April 12, 2016

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

Re: Investment Company Reporting Modernization Proposed Rule; Release Nos. 33-9776; 34-75002; IC-31610; File No. S7-08-15; S7-16-15

Dear Secretary Fields:

We are writing to respond to concerns raised in a March 14, 2016 comment letter from the Investment Company Institute (ICI) regarding the proposed Investment Company Reporting Modernization Rule (Rule 30e-3). The ICI's preference is clear because they believe Rule 30e-3 reduces investment company costs, but consumer opposition to the rule is also clear: the true cost of Rule 30e-3 is decreased transparency and investor access to information.

Real Consumers; Real & Widespread Concerns

Although its members clearly have a financial interest in advancing Rule30e-3, the ICI claims that the only interests against this rule are paper and envelope industry interests with a financial stake in the outcome. Nothing could be further from the truth. Consumer organizations such as Consumer Action and the National Consumers League have questioned this rule and urged their members and individual investors to do the same. Of the 965 public comments to the SEC on this issue, more than 92 percent came from concerned citizens in opposition to Rule30e-3. There is no doubt that consumer interests are at stake, and we urge the commission to consider them carefully before advancing this proposal to a final rule. The reality is that the opposition to Rule 30e-3 is real, widespread and well intentioned.

Rule 30e-3: Eradicating Investor Choice

The ICI argues that Rule 30e-3 actually "increases" investor choice, but the truth is that the rule only increases the work investors must exercise to preserve their choice. It does nothing to improve the choice investors currently have to remain with paper versions of important shareholder information, or to switch to electronic delivery. The SEC's e-delivery consent process has been in existence for more than 20 years and millions of investors have made the personal decision to choose electronic delivery, so there is no need for 30e-3, which forces them to take proactive steps to visit a website or choose to receive print. This rule is unnecessary, confusing, expensive to implement and will not improve disclosure.

Internet Access does not equate to Preference for e-Delivery

Further, the ICI implies that improved investor access to the Internet means investors prefer to receive important financial information in electronic form. Based on the significant research and polling we have seen this is simply incorrect. Several recent polls and studies have all indicated a strong consumer preference for paper-based communication—especially when it comes to important financial documents. According to SEC's own study conducted by Siegel + Gale in 2012, 71 percent of American investors said they prefer to read annual reports in paper format rather than online versions, and a large number of respondents also asserted that printed materials yield higher content comprehension than online materials.[1] Many investors are also reluctant to switch from paper to e-Delivery for security reasons. Currently, 30 percent of all investors today don't use the Internet for investment correspondence due to concerns about security.[2]

As consumer protection organizations, we have an interest in protecting the environment, too. We believe that it is only a matter of time until electronic delivery is more widely adopted among investors—but the decision as to how this information is received should always remain squarely with the investor.

The ICI simply fails to distinguish between an investors' potential ability to view material online and the clearly demonstrated preference many still maintain for paper versions of important material such as investment company performance reports. If an investor prefers to review this kind of detailed material on paper, they should be able to continue doing so without having to take proactive steps to revert to paper formats.

Rule 30e-3: Disrupting SEC Intentions
The SEC's Mission Statement from its website states eloquently the importance of the flow of information to investors:

> *The laws and rules that govern the securities industry in the United States derive from a simple and straightforward concept: all investors, whether large institutions or private individuals, should have access to certain basic facts about an investment prior to buying it, and so long as they hold it. To achieve this, the SEC requires public companies to disclose meaningful financial and other information to the public. This provides a common pool of knowledge for all investors to use to judge for themselves whether to buy, sell, or hold a particular security. Only through the steady flow of timely, comprehensive, and accurate information can people make sound investment decisions.*

We believe 30e-3 is unnecessary and will interfere with the flow of timely, accurate information. Efforts to streamline this information and to improve its user-friendliness should be encouraged. It is not appropriate, however, to completely upend the current default to paper-based delivery and require investors suddenly to take extra steps to obtain information in a format they prefer and have come to expect.

Sincerely,

Linda Sherry
Director, National Priorities
Consumer Action

Sally Greenberg
Executive Director
National Consumers League

---

[1] "Investor Testing of Selected Mutual Fund Annual Reports (Revised)," Siegel + Gale, February 9, 2012
[2] Closing the E-Delivery Gap, 2013 Pershing LLC, subsidiary of New York Mellon Corporation