

## **SUPPORTING STATEMENT FOR ASSESSING INDIVIDUAL INVESTOR SATISFACTION LEVEL WITH PLAIN ENGLISH DISCLOSURES**

This submission pursuant to the Paperwork Reduction Act of 1995, 44 U.S.C. Section 3501 et seq., constitutes a request for approval of communications by a contractor retained by the Securities and Exchange Commission (“SEC” or “Commission”) with selected individuals to evaluate the effectiveness of the Commission’s plain English initiative, as it relates to individual investors.

### **A. Justification**

#### **1. Necessity of Information Collection**

When the Commission approved its “plain English” rules in 1998, the goal was to change the corporate culture in America such that documents meant for investors to read were prepared so that investors would use them. At the time, it was envisioned that disclosure documents would become simpler, clearer and more useful to investors. Now, ten years later, the Commission is seeking to evaluate whether the plain English initiative has been working, by asking individual investors, through the use of telephone surveys and focus group interviews, their views and opinions about various disclosure documents filed by companies, including mutual funds. The Commission is also seeking to assess investor views on a mutual fund summary prospectus, which was proposed by the Commission on November 15, 2007, in order to enhance the disclosures that are provided to mutual fund investors.

2. Information to be Used by the SEC

The Commission will use this information to gauge the success of the plain English initiative. This will give the Commission important feedback on its plain English initiative, especially as it relates to individual investor satisfaction. The Commission also may utilize this information in connection with future disclosure initiatives.

3. Use of Automated Means to Respond

With respect to the telephone surveys, the contractor will use computer-assisted telephone interviewing (“CATI”). CATI provides a number of benefits over traditional telephone interviewing, including a more smooth-flowing interview when the questionnaire contains numerous contingent questions, because the computer program moves the interviewer to the next appropriate question automatically. In addition, the use of CATI can help to minimize recording error because the acceptable range of responses can be programmed into the data entry program, which will not permit the interviewer to accidentally enter an out-of-range punch. In other words, by having the response options to each question pre-coded in the CATI system, the interviewer is unable to enter responses that are not plausible, thus reducing the number of coding errors. Since the interviewer actually records each response to survey questions through the on-line data entry program, the risk of data processing errors arising from key entry errors is eliminated in CATI interviews.

With respect to the focus groups, the contractor will screen potential candidates for focus groups by use of telephone interviews. Also, the groups will be audio recorded and transcripts of each session will be produced.

4. Efforts to Identify Duplication

Information concerning the individual preferences of investors has been collected by some third-party sources such as industry trade associations and consumer advocacy groups. The Commission's research would supplement this information and help to fairly assess investor preferences concerning plain English disclosure.

5. Effect on Small Entities

Not applicable.

6. Consequences of Less Frequent Collection

The contractor's proposed telephone and focus group interviews are intended to be one-time events, with follow-up only if necessary. Without the information to be collected by the contractor, the SEC's evaluation of the most effective means of providing information to investors regarding the entities it regulates would be severely hampered.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

Not applicable.

8. Consultations Outside the Agency

The Commission's request for public comment on the collection of information from focus groups and telephone surveys was published in the Federal Register on November 2, 2007 (72 FR 62276). The Commission received no comments in response to its request.

9. Payment or Gift to Respondents

Given the relatively low respondent burden, participants in the telephone survey will not be paid. Consistent with standard research practice, the contractor will pay a flat

fee of \$75 or \$100 to investors participating in the focus group interviews to help ensure a sufficiently broad pool of participants and to compensate participants for their time.

10. Assurance of Confidentiality

Participation in both the telephone survey and focus groups will be wholly voluntary. Information collected during the study will not be kept confidential, except that the identity of a study participant, and information that would identify a participant to anyone outside the study, will not be disclosed without the participant's consent, except as provided by law.

11. Sensitive Questions

Not applicable.

12. Estimate of Respondent Reporting Burden

The contractor intends to interview 1,000 people by telephone, with an average interview length of fifteen minutes, for an estimated total of 250 hours. Additionally, the contractor estimates that each investor focus group will take no longer than approximately 2 hours to complete. These focus group interviews are expected to be one-time events, with follow-up only when necessary. Given that the contractor intends to conduct approximately 7 focus groups with nine people involved in each, the aggregate estimated burden total is 126 hours. Together, the telephone surveys and focus groups would yield a burden of approximately 376 hours. Participation in any interview or focus group will be wholly voluntary.

13. Estimate of Total Annualized Cost Burden

Not applicable because this is a one-time data collection.

