



441 G St. N.W.
Washington, DC 20548

B-330186

July 9, 2018

The Honorable Mike Crapo
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: Optional Internet Availability of Investment Company Shareholder Reports*

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 (Commission) entitled “Optional Internet Availability of Investment Company Shareholder Reports” (RIN: 3235-AL42). We received the rule on June 7, 2018. It was published in the *Federal Register* as a final rule on June 22, 2018. 83 Fed. Reg. 29,158. The effective date of the final rule is January 1, 2019, but some of the provisions are delayed until January 1, 2021, with others delayed until January 1, 2022.

The final rule contains reforms that are intended to modernize the manner in which periodic information is made available to investors, which the Commission believes will improve investors’ experiences while reducing expenses associated with printing and mailing shareholder reports that are borne by investment companies and ultimately their investors. More specifically, the reforms provide that a fund’s annual or semi-annual report to shareholders is considered transmitted to a shareholder of record if certain conditions set forth in the rule are satisfied. These conditions generally relate to: (a) availability of the report and other materials; (b) notice to investors of the website availability of the report; and (c) delivery of paper reports to investors electing to receive them in that format. Finally, the rule also includes a temporary condition relating to form amendments applicable during an extended transition period.

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 agency’s submissions to us 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
Managing Associate General Counsel

Enclosure

cc: Brent J. Fields
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
“OPTIONAL INTERNET AVAILABILITY OF
INVESTMENT COMPANY SHAREHOLDER REPORTS”
(RIN: 3235-AL42)

(i) Cost-benefit analysis

The Securities and Exchange Commission (Commission) estimated the costs and benefits of the rule and included them in the final rule. The Commission estimated that compliance costs of the rule will be \$93.9 million in the first year following the effective date of the rule and \$89.2 million each following year on an ongoing basis. In addition to compliance costs after the effective date, the Commission estimated that during the 2 years before the effective date, the disclosure requirements related to rule 498 and amendments to registration statements will result in aggregate costs of approximately \$8.2 million the first year and \$4.8 million in the second year.

The Commission estimated the rule would create a gross annual savings of \$230.6 million. After consideration of the estimated annual compliance costs, the Commission estimated that net annual savings would be \$141.4 million, or 55 percent of the annual printing and mailing costs under existing requirements. The Commission also estimated that the rule will increase electronic accessibility to investors of portfolio investment information which may result in greater investor review of that information.

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

The Commission prepared a Final Regulatory Flexibility Analysis and included it in the final rule.

(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 the proposed rule in the *Federal Register* on May 20, 2015. 80 Fed. Reg. 33,590. The Commission received over 1,000 comments that they responded to in the rule. The Commission published the final rule on June 22, 2018. 83 Fed. Reg. 29,158.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The Commission stated the rule impacted several existing collections of information and required one new collection entitled “Rule 30e-3 under the Investment Company Act of 1940,

Internet Availability of Reports to Shareholders” (OMB Control No. 3235-0758). The Commission solicited comments on the changes and submitted the collections to the Office of Management and Budget for approval.

Statutory authorization for the rule

The Commission promulgated the rule under sections 5, 6, 7, 10, and 19 of the Securities Act; sections 3(b), 10, 13, 14, 15, and 36 of the Exchange Act; sections 6, 8, 20, 24, 30, and 38 of the Investment Company Act; and 44 U.S.C. §§ 3506-07.

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

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

Executive Order No. 13,132 (Federalism)

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