

December 11, 2019

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumers Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island Nova Scotia
Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

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Re: CSA Notice and Request for Comment – Reducing Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1

This letter represents the comments of Broadridge Investor Communications Corporation¹ (Broadridge) in response to your request for comment on CSA Notice and Request for Comment – Reducing Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1 (the “Consultation”).

¹ Broadridge is an industry leader in the Canadian financial marketplace, facilitating the proxy communication process since 1987. Our services include delivery of shareholder communications and other documents on behalf of corporate issuers, mutual funds and banks, brokers and trust companies, in compliance with industry regulations. We currently support 66 proximate intermediaries (representing 253 financial institutions) holding securities on behalf of investors of approximately 3,000 Canadian public issuers, as well as custodians and institutional investors. Broadridge’s global reach also provides U.S. and other foreign investors the opportunity to receive materials from and participate actively in the voting process for Canadian reporting issuers. Unique to Broadridge are our domestic and global reach and our combined industry, regulatory and information technology expertise. Our clients rely on us to help them efficiently and cost-effectively comply with applicable proxy and disclosure laws and regulations through the deployment of technology-based solutions.

Introduction

Broadridge supports the goal of the Consultation in seeking additional ways to reduce the regulatory burden on investment fund issuers. At the same time, changes to regulations involving investor communications should not negatively impact investor protection or efficiency of the capital markets.

Our response focuses on your questions relative to Workstream Two.

Workstream Two: Investment Fund Designated Website

“Given the widespread use of Internet-based technology in communications, we propose to add Part 16.1 to NI 81-106 to require reporting investment funds to designate a qualifying website on which the investment fund intends to post regulatory disclosure...”

The purpose of this proposed requirement is to improve the accessibility of disclosure for investors while taking into account the current way investment funds or Related Persons generally structure their websites. We are of the view that this requirement will create possibilities for regulatory disclosure that is currently found in printed documents to be moved to the designated qualifying website, which can potentially reduce burden and costs for investment fund managers and investment funds.”

Broadridge supports the proposed addition of “Part 16.1 to NI 81-106 to require reporting investment funds to designate a qualifying website on which the investment fund intends to post regulatory disclosure...” but cautions against moving towards an “access equals delivery” model.

In the U.S., e-delivery has grown to comprise over 57% of all fund report deliveries as of 2019. This growth is driven by the adoption of technology, including ongoing developments to make regulatory communications available on popular digital delivery platforms (such as Dropbox, Evernote and cloud drives from Google, Amazon, and Microsoft), and the launch of newer and more flexible formats for providing information in email messages.

The adoption of these technologies is based on the fundamental principle of *pushing* targeted and relevant information directly to investors rather than requiring investors to search for fund information when notified of its availability by a mailed notice.

Investment funds and their investors are benefitting from current rules and guidance for e-delivery and notice and access. While a change to an “access equals delivery” model may reduce costs by eliminating print and postage, it would also reduce investor engagement with disclosure communications.

It bears noting here that there are costs associated with maintaining a web site. Infrastructure upgrades, usability updates, content maintenance, privacy and security protocols, etc. are necessary and not without cost. It may be a misconception that digital availability is a cost-cutting measure.

We submit that the proposed amendments should take the opportunity to increase investor engagement with disclosure communications and build on the principle of pushing the information directly to investors, not requiring investors to search for fund information. High levels of awareness and engagement are driven by pushing information to the investor. Few investors actively search the Internet or fund websites to find communications. This finding is supported by numerous studies over many years

(including studies by the SEC, FINRA, Forrester, and others)². Information must remain easily accessible with targeted communications whether in print or by electronic means and available in the format preferred by the investor.

Here we respond to your specific questions in Appendix A:

1. Should the proposed Part 16.1 be revised to provide investment funds with the option to designate other technological means of providing public access to regulatory disclosure besides websites? In your response, please comment on the following issues: any potential investor protection concerns, consistency with securities instruments outside of the investment fund regime, and the benefits of making such a change.

Access equals delivery has a known negative impact on investor engagement. Investors do not search for regulatory disclosures on the internet. They need to be notified, provided with key summary information in user-friendly standard formats and engaged to link to more detailed information through layered disclosures.

Even if an investor undertakes to search for a document they have been informed is available, the abundance of information available online, multiple funds with similar names and the level of usability of an investment fund's website makes accessing information challenging. (Usability refers to the quality of the search capability, AODA and other accessibility standards, compliance, security, etc.).

