The Investment Company Institute (ICI) is the leading association representing regulated funds globally, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers.

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Preferences and Costs Associated with Disclosure Reform Options

Introduction
The Investment Company Institute (ICI) conducted a survey in July 2019 to better understand members’ views and challenges related to possible disclosure reform options being considered by the Securities and Exchange Commission (SEC) staff. This report outlines the results of the survey efforts.

Ninety-four ICI member fund complexes provided survey responses. The participating fund complexes manage approximately $18 trillion of mutual fund assets, representing approximately 90 percent of industry mutual fund assets at the end of June 2019.

Survey Notes
Where survey respondents provided additional comments in response to a question, those comments are summarized and included with the reported results.

Unless indicated otherwise, all 94 survey participants responded to each question within the survey.

Background
The SEC staff has discussed with ICI the following possible disclosure reform options. It should be noted that these options are under consideration and there is no assurance that the SEC staff will recommend them to the SEC nor that the SEC will propose or adopt any of them.

Option 1: Single Streamlined Shareholder Report and Summary Prospectus Annually
The semiannual and annual shareholder reports (Item 27 of SEC Form N-1A) would be replaced with a single “streamlined” annual shareholder report. The streamlined annual shareholder report would be either a self-mailer that is three to four pages long or be five to six pages with either a wrapper or envelope for mailing. The streamlined annual shareholder report would likely contain data on performance, expenses, and a graphical presentation of holdings.
Content currently required in the annual shareholder report that is not included in the streamlined annual shareholder report would be moved to Form N-CSR (e.g., annual financial statements, audit opinion). Content currently required in the semiannual shareholder report would be moved to Form N-CSR (e.g., semiannual financial statements). There would be no requirement to deliver semiannual shareholder reports. The content and timing of delivery of the summary prospectus, statutory prospectus, and statement of additional information (SAI) would remain unchanged.

**Option 2: Single Annual Disclosure Document with Delivery Timed to Fund’s Fiscal Year-End**

A combined Annual Disclosure Document would replace the current summary prospectus and the annual and semiannual shareholder reports. The Annual Disclosure Document would be delivered to shareholders sometime between 60 and 120 days after a fund’s fiscal year-end (exact timing is to be determined). The Annual Disclosure Document would combine the summary prospectus and the most relevant information from the shareholder report (e.g., performance, expenses, graphical presentation of holdings) and would be three to five pages long. Content currently required in the shareholder report that is not included in the Annual Disclosure Document could be modified, eliminated, or moved to Form N-CSR (e.g., annual financial statements, audit opinion). Content currently required in the semiannual shareholder report would be moved to Form N-CSR (e.g., semiannual financial statements). There would be no requirement to deliver semiannual shareholder reports.

**Option 3: Single Annual Disclosure Document with Delivery Timed to Calendar Year-End**

A combined Annual Disclosure Document with delivery tied to calendar year-end (rather than the fund’s fiscal year-end) would replace the current summary prospectus and the annual and semiannual shareholder reports. This construct is similar to Option 2. However, the Annual Disclosure Document for all funds would be delivered following the calendar year-end (e.g., February 15 or April 15). The Annual Disclosure Document would combine the summary prospectus and the most relevant information from the shareholder report (e.g., performance, expenses, graphical presentation of holdings) and would be three to five pages long. Content currently required in the shareholder report that is not included in the Annual Disclosure Document could be modified, eliminated, or moved to Form N-CSR (e.g., annual financial statements, audit opinion). Content currently required in the semiannual shareholder report would be moved to Form N-CSR (e.g., semiannual financial statements). There would be no requirement to deliver semiannual shareholder reports.
Option 4: Streamlined Digital Disclosure: Summary Prospectus Delivered to New Investors, All Shareholders Have Online Access to Single Streamlined Shareholder Report and Summary Prospectus, and Annual Prospectus Supplement with Material Changes Delivered to Existing Shareholders

Under Option 4, funds would deliver a summary (or statutory) prospectus to new investors in connection with the initial purchase and include a statement that informs the investor that annual shareholder reports are available on the fund’s website. As part of any transition to this approach, funds might be required to deliver a summary prospectus to existing shareholders once (in a transition year) to inform them how to access shareholder reports going forward. The annual shareholder report would be posted to the fund’s website and would be the streamlined report (i.e., annual financial statements and audit opinion would be moved to Form N-CSR). Content currently required in the semiannual shareholder report would be moved to Form N-CSR (e.g., semiannual financial statements). There would be no requirement to deliver semiannual shareholder reports.

