Senate Group Tries to Block SEC Spending on E-Delivery

By Jill Gregorie, *Ignites*, February 14, 2018 [subscription required]

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A Senate group is trying to use its power of the purse to prevent the SEC from advancing a rule allowing fund companies to send shareholder reports electronically by default.

In November, a financial services subcommittee of the Senate Appropriations Committee added a rider to its 2018 spending bill that forbids the Securities and Exchange Commission from using any federal money "to finalize, implement, administer or enforce" a proposed rule that would allow funds to send clients annual and semiannual reports online rather than in print via post.

Last week, ICI president and CEO Paul Schott Stevens blamed "opponents of the future" for inhibiting progress on the SEC's e-delivery proposal, first introduced as part of the SEC's May 2015 data modernization rule. The industry lobbying group blamed Senator Susan Collins (R-Maine) for spearheading efforts to "perpetuate an archaic system" of distributing full reports — as opposed to a notice of updated disclosure — by mail.

"Unfortunately, an array of special-interest lobbyists representing those who profit from paper reports are working to block the modernization of fund disclosure delivery," Stevens wrote in *The Hill* Friday.

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Still, one consumer advocate argues that the rider could be "very effective" in requiring the agency to abide by a policy that protects consumers.

In fact, the statistics on corporate voting show that investors who receive meeting alerts by snail mail are more likely to participate than those who receive notifications electronically, says Niels Holch, executive director of the Coalition of Mutual Fund Investors.

Barbara Roper, director of investor protection at the Consumer Federation of America, argues that the ICI's approach "would make it more difficult for investors to obtain disclosures in the format they prefer."

"We know from experience this would depress readership all to save what amounts to pocket change for the typical investor," she wrote in an e-mail response to questions. If the SEC were to adopt proposals from its Investment Advisory Committee that move toward an e-delivery default, Roper wrote, "we'd be prepared to push for action."

Similarly, some mutual fund clients may not pay as much attention to electronic communications as they do paper documents that are sent to their mailbox, Holch says.

“We are moving into an electronic world where more and more mutual fund materials are being sent electronically. But that should be a conscious choice of the investor and not a choice forced on the investor,” he says.