

Submitted via email

May 2, 2022

CSA NOTICE AND REQUEST FOR COMMENT PROPOSED AMENDMENTS AND PROPOSED CHANGES TO IMPLEMENT AN ACCESS EQUALS DELIVERY (AED) MODEL FOR NON-INVESTMENT FUND REPORTING ISSUER

[CSA Notice and Request for Comment – Proposed Amendments and Proposed Changes to Implement an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers \(osc.ca\)](#)

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Alberta Securities Commission Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
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Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Nunavut

Thank you for providing an opportunity to comment on your access equals delivery (AED) proposals. I cannot support AED because SEDAR is awkward for retail investors to use, access does not constitute delivery, news releases are not easy to locate, the current system works, AED increases investor burden by increasing search time, electronic delivery is more effective than AED, issuer websites are not required to post filings and cost savings (apparently 99.5% of investors are NOT asking for paper delivery) are modest compared to the aggravation AED will cause retail investors.

Most retail investors have never heard of SEDAR. For those who have, many find SEDAR investor-unfriendly and archaic. See *The Totally Practical, Not Even Slightly Sarcastic or Frustrated, Investor's Guide to SEDAR*

<https://thedeepdive.ca/the-totally-practical-not-even-slightly-sarcastic-or-frustrated-investors-guide-to-sedar/> A modern 21st century approach would simplify navigation and would allow shareholders or potential investors to request notifications when certain disclosure documents were filed on the site. The proposed access model might be more palatable if SEDAR was brought up to contemporary standards. Why not modernize SEDAR before proceeding with AED?

I note that SEDAR lacks confidence in itself **“You should not assume that SEDAR or the Content on this Web Site will be error-free, timely, accurate, complete or that SEDAR or this Web Site will operate without interruption.”**
 Re https://www.sedar.com/terms_of_use_en.htm That doesn't inspire site usage.

News releases are not easy to track for the average retail investor – they really are an early 20th century approach to communications. Besides, investors are busy people, any disclosure model that adds to their workload is not an improvement.

Asserting that access equals delivery makes a mockery of the English language and is fundamentally untruthful. Investors should not be assumed to be acting on information if it was not delivered to them. In fact, under the proposals, it is far more likely than not, that retail investors will not be basing investment decisions based on news releases received from issuers. The CSA should not design a disclosure system that makes demonstrably false claims and could prejudice investor positions. All the AED model does is satisfy low CSA standards for disclosure “delivery” of financial reports and MD&A to the Public.

It does not appear to me that the AED model proposal is based on independent retail investor research. For example, the consultation states *“We think the proposed AED Model is especially well suited for these types of documents since investors are generally aware that the documents will be available on SEDAR”*. These thoughts may or may not be accurate but how many retail investors are even aware of SEDAR? What about them? The CSA also believe that *“Investors can also predict when the documents will be available since they are subject to prescribed filing deadlines.”* Maybe some can, but wouldn't electronic delivery as proposed by an investor Panel associated with the Ontario Securities Commission be much better and less burdensome for investors?
 (https://www.osc.ca/sites/default/files/2020-11/com_20200224_iap-access-equals.pdf) That would be an effective use of technology and evidence of real modernization.

I couldn't find any research on Canadian investor disclosure delivery preferences but a 2019 FINRA funded US study **Investors in the United States A Report of the National Financial Capability Study**
https://www.usfinancialcapability.org/downloads/NFCS_2018_Inv_Survey_Full_Report.pdf found that *“Investors prefer to have disclosures mailed to them as paper documents (36%), although this percentage has dropped considerably from 49% in 2015. Receiving disclosure documents via email is a close second (33%, up from 27% in 2015 ”*. According to the CSA Consultation paper, *I understand that less than 0.5% of security holders requested to receive copies of financial statements and related MD&A in each of 2019 and 2018.”* Why the disparity? Does the SEC promote disclosure better? Is EDGAR easier to use? Are Americans more investment savvy than Canadians? Do Canadians enjoy web searches more? In my opinion, the CSA needs much more investor research backup before proceeding.

Even if the CSA's understanding is correct, what impact will the new model have on this “tiny” percentage? [assuming, in round numbers, there are 20 million retail

investors, at 0.50%, this amounts to about 100,000 Canadians potentially impacted by the new disclosure model].

Electronic delivery would meet the needs of most retail investors. Implementing electronic delivery isn't exactly rocket science and it is more modern than news releases which have been around as far back as the early 20th century. SEDAR could be set up to provide alerts that would make use of modern technology. Dealers should make electronic delivery the default delivery choice, not paper.

Obviously, electronic delivery does not meet the needs of investors who prefer paper copies of disclosures or can't/won't use the internet. The AED model would have to ensure that it would be easy to make requests for delivery, provide standing instructions and make revisions. Mailing timelines should be enforced.

The statement "*An electronic or paper copy of the final prospectus or any amendment may be obtained, without charge, from [insert contact information for the issuer or dealer, as applicable] by providing the contact with an email address or address, as applicable.*" should also include a toll-free telephone number.

To the extent issuers are concerned about the environment, they ought to consider using recycled paper for print disclosure documents.

Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers says "*The proposed access equals delivery model is intended to modernize the way documents are made available for the benefit of investors and issuers.*" I therefore recommend that all issuers modernize by providing a website that would allow their shareholders and others to easily read, print or download financial statements, news releases and MD&A disclosures.

I agree 100% with the CSA not to mess with mutual fund/ETF disclosures or any document that allows investors to exercise their rights as shareholders. NO-Go zone.

I expect the modernized SEDAR website (whenever it finally appears!) will comply with Accessibility for Ontarians with Disabilities Act requirements) or equivalent law.

One final point: The CSA should step up its educational efforts on financial disclosure documents, why they are important, where to find them etc. It should be noted that ordinary Canadians are very interested in societal matters such as diversity, gender related issues, corporate governance, supply chains, use of child labour and of course, climate change risks. That's why MD&A delivery is important.

Permission is granted to publish this Comment letter on CSA member websites.

Sincerely,

Arthur Ross, Toronto