After year one, for existing shareholders, the fund would no longer mail a summary (or statutory) prospectus or annual shareholder reports but instead would deliver a prospectus supplement on an annual basis only in years when the fund has experienced material changes such as certain material changes to the fund’s investment objectives or strategies, material changes to the portfolio manager, or material increases in fees.

Under this option, the SEC could require funds to develop a digital prospectus and annual shareholder report that would use web tools to make it easier for shareholders to access the content.
**Profile of Survey Participants**

1. Please indicate the various distribution models used by your fund complex.

<table>
<thead>
<tr>
<th>Distribution Channel</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent broker-dealer</td>
<td>84%</td>
</tr>
<tr>
<td>Affiliated broker-dealer</td>
<td>43%</td>
</tr>
<tr>
<td>Direct sold</td>
<td>39%</td>
</tr>
<tr>
<td>Defined contribution investment only (DCIO)</td>
<td>42%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
</tr>
</tbody>
</table>

**Distribution channels**

- **Independent broker-dealer**: Investors purchase shares through intermediaries (e.g., financial advisers, broker-dealers, platforms, third-party administrators) independent from the fund sponsor.

- **Affiliated broker-dealer**: Investors purchase fund shares through an intermediary that is either an affiliated or captive sales force of the fund sponsor.

- **Direct sold**: Investors purchase fund shares directly from the fund’s transfer agent.

- **DCIO**: Arrangements where investor shares are held in qualified retirement plan accounts, such as 401(k) plans. A third-party administrator maintains investor (or participant) data and performs plan recordkeeping.

Note: The figure reports the percentage of respondents indicating each distribution channel. Survey respondents were asked to select all channels that applied.

The 9 percent of survey participants that selected *other* generally indicated that they distribute their funds through a combination of variable life and variable annuity products, banks, and registered investment advisers.
General Information

2. How are your fund fiscal year-ends structured?

- **34%** Same fiscal year-end across all funds/share classes within the fund complex (32 participants)
- **17%** Two fiscal year-ends (16 participants)
- **47%** Multiple fiscal year-ends staggered throughout the calendar year (including a separate fiscal year-end per fund) (44 participants)
- **2%** Other (2 participants)

Note: The two survey participants that selected other generally indicated that their fiscal year-ends vary by trust and across their closed-end fund products.

3. How are your annual shareholder reports structured?

- **69%** Combine all funds into one book (22 participants)
- **16%** Prepare a separate book for each fund (5 participants)
- **13%** Group funds into several books (4 participants)
- **3%** Other (1 participant)

Note: Only the 32 survey participants that responded same fiscal year-end across all funds/share classes within the fund complex to question 2 answered this question. Components do not add to 100 percent because of rounding.
4. How many different fund fiscal year-ends do you have?

- **41%** (18 participants) Nine or more
- **43%** (19 participants) Three to five
- **16%** (7 participants) Six to eight

Note: Only the 44 survey participants that responded multiple fiscal year-ends staggered throughout the calendar year to question 2 answered this question.

5. How are your annual shareholder reports structured?

- **25%** (11 participants) Prepare a separate book for each fund
- **43%** (19 participants) Group funds into several books
- **32%** (14 participants) Other

Note: Only the 44 survey participants that responded multiple fiscal year-ends staggered throughout the calendar year to question 2 answered this question.

The 14 survey participants that selected other generally indicated that they employ a mix of separate books by specific fund and combined books where certain funds are grouped together.
6. How are your annual shareholder reports structured?

![Pie chart showing the distribution of how reports are structured.]

- **75%** Group funds into several books (12 participants)
- **25%** Other (4 participants)

Note: Only the 16 survey participants that responded two fiscal year-ends to question 2 answered this question.

This question had one choice that was selected by zero participants: prepare a separate book for each fund. The four survey participants that selected other generally indicated that they employ a mix of separate books by specific fund and combined books where certain funds are grouped together.

### Processing Fees

7. How concerned are you about the NYSE processing fees and their impact on the cost of regulatory mailings (i.e., shareholder reports, prospectuses, 30e-3 notices)?

![Pie chart showing the distribution of concerns about processing fees.]

