FOR IMMEDIATE RELEASE (June 6, 2018)

CONTACTS: Linda Sherry 202-544-3088 | Sally Greenberg (202) 835-3323 ext. 830

SEC ignores investor sentiment about mutual fund disclosure delivery
Leading consumer organizations to decry 'mutual fund industry give-away'

Despite overwhelming opposition to abandoning the default paper format delivery method for mutual fund disclosures, the Securities and Exchange Commission yesterday voted behind closed doors to ignore investor sentiment and allow funds, as of Jan. 1, 2021, to deliver shareholder reports online, with a paper notice of online availability sent by mail. The adoption of Rule 30e3 flips the current process on its head—investors who already have chosen to receive paper mutual fund reports will now have to take the trouble to reach out to funds to request that paper versions (continue to) be mailed to them.

The National Consumers League (NCL) and Consumer Action have worked for more than two years to ensure that the delivery of paper fund disclosures wasn't flipped. The organizations have filed comments opposing Rule 30e3, spoken at SEC Investment Advisory Committee meetings, and urged investors to press for the paper default. They were expecting to hear a public discussion of the rule at the SEC's public meeting on June 5, before it was pulled from the agenda the evening before and circulated for written consent from the commissioners in lieu of a meeting.

Sally Greenberg, executive director of the National Consumers League, said: "We are very disappointed in the 4-1 vote—taken behind closed doors—from the SEC to make it more difficult for mutual fund investors who want paper documents to get fund disclosures delivered in paper; an SEC survey in 2011 found that one-third of consumers say they prefer paper copies of their mutual fund reports. The mutual fund industry trade association estimated in 2016 that this will save investors $2 billion in printing and mail costs over 10 years. The winners are clearly the companies, the losers are those consumers who need or want access to paper versions of fund disclosures and will have to know to sign up for paper delivery. We are disappointed the SEC didn't take into account the extensive evidence that the change is likely to reduce investor readership of key disclosures."

Linda Sherry, director of Consumer Action's DC office, said: "More than 90 percent of the comments submitted to the SEC in 2016 opposed the idea to make electronic delivery the default delivery method for shareholder reports. Despite the concerns raised, which included lack of access to the internet by vulnerable populations, exposure to online fraud and difficulty of reading reports on mobile devices, the SEC chose to vote on its proposal before the public was able to read it."

Currently (and for close to 20 years) investors have the option of requesting e-delivery. Some estimates say as many as half of all mutual fund investors have chosen e-delivery already. Those who have chosen to keep paper delivery will, under the new rule, be bothered to act to ensure paper reports keep coming. The new measure is an example of "negative consent—or "passive consent"—which means failure to take action is interpreted as agreement. This method of notification is known to decrease consumer participation and likely will reduce investor readership of important disclosures about fund performance, costs and makeup.

While the rule offers the switch to e-delivery as an "optional" method for delivering shareholder reports, it is highly unlikely that the mutual fund industry will choose to leave the status quo of paper statement delivery.

About the National Consumers League
The National Consumers League, founded in 1899, is America's pioneer consumer organization. Our mission is to protect and promote social and economic justice for consumers and workers in the United States and abroad. For more information, visit http://www.nclnet.org.

About Consumer Action

Consumer Action has been a champion of underrepresented consumers nationwide since 1971. A non-profit 501(c)(3) organization, Consumer Action focuses on consumer education that empowers low- and moderate-income and limited-English-speaking consumers to financially prosper. It also advocates for consumers in the media and before lawmakers to advance consumer rights and promote industry-wide change.