



**April 15, 2020**

*Via email*

Brett Redfearn  
Director, Division of Trading and Markets  
US Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549

**Re: Request for Regulatory Relief Relating to Delivery Timeframes for Regulatory Communications**

Dear Mr. Redfearn:

The Securities Industry and Financial Markets Association (SIFMA)<sup>1</sup> and our member firms greatly appreciate the ongoing efforts of the Securities and Exchange Commission (the "Commission") and its staff to address market issues arising from the COVID-19 crisis. We are committed to assisting the Commission with all means possible during this unprecedented crisis.

Over the last decade, securities market participants have developed and refined their business continuity plans to manage potential disruptions created by pandemics and other disasters. Considering the impact of COVID-19, we are actively monitoring participants' current and projected operational status in fulfillment of their obligations. This includes communicating daily with SIFMA member firms, service providers, exchanges, regulators, and others. We are assisting our members in meeting their customer and regulatory obligations to protect investors and to keep markets functioning smoothly as they keep their employees safe.

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<sup>1</sup> SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly one million employees, we advocate for legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. With offices in New York and Washington, DC, SIFMA is the US regional member of the Global Financial Markets Association (GFMA).



Because of social distancing and other developments associated with the pandemic, our member firms are facing challenges in meeting delivery timeframes for regulatory communications that are sent by physical mail. This includes mutual fund periodic reports (annual and semiannual shareholder reports and annual prospectuses), as well as “first-dollar” prospectuses, trade confirmations, and account statements.

The operations associated with processing mailed communications cannot be performed from home and cannot be performed in house at securities firms that have outsourced their fulfillment operations to print vendors. In addition, prudent implementation of Centers for Disease Control and Prevention (“CDC”) guidelines has necessitated reductions in certain production shifts (in order to reduce density) and in the throughput of certain production equipment (in order to create greater social distancing). Where on-site production work is necessary to assist broker-dealers, mutual fund companies, and others in maintaining orderly markets and in performing essential functions to protect investors, many of our member firms and their service providers have implemented additional safety measures, including checking employees’ temperatures, providing on-site medical staff, and extending paid sick-leave benefits.

Based on the foregoing and the evolving facts and circumstances of which SIFMA is aware, we urge Trading and Markets staff to issue guidance extending the April 7, 2020 “Staff Guidance for Conducting Shareholder Meetings in Light of COVID-19 Concerns” issued by staff of the Division of Corporation Finance and the Division of Investment Management<sup>2</sup> to other types of mailed regulatory communications, as outlined below.

The April 7, 2020 staff guidance acknowledges the need to continue to mail proxy materials on a best efforts basis while keeping employees safe. With respect to mailed proxy distributions, our members took note of the guidance stating, “The staff encourages issuers affected by printing and mailing delays caused by COVID-19 to use all reasonable efforts to achieve this goal without putting the health or safety of anyone involved at risk.” The guidance notes that delays are to be expected with proxy mailings, and it provides a measure of relief: “Affected issuers and intermediaries also should continue to use their best efforts to send paper copies of proxy materials and annual reports to requesting shareholders, even if such deliveries would be delayed.”

To extend this guidance to other types of mailed regulatory communications, we request that Trading and Markets staff issue guidance effective through June 30, 2020 as follows:

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<sup>2</sup> Available at <https://www.sec.gov/ocr/staff-guidance-conducting-annual-meetings-light-covid-19-concerns>.



- **Mutual Fund and ETF Shareholder Reports and Annual Prospectuses:** For shares held beneficially in street name, the need to send physical mail has been eliminated for approximately 70% of fund shareholder reports and annual prospectuses overall by technologies and processing for e-delivery, householding, and managed account consolidation. All electronic deliveries will continue to be sent by broker-dealers and Broadridge (the distribution agent for most broker-dealers) within 24 hours of approval by issuers. The balance of positions (approximately 30%) are sent by mail. Broadridge has informed SIFMA and many of its client firms that it expects delays of 1-3 days or more in the turnaround of a portion of these materials, potentially through June. The delays are due to compliance with CDC guidelines for greater social distancing and lower density, which can impact the throughput of certain high-volume production equipment. To illustrate, intelligent insertion machines (which combine multiple sets of materials into one envelope to reduce postage costs) are normally fed by three operators in close physical proximity to one another. During the pandemic, only one operator is situated to feed each intelligent inserter, and this reduces the throughput rate.

