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Additionally, we believe that several improvements can be made to the Proposed Rule, including the elimination of unnecessary costs such as a required business return envelope, which adds postage costs that reduce investor savings from electronic delivery. We strongly believe that the Commission should support methods to increase cost savings to mutual fund shareholders, which is the goal that the Commission specifically stated when it proposed rule 30e-3.<sup>7</sup>

To its credit, the Commission has worked diligently to address this and related issues as part of its Disclosure Effectiveness Review. However, we strongly emphasize the need to move forward with such efforts in a prompt and effective manner. The Commission's basic system of delivering reports on a periodic basis to investors originated decades ago in a pre-Internet era, in which receiving company reports via the postal service, print media and the SEC's public reference rooms were the primary ways of obtaining detailed information about public companies. The launch of EDGAR in the early 1990s introduced the public reporting process to the computer age, but SEC rules and regulations are still predicated on the belief that shareholders primarily view periodic reports through paper. However, investors have become far more sophisticated in their use of technology to review disclosure documents, and we believe it is high time for the Commission to embrace expanding the electronic delivery of mutual fund shareholder reports as part of this process.

We appreciate your consideration of these comments and would be happy to discuss these issues further with you or Staff.

Sincerely,

A handwritten signature in black ink, appearing to read 'TK' followed by a long horizontal flourish.

Tom Quadman

cc: The Honorable Kara M. Stein  
The Honorable Michael S. Piwowar

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<sup>7</sup> See Investment Company Reporting Modernization, 80 Fed. Reg. 33590 at 33626 (June 12, 2015), available at <http://www.gpo.gov/fdsys/pkg/FR-2015-06-12/pdf/2015-12779.pdf> (“Funds and their shareholders would benefit from the reductions in related printing and mailing costs.”).