Given these challenges, delivery of regulatory disclosure information cannot be assured by simply making the documents available on a website. The proposed Part 16.1 should be drafted to focus on supporting current and future technologies that build on the fundamental principle of pushing the information directly to investors and not on the notion that investors will search for fund information.

² Siegel and Gale, "Investor Testing of Selected Mutual Fund Annual Reports (Revised)," Submitted to: The U.S. Securities and Exchange Commission, February 9, 2012
Siegel and Gale, "Investor Research Report," Submitted to: The U.S. Securities and Exchange Commission, July 26, 2012
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2018 Disclosures Survey Report, October 12, 2018, a commissioned study conducted by Forrester Consulting on behalf of Broadridge Financial Solutions, Inc.
IAC, Recommendation of the Investor as Purchaser Subcommittee Regarding Promotion of Electronic Delivery and Development of a Summary Disclosure Document for Delivery of Investment Company Shareholder Reports, December 7, 2017, available at: <https://www.sec.gov/spotlight/investor-advisory-committee-2012/recommendation-promotion-of-electronic-delivery-and-development.pdf>
"Mutual Fund Email Options Concept Test, Alternative Mutual Fund E-Delivery Options," 2016, True North Market Insights
"Broadridge Mutual Fund Email Options Quantitative Online," 2016, True North Market Insights
"How Might the Proposed Rule on Accessing Annual and Semiannual Mutual Fund Reports Affect Investor Behavior," August 7, 2015, a commissioned study conducted by Forrester Consulting on behalf of Broadridge Financial Solutions, Inc.
"Annual Report and Semi-Annual Report Notification Study: Understanding the Impact of Providing Investors with Mutual Fund and ETF Report Notifications," June 2015, True North Market Insights
"Defaults and Deciding to Use Information, A White Paper Reviewing the Role of Defaults in Decision Making: Implications for Investor Participation in the Proposed Notice and Access Scenario," Eric J. Johnson, Columbia Business School, 2006
"Channel Factors That Block (Psychologically) Effective Access: Unforeseen Risks of the Proposal on "Internet Availability of Proxy Materials," Daylian M. Cain and Sendhil Mullainathan, Harvard University, 2006
SEC Evidence Summit, March 10, 2017 <https://www.sec.gov/news/pressrelease/2017-59.html>

What other technological means of providing public access to regulatory disclosure should be captured by the proposed amendments? Please be specific. Of these means, please identify which are currently in use and which are expected to be used in the future.

Rather than specifying other technologies, the regulation should provide for the inclusion of future technologies that meet the objectives of the proposed amendment. Please see page 5 of our comments (*Ways to Improve Fund Investors' Experience with Regulatory Communications*) for examples of recent innovation in technology-based communication solutions that enhance the investor experience. In these examples, delivery notifications are customized to point an investor to information specific to them, including regulatory documents, transaction information, research or marketing content.

2. Should any parameters (e.g. free to access, accessible to the public) be applied to limit which technological means of providing public access to regulatory disclosure besides websites should be included in the proposed Part 16.1? If so, please state which parameters should apply and why.

Currently, the guidance contained in notice and access rules and in National Instrument 54-101 specify that "Proxy-related materials that are posted under subparagraph 2.7.1(1)(d)(ii) must be posted in a manner and be in a format that permit an individual with a reasonable level of computer skill and knowledge to do all of the following easily: (a) access, read and search the documents on the website; (b) download and print the documents." The same kind of guidance should be applied to all regulatory disclosure regimes to ensure they meet basic usability thresholds.

3. If you agree that technological means of providing public access to regulatory disclosure besides websites should be included in the proposed Part 16.1, what terms could be used to refer to these means? What are the benefits and drawbacks of each possible option? Some examples include "digital platform", "electronic platform", and "online platform".

Of the examples given, "digital platform" is the most appropriate in this context, as it does not limit the inclusion of future technologies. The proposed Part 16.1 should be drafted to allow the adoption of current and future digital platform technologies and focus on supporting communication options that will increase investor engagement with disclosure communications building on the fundamental principle of pushing information directly to investors, as per the existing e-delivery model.

4. Are there any elements of the current proposed amendments and proposed changes under Workstream Two that would not work if an investment fund could designate other technological means of providing public access to regulatory disclosure besides websites?

