

Public Statement

Statement on Investment Company Rule 30e-3, Enabling Optional Internet Availability of Shareholder Reports



Commissioner Michael S. Piwowar

June 5, 2018

I am delighted to cast my vote in support of Rule 30e-3 of the Investment Company Act. This rule is long overdue,^[1] but it epitomizes the phrase “better late than never.”

How many forests have been felled — how many woodland creatures have lost their homes — in order to supply the millions of reams of paper required to produce registered investment company shareholder reports? While Washington has spent its time logrolling, these documents have continued to languish on doorsteps and recycling bins in homes all across the country where their investor recipients read news online, bank online, and shop online. Today’s rulemaking will, at long last, finally allow the mutual fund industry the option to embrace basic technological advancements that have been in common use for at least two decades.

This simple change is more than a matter of investor convenience. Our Division of Economic and Risk Analysis has estimated that investors collectively will reap cost savings of almost \$1.5 billion over the next decade.^[2] While it does not grow on trees, money does grow when it’s invested. Assuming investors keep those savings in their funds, they could earn substantial additional returns. As our own Office of Investor Education and Advocacy has noted: over time, through the power of compounding, money saved from even seemingly small fees can turn into hundreds or even thousands of dollars over the life of an investment.^[3]

Today’s action is sure to improve the usefulness of these disclosures for investors. In a world where “zooming in” and using “CTRL+F” are tools as integral to everyday life as bifocals, we would be doing a disservice to investors by ignoring their relevance for reviewing disclosure.

Which raises the question: How have we gone this long without adopting Rule 30e-3? The answer, unfortunately, illustrates the immense power of politically connected special interest groups in Washington, D.C. Three annual growth rings have been added to the girth of our arboreal friends since this rule was first proposed as part of a package of measures designed to modernize investment company reporting.^[4] While each of the other rules in this group was recognized as bringing common sense updates to our regulatory regime, proposed Rule 30e-3 drew immediate backlash from the timber lobby and —wait for it — the

National Association of Letter Carriers, AFL-CIO. In other words, we have been drowning investors in paper and making them pay for that privilege in fees, all to serve the interests of a relatively small number of well-connected union bosses. I want to thank Chairman Clayton for refocusing on our mission, remembering the Forgotten Investor,^[5] and going out on a limb to bring about this overdue reform.

I also commend Division of Investment Management Director Dalia Blass for her tireless and thoughtful work on this rule, and her team as well. While I have long supported this proposal in principle, I believe that today's rule does an even better job than I had hoped of optimizing cost savings and preserving investors' ability to obtain paper reports. For example, under this rule, if a shareholder notifies a fund or intermediary of a preference to receive paper reports, then that preference is automatically applied to *all* funds that investor holds with that same fund complex or intermediary (rather than the shareholder having to express her preference to each fund individually). When engaging in rulemaking, it is critical for the Commission to recognize the realities of how investors actually think of their investments, their investment accounts, and their preferences for ingesting information.

I am also happy to support Director Blass's broader efforts to assess the functioning and effectiveness of our disclosure regime. She is not one to confuse the forest for the trees. Technology has changed the cost of doing business for every industry, root and branch. The time is ripe for us to take a step back and evaluate the overall framework of fees that broker-dealers and other intermediaries charge funds, as reimbursement for distributing their materials to investors. Similarly, I look forward to the feedback we will receive about investors' experience with fund disclosure. As regulators who impose disclosure-related costs on investors (through funds) for the sake of their own well-being, it is our duty to evaluate whether our mandates are serving their purpose of keeping investors informed.

In closing, I want to thank the staff again for the work they put into today's rulemaking and requests for comment. We know them by their fruits: the Division of Investment Management has excelled in recent months, delivering substantial rulemaking progress with scarce resources.

Thank you. I have no questions.

[1] See Commissioner Michael S. Piowar, "Statement at Open Meeting on Investment Company Liquidity Risk Management Programs, Investment Company Swing Pricing, and Investment Company Reporting Modernization Releases" (Oct. 13, 2016), <https://www.sec.gov/news/statement/piowar-statement-open-meeting-101316.html>.

[2] Securities and Exchange Commission, "Optional Internet availability of investment company shareholder reports," Investment Company Release No. 33115. (See the Economic Analysis, at Section III.A.)

[3] Securities and Exchange Commission, "Updated Investor Bulletin: How Fees and Expenses Affect Your Investment Portfolio" (Sep. 8, 2016), <https://www.investor.gov/additional-resources/news-alerts/alerts-bulletins/updated-investor-bulletin-how-fees-expenses-affect>.

[4] See Commissioner Michael S. Piowar, "Statement at an Open Meeting on Investment Company and Investment Adviser Reporting" (May 20, 2015), <https://www.sec.gov/news/statement/piowar-investment-company-and-investment-adviser-reporting.html>.

[5] See Acting Chairman Michael S. Piowar, "Remarks at the 'SEC Speaks' Conference 2017: Remembering the Forgotten Investor" (Feb. 24, 2017), <https://www.sec.gov/news/speech/piowar-remembering-the-forgotten-investor.html>.