14. Estimate of Cost to the Federal Government

The contractor, rather than the Commission, will collect the information and produce a final report pursuant to Contract No. SUCH-07-F-7121. The total contract price is \$124,500. The role of Commission staff under the contract will include periodic consultation with the contractor about study tasks, reviewing and approving contract deliverables, and administering the contract, none of which should occupy a significant portion of the time of any Commission staff member.

15. Explanation of Change in Burden

Not applicable.

16. Information Collection Planned for Statistical Purposes

The contractor will produce a report under its own cover to the Commission. The report will summarize, in non-attributable form, the data collected. Data resulting from the telephone surveys will include both qualitative and quantitative analysis of the results of the research, including: 1) a summary of the survey methodology including information on the sampling frame, the survey participation rate, and demographic composition of the resulting sample; 2) a summary of the preliminary data analysis procedures employed to deal with outliers and missing data; and 3) a full set of Figures and Tables, with accompanying text interpretations. These analyses will rely mostly on percentage distributions, cross-tabulations and corresponding significance tests where appropriate. No complex analytical techniques are planned at this time, although regression analysis may be employed to identify predictor variables for self-reported behaviors.

Data resulting from the focus group interviews with individual investors will be used for a descriptive, qualitative analysis. We will not analyze the focus group data using statistical methods to make inferences on the general population.

Collection of information would begin as soon as possible and continue through approximately June 2008. It is estimated that the contractor's report would be prepared in draft form by July 2008. We expect that the report would be finalized no later than July 2008, and the results would be made public as soon thereafter as practicable.

17. Explanation as to Why the Expiration Date Will Not be Displayed

An expiration date will not be displayed because the information collection that is the subject of the request will not appear in a Commission rule or form.

18. Exception to Certification

Not applicable.

**B. Collection of Information Employing Statistical Methods**

As set forth in response to question 16 above, data resulting from the telephone surveys will be analyzed using the statistical methods discussed below. Data resulting from focus group interviews with individual investors will be used for a descriptive, qualitative analysis. We will not analyze the focus group data using statistical methods to make inferences on the general population.

1. Description of potential respondent universe and any sampling or other respondent selection method to be used.

With respect to the telephone interviews, the contractor will conduct a simple random sample of 1,000 investors which will provide representative results for U.S. households. The introduction of the survey will include a screening section designed to identify respondents with SEC-regulated investments. The contractor estimates that

approximately 20 percent of U.S. households have stock investments and approximately 32 percent have mutual funds. The contractor will accordingly assume that the incidence of investors who qualify for the investor survey will be at least 20 percent. No stratification of the sample will be needed.

The contractor understands that the OMB has a response rate goal of 80 percent and that when studies fall short of that goal a non-response analysis is required. As described in section B 3, the contractor will use a number of procedures to maximize response rate. Nonetheless, the typical response rate for most random digit dialing surveys conducted for federal agencies, other than those conducted by the U.S. Census Bureau, fall in a range between 40% and 50% (AAPOR Response Rate 3). In the absence of financial incentives or other direct benefits for participation or penalties for non-participation, it should be anticipated that this survey may fall below the OMB goal and require a non-response analysis. To this end, the questionnaire has been designed to try to obtain some demographic information for those who refuse to conduct the survey, including age, gender, number in household and household income. In addition, all sampled numbers, including completes, non contacts and refusals will be classified based on Census estimates (e.g., percent African-American, percent Hispanic, median income, etc.) for the zip code associated with the hundreds banks. These direct and indirect measures of population characteristics will be used to estimate the degree and nature of any non-response bias in the sample.

The contractor will select participants for the focus groups. The contractor will use databases of households in the geographic areas where the focus groups will be conducted and will call households and screen participants to meet our requirements for

this study. For each focus group, we will aim for a mixture of participants from the geographical area by age, gender, and race. For the general plain English focus groups, participants will be required to have enough experience using SEC-mandated disclosure documents, so as to be able to discuss their experiences with them in a productive manner. For the plain English summary prospectus focus groups, participants will be required to hold at least one mutual fund, either directly purchased or held through a self-directed 401(k) plan; have purchased a mutual fund within the past two years; have a high school or college degree; and be the primary financial decision makers for the family.

2. Describe the procedures to be used for the collection of information.

With respect to the telephone surveys, a random digit dial (RDD) sample will be utilized to conduct the investor survey. The contractor's CATI system will automatically program interview attempts to be made on different days of the week and at different times of the day. At least ten attempts will be made to reach each sampled telephone number. Since this is a household survey, calls will be placed in each time zone on Monday through Friday evening from 6:00 to 9:00 PM, on Saturday from 10:00 AM to 9:00 PM, and on Sunday from 1:00 to 9:00 PM.