We submit that amendments should be principle-based rather than technology-specific. In this way, any technological solution that upholds the principle(s) can be considered for the purpose of investor communication, thereby eliminating the unintentional consequence of precluding future technology solutions not envisioned today. The fundamental principle should be that investors receive investment information that is relevant to that individual – e.g. based on holdings, or in the context of an action or intent – in a manner that employs sending or delivering a pertinent customized communication.

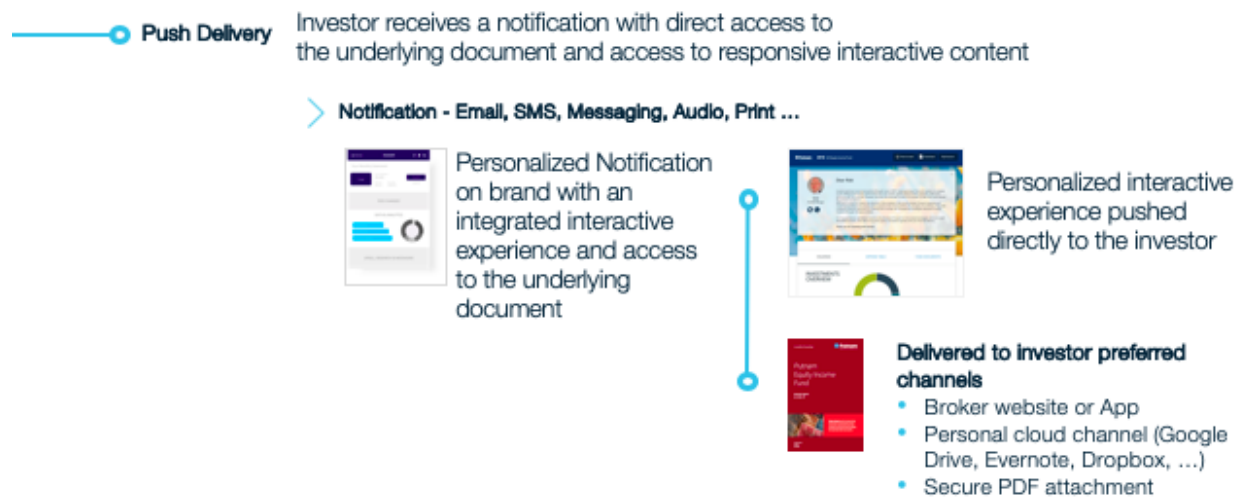
Ways to Improve Fund Investors' Experience with Regulatory Communications

Changes to regulations involving securityholder communications should not unintentionally reduce securityholders' access to information by requiring them to take steps to receive it. Information must remain easily accessible and available in the format preferred by the investor. The perceived cost savings anticipated in an "access equals delivery" model would also reduce investors' engagement with disclosure communications. By contrast, greater cost savings are available under current rules and guidance without a change in the delivery default simply by making it easier for investment funds to use targeted digital communications options that are currently available.

Rapidly growing and popular digital platforms can provide delivery of financial information to the sites currently being visited by the investors (rather than at sites where the investment fund determines they should go to find them).

1. **Notifications through multi-channels** – including text message, instant message, and other means further facilitate mobile access to regulatory communications. Notifications can be enriched to include key content in the body of the message, better branding, and a means to easily connect with brokers, funds, and advisers. (All channels provide compliance links to full reports.)
2. **Personal interactive communications technologies** – push information to investors and provide personalization, interactivity, and layered information in user-friendly formats on all devices -- using charts, tables, videos, and key summary information.
3. **Integration with mobile apps** – integration across each investor's digital experience with their brokers, advisers, and fund companies – provides better context for regulatory communications and makes them more understandable.
4. **Addition of technology features** (e.g. QR codes) – will make it easier for investors to access information and provide their consents to e-delivery. This will provide a smoother path to greater use of technology by individual investors who receive mailed notices.

Tomorrow's Digital Experience





In Conclusion

We would be pleased to meet with representatives from the CSA to discuss further the digital communication options and our technology infrastructure that enables them. We are also happy to provide further quantitative data that may be informative and valuable.

Broadridge remains committed to improving the regulatory disclosure systems for investment funds, intermediaries, investors and all other constituents of this important investor communication infrastructure.

Sincerely,

A handwritten signature in black ink that reads "Patricia Rosch".

Patricia Rosch
Broadridge
President
Investor Communication Solutions, International