- **64%** Very concerned (60 participants)
- **23%** Somewhat concerned (22 participants)
- **9%** Neutral (8 participants)
- **4%** Not concerned (4 participants)

Somewhat concerned (22 participants)
8. If processing fees were reformed and revised to address members’ concerns, would disclosure reform as outlined above be as important to your fund complex?

![Pie chart showing preferences]

- **Very important** (50%): 47 participants
- **Somewhat important** (30%): 28 participants
- **Neutral** (13%): 12 participants
- **Not important** (7%): 7 participants

9. Is your fund complex planning on relying on SEC Rule 30e-3 to transmit shareholder reports to shareholders?

![Pie chart showing responses]

- **Yes** (97%): 91 participants
- **No** (3%): 3 participants

### Rule 30e-3

9. Is your fund complex planning on relying on SEC Rule 30e-3 to transmit shareholder reports to shareholders?

### Potential Disclosure Reform Options

When responding to questions in this section, assume that Rule 30e-3 does not exist so that we may measure your preferences only for each of the four proposed options. Also, assume that e-delivery guidance remains unchanged and that shareholders who have opted into e-delivery will continue to receive disclosure documents via email.
10. Under Option 1 (Single Streamlined Shareholder Report and Summary Prospectus Annually), what elements have the potential to provide cost savings as compared to current practices?

- Printing (reduction in number of pages): 90
- Postage (reduction in weight of document): 89
- Processing fees: 57
- Other: 10

Note: The figure reports the number of respondents. Survey respondents were asked to select all elements that applied.

The 10 survey participants that selected other generally noted project management, preparation time and effort, operational costs, and fees paid to auditors and other third parties (e.g., custodian, administrator) as additional elements that may provide cost savings opportunities.

11. What potential challenges do you foresee with Option 1?

- Development of streamlined annual shareholder report itself: 58
- Development of initial template for the new streamlined shareholder report: 75
- Resources (including personnel) to develop the new streamlined shareholder report: 55
- Communication to shareholders regarding the new streamlined shareholder report: 41
- Shareholder reaction: 23
- Other: 11

Note: The figure reports the number of respondents. Survey respondents were asked to select all challenges that applied.
The 11 survey participants that selected other generally noted appropriate lead time, understanding the role of the fund’s auditor in the process, and fees from vendors to develop the new streamlined report as additional challenges under Option 1.

12. Using calendar year 2018 as a base, under Option 1, what is your annual, estimated potential savings (aggregated across all funds)?

![Pie chart showing potential savings](chart.png)

Note: Components do not add to 100 percent because of rounding.

13. Under Option 2 (Single Annual Disclosure Document with Delivery Timed to Fund’s Fiscal Year-End), what elements have the potential to provide cost savings as compared to current practices?

<table>
<thead>
<tr>
<th>Element</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing</td>
<td>92</td>
</tr>
<tr>
<td>Postage</td>
<td>90</td>
</tr>
<tr>
<td>Processing fees</td>
<td>63</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
</tr>
</tbody>
</table>

Note: The figure reports the number of respondents. Survey respondents were asked to select all elements that applied.

The eight survey participants that selected other generally noted that while some costs would decrease, other fees—such as those paid to outside counsel, third-party auditors, and vendors—may increase, at least in the short term, reducing any potential savings.
14. What potential challenges do you foresee with Option 2?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of the new annual disclosure document itself</td>
<td>62</td>
</tr>
<tr>
<td>Development of initial template for the new annual disclosure document</td>
<td>77</td>
</tr>
<tr>
<td>Resources (including personnel) to develop the new annual disclosure document</td>
<td>60</td>
</tr>
<tr>
<td>Web hosting of new annual disclosure document</td>
<td>23</td>
</tr>
<tr>
<td>Communication to shareholders regarding the new annual disclosure document</td>
<td>46</td>
</tr>
<tr>
<td>Shareholder reaction</td>
<td>25</td>
</tr>
<tr>
<td>Other</td>
<td>13</td>
</tr>
</tbody>
</table>

Note: The figure reports the number of respondents. Survey respondents were asked to select all challenges that applied.

The 13 survey participants that selected other generally noted the ability to combine critical elements of a shareholder report and prospectus into a three- to five-page document, increased audit time/fees, increased vendor costs related to the development of the disclosure document, and any new XBRL requirements/programming needed as additional challenges under Option 2.

15. Using calendar year 2018 as a base, under Option 2, what is your annual, estimated potential savings (aggregated across all funds)?