Once the sampling frame of telephone households has been geographically stratified for the entire U.S., a sample of assigned telephone blocks will be randomly selected from an enumeration of the Working Residential Hundred Blocks within the active telephone exchanges within the region. A two-digit number is randomly generated by computer for each Working Residential Hundred Block selected in the second stage sample. The RDD sample of telephone numbers is then dialed by the contractor's



interviewers to determine which are currently working residential household telephone numbers.

The sample for the national telephone interview will be released in replicates. Non-working numbers and non-residential numbers are immediately classified as non-households. Ineligible households (e.g., no adult in the household, language barriers, etc.) are also immediately classified as ineligible. Non-answering numbers will be repeatedly dialed on different days and at different times of day until the research protocol (in this case, a ten-call protocol) is exceeded. However, one or more open numbers per case may be permitted so that the field period can be completed within a reasonable period. The systematic dialing of those numbers to obtain a residential contact should yield unbiased samples of telephone households for the investor survey.

Various estimation procedures will be employed as appropriate to the scale of the variable being analyzed. These procedures will include both parametric and non-parametric techniques. Simple descriptive statistics will be supplied for all variables in the data file. Given that the data will be the product of a simple random sample, no post-hoc adjustments will be needed to account for complex sample designs. In the absence of available population parameters for the universe of investors in the United States, no post-stratification weighting of the sample is possible. A sample of 1,000 investors will produce an over all margin of error of approximately 3 percentage points at the 95 percent level of confidence. There are no unusual problems that will require over-sampling or stratification of the sample.

With respect to the focus groups, in each geographical area chosen for investor testing, the contractor will conduct focus group interviews with investors relating to the

subject matter described in Appendices A and B. The Appendices generally set forth the subject matters that the contractor will cover including general questions. The testing may include additional follow-up questions related to these subject matters. We estimate that there will be approximately seven focus groups (each consisting of approximately nine participants), that the contractor will conduct.

3. Describe methods to maximize response rates and to deal with issues of non-response.

The contractor will attempt to maximize response rates and deal with issues of non-response to the telephone surveys through methods such as factoring a cushion for non-response into the number of investors it contacts and choosing locations and facilities for focus groups that offer ample potential for recruiting qualified participants.

The response rates for the telephone survey will be maximized by utilization of high quality interviewers, conducting interviewer training, optimizing contact procedures, interview monitoring, and management of the field period. The contractor will identify potential inducements and possible barriers to survey participation during the design stage. The contractor will then try to maximize the former and minimize the latter in the sampling, questionnaire development, study procedures, interviewer training, and interviewing phases of the study. Some of these approaches to maximizing response rates on surveys are summarized as follows:

(a) Sponsorship attribution in the introduction. Importantly, the SEC will be identified in the introduction as the survey sponsor, and this should encourage response by those who are contacted.

(b) The importance of the survey. Special care will be taken to insure that respondents understand the importance of the survey and the importance of their

participation in the survey. If respondents understand the reason they are being asked questions and the reasons for which the study is being conducted, they will be less likely to refuse cooperation in the effort.

(c) Interview length. The interview length is usually a critical issue in cooperation rates. When asked what factors influence the potential respondents' willingness to participate in a survey, the length of the interview is always volunteered. If the interview only takes five minutes or less, most people say they will do it, if it is a legitimate survey on a useful topic. On the other hand, as the interview length increases, so does respondent resistance. The interview for this study will be limited to an average of 15 minutes. Many interviews are expected to fall short of that maximum based on the individual responses that reduce the number of follow-up questions that need to be asked. The proposed telephone survey is attached as Appendix C.

(d) Callback Strategy. On any survey, respondents who are not reached represent a potential source of sample bias. Hence, the design of the contact and callback strategy is critical to the survey response rate. For this survey, attempts will be made to isolate those times to call back to speak with a designated respondent whenever possible.

(e) Refusals. Refusals present a special group of non-respondents. Reducing the rate of refusals by re-contacting them and convincing them to participate is a crucial element in achieving a high response rate and in minimizing refusal bias. The telephone interviewers will make every effort to obtain an interview and to respond to initial respondent unwillingness. They will also leave a path open for

subsequent re-contact efforts, as appropriate. One attempt will be made to convert initial refusals unless the respondent specifically requests that they not be contacted again.

4. Describe any tests of procedures or methods to be undertaken.

Not applicable.

5. Name and telephone of individual consulted on statistical aspects of the design.

The contractor designed the statistical aspects of the telephone surveys and will collect and analyze the information for the SEC. The contractor's project leader is Dr. John Boyle.