

Statement

Modernizing Mutual Fund and ETF Disclosures for Investors



Commissioner Jaime Lizárraga

Oct. 26, 2022

Today, the Commission is adopting key disclosure reforms for the approximately \$26 trillion mutual fund industry and \$5 trillion exchange-traded fund (ETF) industry. Because of these reforms, investors will now receive information about a fund's operations and activities in a more concise, engaging, and usable way.

Investing in a fund is relatively easy these days. An investor can call their financial professional or the fund company and make an investment, or the investor's employer selects the fund in which their 401(k) invests. In either case, the fund delivers a variety of lengthy, yet essential, fund disclosures about a fund's fees, investment strategies, and operations during a particular time period.

Currently, these disclosures can be overly lengthy, complicated, and overwhelming for retail investors to process. Some fund shareholder reports are over hundreds of pages and tens of thousands of words.

There are times when working families have to make critical, time-sensitive decisions such as covering unexpected medical or household expenses, paying for college tuition, or buying a home. Depending on their investment portfolios, some investors may need to review multiple fund reports. Having to process complex, lengthy and technical disclosures where the relevant investor-useful information is difficult to discern is burdensome under any circumstances, but particularly so for families operating under the short-term pressures that household budgets often demand. Financial decisions made in this context can sometimes be critical to a working family's financial future.

Modernizing disclosures goes to the heart of the Commission's mission to protect investors. Today's release does exactly that.

The vast majority of the respondents to the Commission's Request for Information on investor-facing disclosures preferred *summary* disclosures, with additional information upon request or available online. These investors also expressed concern about the length of fund disclosures and supported more concise reports.

It's important that enhanced disclosures are informed by the needs of investors, what's useful to investors, and how best to deliver those disclosures given the changing technological landscape. Appropriately tailored and continuous investor testing can significantly inform that understanding.

It is my hope that the investing public will soon benefit from meaningful changes in the format and content of fund disclosures as a result of today's release.

I am pleased to support these reforms and would like to thank the Commission staff, and particularly staff in the Division of Investment Management, who advanced this important initiative.