Broadridge has also informed SIFMA that it is doing everything possible to meet client commitments while keeping its employees safe. Examples include operating on a 24x7 basis, moving some production volumes to facilities in other states away from the New York and Long Island virus “hot zones,” and communicating with funds, third-party printing firms, third-party mail delivery services, broker-dealers and others to minimize the impact on deliveries through greater cooperation and flexibility.

*On behalf of its member firms, SIFMA requests guidance permitting fund companies and broker-dealers to comply with their delivery obligations as follows:*

- *Consistent with normal course practice:*
  - *Reports and prospectuses are posted on a publicly accessible website on or before the date that is 60 days after a fund’s reporting period end (or on the effective date for the prospectus),*
  - *Electronic deliveries are made commencing on or before the date that is 60 days after a fund’s reporting period end (or commencing on the effective date for the prospectus), and*
  - *Fund companies and broker-dealers may continue to engage with customers to seek consent for electronic deliveries.*
- *With respect to physical deliveries:*
  - *Best efforts are made to send physical shareholder reports and annual prospectuses to shareholders who receive paper delivery, even if production of such mailings is delayed, and*



- *Best efforts are made to send physical copies of shareholder reports and prospectuses to requesting shareholders, even if production of such mailings is delayed,*
- *Provided that mailings to any countries to which the U.S. Postal Service has suspended services may be held.<sup>3</sup>*

SIFMA is aware of the Commission's March 25, 2020 exemptive orders which extend the filing and delivery requirements for mutual fund shareholder reports by 45 days beyond their current filing deadlines through June 30, 2020.<sup>4</sup> We believe the guidance we request above would clarify broker-dealer obligations because broker-dealers cannot control the timing of fund company filings.

- **First-Dollar Prospectus Delivery and Related Confirmation Statements:** Currently, the need to send physical mail has been eliminated for approximately 70% of first-dollar prospectuses and related confirmation statements overall for shares held beneficially in street name. All electronic deliveries will continue to be sent by broker-dealers and Broadridge within 24 hours of receipt of settlement files (T+1). Broker-dealers and Broadridge have informed us that while most physical deliveries are being made within T+2, some deliveries are extending to T+3 and a few deliveries could extend beyond that timeframe. The delay is due to production constraints related to social distancing and COVID-19.

*On behalf of its member firms, SIFMA requests guidance permitting broker-dealers and others to comply with their delivery obligations by completing mailed deliveries on a best efforts basis, even if production of such mailings is delayed; provided that mailings to any countries to which the U.S. Postal Service has suspended services may be held.*

- **Other Disclosures, Confirmations and Account Statements:** Broker-dealers face challenges in complying with other regulatory requirements to deliver information to customers that have not consented to electronic delivery, or when the nature of the communication requires that it be sent in physical form. These include, for example, paper trade confirmations required by Rule 10b-10 under the Securities Exchange Act of 1934, as well as account statements sent in lieu of confirmations as permitted under

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<sup>3</sup> See <https://www.usps.com/international/mail-shipping-services.htm#readmore>. The U.S. Postal Service has indicated that any mailing to any of the affected countries will be returned to the sender.

<sup>4</sup> Available at <https://www.sec.gov/news/press-release/2020-73>. See also "Importance of Delivering Timely and Material Information to Investment Company Investors," Division of Investment Management Staff Statement, April 14, 2020, available at <https://www.sec.gov/investment/delivering-timely-material-information>.



Rule 10b-10 for periodic investment plans or sent in compliance with the free credit reporting requirements of Rule 15c3-3(j).

*On behalf of its member firms, SIFMA requests guidance permitting broker-dealers to comply with their delivery obligations under Rules 10b-10 and 15c3-3(j) by completing mailed deliveries on a best efforts basis, even if production of such mailings is delayed; provided that mailings to any countries to which the U.S. Postal Service has suspended services may be held.<sup>5</sup>*

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We very much appreciate your consideration of this request. Please feel free to reach out to me at 212-313-1260 if you have any questions or need any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas F. Price". The signature is fluid and cursive, with the first name "Thomas" and last name "Price" clearly distinguishable.

Thomas F. Price  
Managing Director  
SIFMA

cc: Dalia Blass, SEC, Director of the Division of Investment Management  
William Hinman, SEC, Director of the Division of Corporation Finance  
Robert Cook, FINRA, President and CEO  
Robert Colby, FINRA, Executive Vice President, Chief Legal Officer

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<sup>5</sup> Similar challenges may arise with respect to FINRA and MSRB rules, and we request that Trading and Markets staff work with FINRA and the MSRB to provide relief consistent with this request.