- 14% Less than 10 percent (13 participants)
- 37% 40 percent or more (35 participants)
- 23% 10 percent to less than 25 percent (22 participants)
- 26% 25 percent to less than 40 percent (24 participants)
**16. Under Option 3 (Single Annual Disclosure Document with Delivery Timed to Calendar Year-End), what elements have the potential to provide cost savings as compared to current practices?**

<table>
<thead>
<tr>
<th>Element</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing</td>
<td>87</td>
</tr>
<tr>
<td>Postage</td>
<td>86</td>
</tr>
<tr>
<td>Processing fees</td>
<td>58</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
</tr>
</tbody>
</table>

Note: The figure reports the number of respondents. Survey respondents were asked to select all elements that applied.

The 10 survey participants that selected other generally indicated that Option 3 is not viable for fund complexes with a large number of funds due to resource constraints. They also noted that any potential savings would be eroded by resource strains on internal personnel, third-party vendors (e.g., custodians, administrators), and third-party auditors, as well as the need for seasonal hiring to address general capacity concerns.

**17. What potential challenges do you foresee with Option 3?**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of the new annual disclosure document itself</td>
<td>56</td>
</tr>
<tr>
<td>Development of initial template for the new annual disclosure document</td>
<td>75</td>
</tr>
<tr>
<td>Resources (including personnel) to develop the new annual disclosure document</td>
<td>69</td>
</tr>
<tr>
<td>Web hosting of new annual disclosure document</td>
<td>19</td>
</tr>
<tr>
<td>Communication to shareholders regarding the new annual disclosure document</td>
<td>43</td>
</tr>
<tr>
<td>Shareholder reaction</td>
<td>27</td>
</tr>
<tr>
<td>Other</td>
<td>28</td>
</tr>
</tbody>
</table>

Note: The figure reports the number of respondents. Survey respondents were asked to select all challenges that applied.
The 28 survey participants that selected other generally indicated that Option 3 is unworkable due to—among other things—staffing constraints, competition for third-party audit resources, the enormous strain on third-party vendors (e.g., custodians, administrators, print vendors) who serve multiple fund complexes, competing resources needed for other year-end functions (e.g., tax filings, tax form production) within the fund complex, and the ability to produce the disclosure document for a large number of funds within a fund complex in a short time frame.

18. Using calendar year 2018 as a base, under Option 3, what is your annual, estimated potential savings (aggregated across all funds)?

![Savings Pie Chart]

19. Under Option 4 (Streamlined Digital Disclosure), what elements have the potential to provide cost savings as compared to current practices?

<table>
<thead>
<tr>
<th>Element</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing</td>
<td>91</td>
</tr>
<tr>
<td>Postage</td>
<td>89</td>
</tr>
<tr>
<td>Processing fees</td>
<td>64</td>
</tr>
<tr>
<td>Resources (including personnel)</td>
<td>25</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
</tr>
</tbody>
</table>

Note: The figure reports the number of respondents. Survey respondents were asked to select all elements that applied.

The seven survey participants that selected other generally noted that Option 4 appears to provide the most opportunities for cost savings. They listed project management, operational costs, and fees paid to auditors and other third parties (e.g., custodian, administrators) as additional elements that may provide cost savings opportunities once Option 4 is fully implemented.
## 20. What potential challenges do you foresee with Option 4?

<table>
<thead>
<tr>
<th>Challenge Description</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of annual supplement of material changes</td>
<td>61</td>
</tr>
<tr>
<td>Developing the initial template for the annual supplement</td>
<td>73</td>
</tr>
<tr>
<td>Determining what constitutes a material change and should be included in the annual supplement</td>
<td>71</td>
</tr>
<tr>
<td>Development of webpage(s) to host the streamlined shareholder report and summary prospectus (including complying with any “one click away” or “hover” requirements)</td>
<td>54</td>
</tr>
<tr>
<td>May open the door to more SEC involvement in website design in the future</td>
<td>48</td>
</tr>
<tr>
<td>Communication to shareholders regarding the process</td>
<td>56</td>
</tr>
<tr>
<td>Shareholder reaction</td>
<td>31</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
</tr>
</tbody>
</table>

Note: The figure reports the number of respondents. Survey respondents were asked to select all challenges that applied.

The 10 survey participants that selected other generally noted these additional concerns with Option 4: inconsistency in materiality determinations from fund group to fund group and programming costs to develop tracking mechanisms to ensure that new shareholders received proper documents. They also identified potential litigation/regulatory risk related to firms determining that certain disclosure items are nonmaterial, if that determination is subsequently challenged.
21. Using calendar year 2018 as a base, under the Option 4, what is your annual, estimated potential savings (aggregated across all funds)?

