

## ICI Strongly Supports SEC's Summary Prospectus Concept, February 2008

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## Proposed System Could Offer Better, Simpler Disclosure for Fund Investors

**Washington, DC, February 28, 2008** - The Investment Company Institute today expressed [strong support for the Securities and Exchange Commission's proposal](#) to provide fund investors with a short, simple summary prospectus, while making the long-form prospectus available online for those who want additional information. The new summary will give fund investors the key facts they need, in a format that is easy to read and that they are more likely to use. Over many years, [ICI research](#) has shown that most fund investors do not read the longer prospectus and express a strong desire for a more concise document like the proposed summary.

“After 15 years of effort by the fund industry and the SEC, it appears that fund investors may soon get their wish—a summary prospectus of a few pages that tells them in plain English what they need and want to know,” said Paul Schott Stevens, President and CEO of ICI. “By pairing the summary prospectus with easy access to the long-form prospectus, the SEC’s proposal will increase the chances that investors will actually use funds’ key investment information, with no loss of the detailed disclosure some market participants need. I want to congratulate and thank SEC Chairman Chris Cox, the commissioners, and the Division of Investment Management for their hard work and dedication in moving this proposal forward.”

Under the [SEC's proposal](#), funds could choose to fulfill their disclosure obligations by delivering the summary prospectus to new and existing fund investors. The summary would be supported by more detailed information, including the long-form prospectus and the Statement of Additional Information, on the Internet. This additional information would also be available in paper, free of charge, upon

request. ICI research has shown that fund investors of all ages, incomes and educational levels are avid users of the Internet, seeking information and conducting financial transactions online.

In a cost-benefit analysis submitted with its comment letter on the proposal, ICI estimated that up to 80 percent of fund companies would find it cost-effective to use the summary prospectus if the SEC would eliminate one provision of its plan: the proposed requirement that funds update performance data and top 10 fund holdings every calendar quarter in the summary. ICI supports updating of all the information in the summary prospectus on an annual basis, the same schedule currently used for the long prospectus. The Institute contends that the quarterly updating requirement would place unnecessary additional administrative burdens on fund firms during busy quarter-end periods, and that holdings and performance data are already widely and freely available to investors from myriad other sources. In place of quarterly updating, ICI proposes that the summary prospectus direct investors to the fund company's website for up-to-date performance and portfolio information.

Further, ICI estimates that for most funds, the cost of such quarterly updating would erase much of the cost savings they would realize from no longer printing and mailing the long-form prospectus. According to ICI's cost-benefit analysis, if quarterly updates are required, only 30 to 45 percent of funds are likely to use the voluntary summary prospectus.

"Quarterly updating could be expensive and time-consuming enough to prevent many funds from using the summary prospectus," Stevens added. "That outcome would deprive millions of investors of the benefits of the SEC's proposal."

In a [second comment letter](#) also filed today, ICI and the Securities Industry and Financial Markets Association jointly urged the SEC to eliminate the quarterly updating requirement and move swiftly to adopt a summary prospectus rule, so that investors can reap the benefits of streamlined disclosure.

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