

April 11, 2025

Filed Electronically

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005

Re: MSRB Notice 2024-15; Comment on Potential Modernization of Municipal Fund Securities Disclosure Obligations

Dear Mr. Smith:

The Investment Company Institute¹ appreciates the opportunity to comment on the Municipal Securities Rulemaking Board's (MSRB) concept release regarding the potential modernization of its disclosure regime.² We believe that the time has come to permit brokers, dealers and municipal securities dealers (collectively, "Dealers") to satisfy their disclosure delivery obligations by notifying customers of the availability of plan disclosure documents online.³ This access-equals-delivery framework supports timely, useful and interactive disclosures that may enhance an investor's financial decisions. As with any electronic delivery approach, however, we support honoring the preference of any investor who opts for paper delivery. We do not believe that a stand-alone time of trade rule is necessary.

¹ The [Investment Company Institute](https://www.ici.org) (ICI) is the leading association representing the asset management industry in service of individual investors. ICI's members include mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in other jurisdictions. Its members manage \$39.1 trillion invested in funds registered under the US Investment Company Act of 1940, serving more than 120 million investors. Members manage an additional \$9.3 trillion in regulated fund assets managed outside the United States. ICI also represents its members in their capacity as investment advisers to collective investment trusts (CITs) and retail separately managed accounts (SMAs). ICI has offices in Washington DC, Brussels, and London.

² See *MSRB Requests Comment on Potential Modernization of Municipal Fund Securities Disclosure Obligations*; MSRB Notice 2024-15 (December 11, 2024) (the "Concept Release").

³ We note that, because the MSRB's jurisdiction is limited to municipal securities dealers and does not extend to issuers of 529 plan securities, interests in 529 plans that are currently sold without reliance on a municipal securities dealer are not directly subject to oversight of the MSRB.

1. The MSRB Should Modernize its Rules on Delivery Methods

ICI and its members long have recognized the benefits of electronic delivery.⁴ We, therefore, strongly recommend that the MSRB pursue its access-equals-delivery alternative described in the Concept Release, with one modification. We suggest also providing for the posting of plan disclosure documents on the 529 plan’s public website. This may provide customers of Dealers additional information that could assist them in making a 529 plan investment decision – e.g., through links to interactive investment tools or by making the disclosure available on a website that also provides such tools or other resources for investors.⁵ Furthermore, 529 plan investors generally are already familiar with their plan’s website and this is where they currently tend to look when they want more information.

2. Data on Internet Access Support Increased Use of Electronic Delivery

ICI does not have recent data on internet access specific to 529 plan owners.⁶ However, ICI’s most recent data on mutual fund–owning households, from 2021, shows that an overwhelming majority of mutual fund–owning households have internet access. In 2021, 95 percent of US households owning mutual funds had internet access (Figure 1), up from 68 percent in 2000.⁷ Altogether, 56.0 million mutual fund–owning households had internet access in 2021.

⁴ For ICI’s support of electronic delivery of 529 plan disclosure documents, see letter from Tamara Salmon, Senior Associate Counsel, Investment Company Institute, to Ronald W. Smith, Corporate Secretary, MSRB, dated April 2, 2012, available at <https://www.msrb.org/sites/default/files/RFC/2012-10/ICI.pdf>; for our support of electronic delivery for retirement plan disclosure documents, see letter from David Abbey, Deputy General Counsel—Retirement Policy, and Shannon Salinas, Assistant General Counsel—Retirement Policy, Investment Company Institute, to Office of Regulations and Interpretations, EBSA, Department of Labor, dated November 22, 2019, available at <https://www.ici.org/doc-server/pdf%3A32062a.pdf>; for our support of electronic delivery to fund shareholders, see letter from Dorothy Donohue, Deputy General Counsel, Securities Regulation, Sarah Holden, Senior Director, Retirement & Investor Research, and Joanne Kane, Senior Director, Operations & Transfer Agency, Investment Company Institute, to Dalia Blass, Director of Division of Investment Management, SEC, dated September 10, 2020, available at https://www.ici.org/system/files/attachments/20_itr_edelivery.pdf.

⁵ Evidence from the retirement savings plan arena shows that retirement plan participants are more likely to take action in response to materials provided electronically. See pages 9–10 of ICI letter to Department of Labor, (September 25, 2018), available at <https://www.ici.org/pdf/31411a.pdf>. It likely follows that facilitating electronic delivery for other investors might result in those investors doing the same. This would likely be the case for 529 plans, if the disclosure is made to plan’s website.

⁶ ICI does collect data on other characteristics of households saving for college, such as age, education level and household income. See Figure 8.16 of 2024 Investment Company Fact Book at Figure 8.16, p. 119. The Fact Book is available on the ICI’s website at: <https://www.icifactbook.org/pdf/2024-factbook-ch8.pdf>. As the chart indicates, these data include households that own education savings plans (Coverdell ESAs or 529 plans) or that said paying for education was one of their financial goals for their mutual funds or ETFs.