A high-level summary of the estimated savings reported by participants for the various options is shown below. The greatest percentage of respondents expected Options 2 and 4 to save the most.

### Estimated Potential Cost Savings by Reform Option

Percentage of respondents estimating each degree of potential cost savings

<table>
<thead>
<tr>
<th>Percentage of respondents estimating each degree of potential cost savings</th>
<th>Option 1</th>
<th>Option 2</th>
<th>Option 3</th>
<th>Option 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>40 percent or more</td>
<td>55%</td>
<td>63%</td>
<td>51%</td>
<td>62%</td>
</tr>
<tr>
<td>25 percent to less than 40 percent</td>
<td>29%</td>
<td>26%</td>
<td>16%</td>
<td>22%</td>
</tr>
<tr>
<td>10 percent to less than 25 percent</td>
<td>27%</td>
<td>23%</td>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td>Less than 10 percent</td>
<td>18%</td>
<td>14%</td>
<td>23%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Note: The bracketed number to the right of each column sums respondents’ estimates of cost savings of 25 percent or more. Components may not add to the totals because of rounding.

Note: Components do not add to 100 percent because of rounding.
22. Please rank the potential disclosure options outlined in order of preference for your complex, with one being the most preferred method and four being the least preferred.

The chart below describes respondents’ preferences across the four reform options. Rankings from highest to lowest were Option 2, Option 1, Option 4, and Option 3.

Reform Options Ranked in Order of Preference

<table>
<thead>
<tr>
<th>Degree of preference</th>
<th>Average ranking</th>
<th>Most common ranking</th>
<th>1 and 2</th>
<th>3 and 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest</td>
<td>Option 2</td>
<td>1.9</td>
<td>2</td>
<td>80%</td>
</tr>
<tr>
<td></td>
<td>Option 1</td>
<td>2.2</td>
<td>2</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>Option 4</td>
<td>2.5</td>
<td>1</td>
<td>44</td>
</tr>
<tr>
<td>Lowest</td>
<td>Option 3</td>
<td>3.4</td>
<td>4</td>
<td>15</td>
</tr>
</tbody>
</table>

Mailing Stickers (or Prospectus Supplements) to Existing Shareholders

23. Do you mail stickers to shareholders when the fund has experienced any of these material changes?

- Nonfundamental changes to the fund’s investment objectives or strategies: 56%
- Material changes to the portfolio manager: 77%
- Material increases in fees: 76%
- Other: 23%

Note: The figure reports the number of respondents. Survey respondents were asked to select all changes that applied.
The 23 survey participants that selected other indicated that they may also mail stickers for the following:

- Material changes in investment objective or strategy
- Changes to subadvisory agreements
- Changes in the fund’s benchmark or index
- Changes to the fund name
- Addition or removal of subadviser
- Notice of a fund merger or liquidation

**Web Hosting of Disclosure Documents**

24. Do you use a third-party platform to host/post your fund disclosure documents on your fund website?

- **38%** Yes, use a third-party platform (36 participants)
- **39%** No, use internal platforms (37 participants)
- **21%** Use both an internal and third-party platform (20 participants)
- **1%** Other (1 participant)

Note: Components do not add to 100 percent because of rounding.

The one survey participant that selected other indicated that the individual managers under the series trust use both internal and third-party platforms.
25. Do you use a third party to assist in the design of your fund website?

- **34%** Yes, use a third party (32 participants)
- **10%** Use both an internal and third-party platform (9 participants)
- **56%** No, use internal resources (53 participants)

Note: Components do not add to 100 percent because of rounding.

26. Do you use a third party to assist with the posting of fund disclosure documents?

- **43%** Yes, use a third party (40 participants)
- **10%** Use both internal resources and a third-party platform (9 participants)
- **48%** No, use internal resources to post documents (45 participants)

Note: Components do not add to 100 percent because of rounding.
27. If the SEC were to require that certain website features be made available (e.g., one click away, hover) as part of a proposed disclosure reform option, how difficult would it be to bring your website into compliance?

The nine survey participants that selected other generally indicated that the scope of the requirements—including the extent of the changes, number of new web pages needed, and how dynamic the changes are—would drive the difficulty and cost of compliance.