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May 10, 2016

Mr. Brent J. Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

Re: Supplemental Comments on Investment Company Reporting Modernization; File No. S7-08-15

Dear Mr. Fields:

The Independent Directors Council<sup>1</sup> appreciates the opportunity to provide this supplement to our comment letter<sup>2</sup> on the Commission's investment company reporting modernization proposal.<sup>3</sup> We write to underscore our strong support for proposed rule 30e-3 under the Investment Company Act of 1940. Because of the proposed rule's clear benefits to investors and the success of the Commission's prior efforts to modernize shareholder communications,<sup>4</sup> we viewed it as a fairly non-controversial part of the overall proposal. In light of some commenters' opposition to it, however, we thought it was important for the Commission to hear from us again on this matter. We continue to believe that proposed rule 30e-3 would deliver significant benefits to fund shareholders, without impeding investor protection concerns, and therefore urge the Commission to adopt the rule as soon as possible.

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<sup>1</sup> IDC serves the U.S.-registered fund independent director community by advancing the education, communication, and policy positions of fund independent directors, and promoting public understanding of their role. IDC's activities are led by a Governing Council of independent directors of Investment Company Institute member funds. ICI is a leading, global association of regulated funds, including mutual funds, exchange-traded funds, closed-end funds, and unit investment trusts in the U.S., and similar funds offered to investors in jurisdictions worldwide. ICI's U.S. fund members manage total assets of \$17.6 trillion and serve more than 90 million U.S. shareholders, and there are approximately 1,900 independent directors of ICI-member funds. The views expressed by IDC in this letter do not purport to reflect the views of all fund independent directors.

<sup>2</sup> See Letter from Amy B.R. Lancellotta, Managing Director, IDC, to Brent J. Fields, Secretary, SEC, regarding Investment Company Reporting Modernization; File No. S7-08-15 (Aug. 11, 2015).

<sup>3</sup> Investment Company Reporting Modernization, Release Nos. 33-9776; 34-75002; IC-31610; File No. S7-08-15 (May 20, 2015) ("Release").

<sup>4</sup> See, e.g., rule 498 under the Securities Act of 1933, which permits funds to use a summary prospectus.

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Proposed rule 30e-3 would permit funds to satisfy shareholder report transmission requirements by posting the reports online, rather than by delivering printed reports to shareholders through the U.S. mail, if they meet certain conditions. Funds would still be required to mail shareholder reports to those shareholders who elect to receive them in that form.

The benefits of online delivery of shareholder reports are straightforward and significant. The potential cost savings for funds and, ultimately, their shareholders is unequivocally the primary benefit. ICI estimates that funds could save \$140 million per year on a net basis within the first three years of adoption of the rule, or even more if the Commission were to adopt ICI's suggested modifications to the rule.<sup>5</sup> These substantial cost savings—which could reach nearly \$2 billion over the rule's first 10 years—would reduce fund expenses and, thus, be passed on to fund shareholders. Moreover, the savings a fund might obtain from moving to an online-delivery default would be shared by *all* of the fund's shareholders—both those who access their shareholder reports online, as well as those who elect to receive the reports through the mail.

In addition, as the Commission notes, many investors would prefer enhanced availability of fund information on the Internet.<sup>6</sup> Indeed, ICI research has found that the vast majority of mutual fund shareholders have Internet access and that with increased ease of access, investors also increasingly prefer enhanced availability of financial information on the Internet.<sup>7</sup>

Fund directors oversee fund expenses and are very cognizant of the effect that expenses have on a fund's performance and its returns to shareholders. For this reason, we strongly support regulatory initiatives that would reduce fund expenses without impeding investor protection. Proposed rule 30e-3 would do just that.

It is important to bear in mind that the proposed rule includes appropriate safeguards for those shareholders who may still prefer to receive written reports in the mail. Under the proposed rule, funds would need to fulfill certain notice requirements to obtain shareholders' implied consent in order to use the proposed rule 30e-3 delivery mechanism. Those notice requirements—that a fund send shareholders an initial statement before it relies on the rule and a notice designed to alert shareholders to the availability of a shareholder report each time a new one is posted online—include several

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<sup>5</sup> See Letter from David W. Blass, General Counsel, ICI, to Brent J. Fields, Secretary, regarding Investment Company Reporting Modernization; File No. S7-08-15 (Aug. 11, 2015) ("ICI August 2015 Letter"); see also Letter from Paul Schott Stevens, President and CEO, ICI, to Brent J. Fields, Secretary, SEC, regarding Supplemental Comments on Investment Company Reporting Modernization; File No. S7-08-15 (Mar. 14, 2016) ("ICI March 2016 Letter"). The ICI March 2016 Letter notes interpretive issues concerning a New York Stock Exchange rule governing processing fees. We urge the Commission to address these issues and ensure that fund shareholders' interests are appropriately considered in its resolution of the matter.

<sup>6</sup> See Release, *supra* n. 3, at 151.

<sup>7</sup> See ICI August 2015 Letter, *supra* n. 5.

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provisions designed to protect investors' interests. For example, the notices must be written in plain English, include a prominent legend, and give shareholders information about how they can request a mailed copy of the shareholder report, such as by calling a toll-free number.

Proposed rule 30e-3's enhanced method of communication and cost savings make the rule a clear benefit for fund shareholders. We support the Commission's movement toward modernizing shareholder communications and urge the Commission to adopt rule 30e-3.

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If you have any questions about our comments, please contact Annette Capretta, Deputy Managing Director, at (202) 371-5436 or me at (202) 326-5824.

Sincerely,



Amy B.R. Lancellotta  
Managing Director  
Independent Directors Council

cc: The Honorable Mary Jo White, Chair  
The Honorable Kara M. Stein, Commissioner  
The Honorable Michael S. Piwowar, Commissioner

Mr. David Grim  
Director, Division of Investment Management