⁷ See Figure 15 in Sarah Holden, Daniel Schrass, and Michael Bogdan, “Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2021,” ICI Research Perspective 27, no.11 (October 2021), available at <https://www.ici.org/system/files/2021-10/per27-11.pdf>. Note that after 2021, ICI no longer includes questions about Internet access among fund owners in the survey.

Internet access traditionally has been greatest among younger people—in both mutual fund–owning households and the general population. Although younger households were more likely to report internet access, 86 percent of mutual fund–owning households with a household head aged 65 or older had internet access in 2021 (Figure 1). Internet access among mutual fund–owning household heads younger than 65 was essentially universal, with 96 to 99 percent reporting internet access. The majority of mutual fund–owning households in each income group had internet access in 2021. Eighty-six percent of households with annual incomes less than \$50,000 had internet access in 2021, up substantially from 47 percent in 2000. Households with incomes of \$50,000 or more had nearly universal internet access in 2021.

Figure 1**Internet Access Is Nearly Universal Among Mutual Fund–Owning Households**

Percentage of US households with internet access, 2021

	All US households	Mutual fund–owning households	Households with DC plan accounts ¹
Age of head of household²			
Younger than 35	91	96	95
35 to 49	92	99	99
50 to 64	85	97	95
65 or older	68	86	84
Education level			
High school diploma or less	70	86	88
Some college or associate’s degree	88	95	93
College or postgraduate degree	91	97	96
Household income³			
Less than \$50,000	69	86	82
\$50,000 to \$99,999	87	91	92
\$100,000 to \$149,999	96	99	98
\$150,000 or more	95	99	99
Total	83	95	94

¹ DC plans include 401(k), 403(b), 457, and other DC plans.

² Age or education level is based on the sole or co-decisionmaker for household saving and investing.

³ Total reported is household income before taxes in prior year (2020).

Note: Internet access includes access to the internet at home, work, or some other location.

Source: ICI Annual Mutual Fund Shareholder Tracking Survey; see “Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2021,” ICI Research Perspective, available at <https://www.ici.org/system/files/2021-10/per27-11.pdf>, and 2022 Investment Company Fact Book, available at https://www.ici.org/system/files/2022-05/2022_factbook.pdf.

3. Dealers Understand Their Obligations Regarding Time of Trade Disclosures with Respect to Municipal Fund Securities

The Concept Release explains that the MSRB is considering adopting a stand-alone time of trade rule, closely aligned with the current Rule G-47,⁸ that would apply to municipal fund securities. Further, the MSRB envisions the out-of-state disclosure obligations (currently described in interpretive guidance issued under Rule G-17) being codified as part of the new stand-alone rule.

ICI appreciates the MSRB's dedication to ensuring that its rules are clear. We do not, however, believe that Dealers' current obligations with respect to municipal fund securities under Rule G-47 are unclear. Rather, Dealers understand what information they are required to provide to investors in 529 plans and ABLE programs. Given this, we do not believe that a new stand-alone rule is necessary.

Furthermore, ICI believes that no disclosure requirement is needed when a third-party contribution is made because such contributions are gifts to an account over which the giver has no control. Rather, in the case of gifts of municipal fund securities, the appropriate recipient of the disclosures is the account owner. Third-party contributors are not the purchasers or investors of the municipal fund securities; rather, they are simply making gifts to the ultimate investors. The third party has no ability to control the investment, other than making the contribution. They cannot change the investments or otherwise take any action that would be aided by time of trade disclosures. They often are making the contribution at the direction of the account owner, who will receive and benefit from the disclosures. Because the third-party giver is not a "customer" and has no control over the 529 account, the time of trade disclosures should not be required to be made to a third-party giver.

The 529 plan meets its time of trade obligations under federal law by providing all necessary investing information at the time that the sale is made to the account owner. The MSRB should confirm this interpretation of the rule. Encouraging such gifts to 529 plans provides a societal good, and we see no benefit to adding disclosure requirements that will increase the burdens applicable to such gifting and would result in the provision of information that is not actionable and has no relevance to the individual making the gift.

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ICI and its members appreciate the opportunity to comment on the Concept Release. We are committed to working with the MSRB to modernize the delivery of 529 plan disclosures. If you

⁸ Rule G-47(a) sets forth the basic obligation for a dealer to disclose to customers, at or prior to the time of trade, all material information known about the transaction and material information about the security that is reasonably accessible to the market.

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have any questions, please contact Tara Buckley at 202/326-6274 (tara.buckley@ici.org) or Shannon Salinas at 202/326-5809 (shannon.salinas@ici.org).

Sincerely,

/s/ Tara Buckley

Tara Buckley
Deputy General Counsel
Financial Regulation

/s/ Shannon Salinas

Shannon Salinas
Associate General Counsel
Retirement Policy