

ICI Strongly Supports the SEC's Efforts to Enhance Fund Disclosure

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Modern fund disclosure system should provide investors with choice

Washington, DC; October 25, 2018—The Investment Company Institute (ICI) supports recent efforts made by the US Securities and Exchange Commission (SEC) to modernize fund disclosure and recommends that the Commission continue to help improve the investor experience for fund shareholders by proposing a summary shareholder report, according to a [comment letter](#) filed yesterday.

“We applaud the SEC for its recent efforts toward modernizing fund disclosure,” said ICI General Counsel Susan Olson. “ICI looks forward to working with the Commission as it takes the needed steps toward improving the fund disclosure experience for all investors. Investors benefit from clear, concise disclosure of key information and we believe a structured summary shareholder report, with access to more detailed information, would help shareholders make well-informed decisions, including comparing funds.”

ICI Recommends Creating Summary Shareholder Reports

In its letter, ICI recommends that the Commission consider proposing a rule creating a new, optional summary shareholder report with key information, presented in a specific order to mirror the Commission's design of the summary prospectus. This format would make the report easier to understand and help shareholders compare funds, according to the Institute's letter.

Specifically, ICI recommends that the summary shareholder report should include:

- performance highlights;
- total return;
- expenses;
- graphical presentation of portfolio holdings;
- information on operation and effectiveness of its liquidity risk management program over the past year; and
- instructions on how to access the full shareholder report.

To help inform its comments to the SEC, ICI created a prototype of the summary shareholder report and tested it using a nationally representative survey that included more than 1,200 mutual fund shareholders. More than 90 percent of these mutual fund investors agreed the prototype summary shareholder report was enough to help them stay informed and was a document they would be more likely to read than current reports. Similar numbers agreed that the more concise document made it easier to compare funds. The prototype and survey results are available on ICI's [website](#).

ICI Makes Additional Recommendations to Further Enhance Fund Disclosure

In its letter, ICI also made the following suggestions:

- **The SEC should modernize the delivery of fund prospectuses.** Providing firms with the flexibility to choose to send investors a notice informing them that a summary prospectus or a full-length prospectus is available will result in significant cost savings for fund shareholders, align with shareholder preferences, and be consistent with Rule 30e-3 (page 25).
- **The Commission should encourage information being displayed in a user-friendly way** by allowing funds to show additional information through smartphone applications; maintaining technology-neutral requirements; and considering starting a pilot that would allow funds to develop more creative approaches to disclosure with any necessary safe harbors (page 28).

- **Customized calculations of fund expenses should not be compulsory.** A requirement for individualized expense information would be logistically complex and very costly, and is unnecessary because of calculators and other resources already available for investors (page 30).
- **Standardized risk measures or risk ratings are unnecessary** and could do more harm than good, as risk is inherently complex and multifaceted. ICI strongly urges the Commission to neither mandate nor create standardized risk measures or risk ratings. Current fund disclosures adequately depict risks associated with investing in the fund for investors (page 38).

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