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February 9, 2009

The Honorable Christopher J. Dodd
Chairman
The Honorable Richard C. Shelby
Ranking Minority Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Barney Frank
Chairman
The Honorable Spencer Bachus
Ranking Minority Member
Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (the Commission), entitled “Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies” (RIN: 3235-AJ44). We received the rule on January 14, 2009. It was published in the *Federal Register* as a final rule on January 26, 2009, with a stated effective date of March 31, 2009. 74 Fed. Reg. 4546.

The final rule amends the mutual fund registration form to require certain information to appear in plain English in a standardized order in a summary section at the front of the mutual fund statutory prospectus. This summary section will consist of key information about the fund, including investment objectives and strategies, risks, costs, and performance. The rule also permits the posting of the statutory prospectus on a mutual fund website to partially fulfill the delivery requirement. Finally, the rule adopts additional amendments that the Commission intends to result in the disclosure of more useful information to investors who purchase shares of exchange-traded funds on national securities exchanges.

Enclosed is our assessment of the Commission's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that the Commission complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Associate General Counsel

Enclosure

cc: Elizabeth M. Murphy
Secretary
Securities and Exchange Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
SECURITIES AND EXCHANGE COMMISSION
ENTITLED
"ENHANCED DISCLOSURE AND NEW PROSPECTUS DELIVERY OPTION
FOR REGISTERED OPEN-END MANAGEMENT
INVESTMENT COMPANIES"
(RIN: 3235-AJ44)

(i) Cost-benefit analysis

The Securities and Exchange Commission (the Commission) analyzed the costs and benefits of this final rule. The Commission estimates that the benefits will include an annual cost savings of approximately \$190,245,120 or \$21,737 per portfolio. According to the Commission, the costs will include the cost of compiling and reviewing the information required by this rule and the cost of posting the required disclosure document on a website. The Commission estimates that the external costs for printing and mailing the Summary Prospectus required by this rule to be approximately \$106,200,000 or \$12,134 per portfolio. The Commission estimates that the disclosure requirements of this final rule will have a total internal cost of \$37,248,400 annually or \$4,256 per portfolio. The Commission also estimates that this rule will result in annual investor printing costs of \$5,578,440.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603–605, 607, and 609

The Commission prepared a Final Regulatory Flexibility Analysis that addressed the need for the rule; the Commission stated that the rule is meant to improve the mutual fund disclosure framework and provide investors with information that is easier to use and more readily accessible while retaining the comprehensive quality of the information currently available. The Commission's analysis also addressed significant issues raised by public comment; small entities subject to the rule; reporting, recordkeeping, and other compliance requirements; and agency actions to minimize the effect on small entities.

(iii) Agency actions relevant to sections 202–205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532–1535

As an independent regulatory agency, the Commission is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The Commission published a proposed rule on November 30, 2007. 72 Fed. Reg. 67,790. The Commission stated that it received approximately 155 comment submissions. The Commission addressed comments in the final rule. 74 Fed. Reg. 4549–4574.

Paperwork Reduction Act, 44 U.S.C. §§ 3501–3520

The Commission found that this final rule contains information collection requirements under the Act. The titles of the two collections of information are “Form N–1A Under the Investment Company Act of 1940 and Securities Act of 1933, Registration Statement of Open-End Management Investment Companies” (Form N–1A) and “Summary Prospectus for Open-End Management Investment Companies.” The Commission has submitted these two collections to the Office of Management and Budget (OMB) for review, and they have been assigned OMB Control Numbers 3235–0307 and 3235–0637, respectively. The Commission estimates that the incremental hour burden for Form N–1A resulting from this final rule to be 70,016 hours. The Commission estimates that the total burden for the Summary Prospectus and posting the required disclosures on a website will be approximately 63,014 hours.

Statutory authorization for the rule

The Commission stated that it promulgated this final rule under sections 77e, 77f, 77g, 77j, 77s, 77z-3, 80a-8, 80a-24, 80a-29, and 80a-37 of title 15, United States Code.

Investment Company Act of 1940 and Securities Act of 1933, 15 U.S.C. §§ 77b(b), 80a-2(c)

Section 2(c) of the Investment Company Act of 1940 and section 2(b) of the Securities Act of 1933 require the Commission to determine whether a rulemaking will promote efficiency, competition, and capital formation. 15 U.S.C. § 80a-2(c). The Commission concludes that this rule may promote efficiency by enabling investors to make more informed decisions by focusing attention on key information and by providing mutual funds an alternative to printing and mailing paper copies of statutory prospectuses. The Commission anticipates this rule may increase the competitiveness of the U.S. capital markets by improving investors’ abilities to make informed investment decisions and by reducing fund printing and mailing costs. The Commission also expects the rule to increase competition by facilitating investor comparisons of mutual fund information. Finally, the Commission anticipates that this rule will promote capital formation by increasing market efficiency. Specifically, the Commission expects the rule will facilitate greater availability of

information to investors and the market with regard to all funds and increase the importance of electronic dissemination of information.

Executive Order No. 12,866 (Regulatory Planning and Review)

The Commission is not subject to Executive Order 12,866 because it is an independent regulatory agency.