

ICI Supports SEC Rule Proposal to Enhance Fund Reporting and Modernize Shareholder Report Delivery

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Washington, DC, August 11, 2015—More frequent and substantive reporting on portfolio holdings by investment companies as proposed by the Securities and Exchange Commission (SEC) will enhance oversight of the industry, the Investment Company Institute (ICI) said in a [comment letter](#) submitted today. ICI supports more broadly an SEC-led review of industrywide activities and products to assess their risk potential. This proposal will greatly improve the SEC's ability to conduct that review.

ICI's general counsel David W. Blass submitted the letter on behalf of the Institute to express support and offer recommendations on specific areas where the SEC should modify its approach to address data security concerns and other challenges the proposed rules present. In addition, ICI's letter strongly endorses the SEC's proposal permitting funds to deliver shareholder reports to shareholders via websites.

"ICI applauds the SEC for its ongoing work to collect more data to better understand and oversee new products and practices in the fund industry," said ICI President and CEO Paul Schott Stevens.

"Expanding fund reporting in this manner raises important issues the SEC must consider and address. ICI stands ready to continue working with the SEC as it completes this rule to ensure that it works for the benefit of funds, shareholders, and regulators alike."

SEC Data Reporting Requests Are Sound, but Security Remains a Concern

Under the SEC proposal, funds would provide their portfolio holding information to the SEC monthly on Form N-PORT. ICI strongly endorses the SEC's decision to limit public release of portfolio holdings to four times a year with a 60-day lag. The letter, however, identifies a small number of information items proposed to be reported on Form N-PORT where public disclosure, at any time, would be ill-advised.

To further protect funds and shareholders from predatory trading practices, ICI's letter strongly recommends the SEC take significant steps to substantially enhance the security of the new, extensive data it will be collecting. Specifically, due to the sensitive nature and quantity of the new data to be collected under the proposal, ICI recommends the SEC engage an independent third party to verify its data security infrastructure and practices.

Investor Preferences Will Be Met with Easy Access to Information at Lower Cost

ICI strongly supports the SEC's proposal to modernize the delivery of shareholder reports. The letter states: "The proposal is consistent with earlier Commission efforts to modernize the manner in which information is transmitted to fund shareholders and improve accessibility by taking advantage of technology for the benefit of investors.... Not only would the proposed rule satisfy investor preferences, it has the potential to save shareholders an estimated \$140 million per year on a net basis in the first three years of adoption." If the Commission follows ICI's recommended revisions, these savings can dramatically increase to more than \$465 million over that three-year period. ICI's letter also recommends that the SEC extend the same approach to the delivery of prospectuses and summary prospectuses.

ICI's letter provides a number of recommended steps the SEC can take to reduce operational burdens, increase efficiency, and provide additional cost savings for fund shareholders while also enhancing consistency with existing regulatory requirements.

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