



# Bridgeway Software Canada Inc.

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The Ontario Securities Commission  
20 Queen Street West  
Suite 800, Box 55  
Toronto, Ontario  
M5H 3S8

**Attn: Mr. J. Stevenson, Secretary**  
**SENT BY EMAIL AND BY MAIL**

September 14<sup>th</sup>, 2000

Dear sir:

## **Proposed National Instrument 55-102, SEDI System**

I refer to the above-captioned proposal, and the request for comments that was published in the OSCB of June 16<sup>th</sup>, 2000.

I now attach a copy of our submission. I understand that you will take care of the onward transmission to the Securities Commissions in the other Provinces.

Thank you for your attention,

Yours truly,

(Original signed)

Nigel Blumenthal  
President

Bridgeway Software Canada Inc.  
Written submission regarding proposed National Instrument 55-102, System  
for Electronic Data on Insiders (SEDI).

To:  
British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Securities Commission  
The Manitoba Securities Commission  
Ontario Securities Commission  
Office of the Administrator, New Brunswick  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Nunavut  
Registrar of Securities, Yukon Territory  
Commission des valeurs mobilières du Québec

Dear sirs:

### **Introduction**

Bridgeway Software Canada Inc., of which I am President, produces software to automate the Corporate Secretarial function of companies. Our software stores data on Directors, Officers, subsidiaries, share transfers and ledgers, and other related matters. As a byproduct of keeping this data, we introduced some four years ago a module which would store the data involved in insider filings, and produce the filing by printing the form and the data onto blank paper; in common parlance, our software produces Insider Filings. Our clients are corporations, and the clients for this module are corporations which offer a service to their Directors and other insiders whereby the company's staff prepare the forms, and then either send them to the Insider for signature and onward transmission, or sign them as attorney for the Insider and file them direct. Our comments, therefore, are motivated by two issues:

- a) Because we are in touch with many Reporting Issuers, we are familiar with the thinking in the departments that produce these forms;
- b) We are also concerned about the effect on our business that these proposals will have.

In these comments, these two issues may appear to be interlinked. We do not intend for that to be the case, but the Commissions should understand what motivates each comment.

## **General**

Those corporations who are our clients generally offer the service of producing the filings for a number of different reasons. Not all reasons would apply to every Reporting Issuer, but this is an amalgam of reasons. (We are assuming here that every Insider notifies the Corporation promptly of trades carried out or other transactions that would not have been within the knowledge of the Corporation.)

- a) It encourages consistency, both between Insiders, and between different reports produced for the same Insider;
- b) It produces an accurate report, balances are always reported correctly, and the filings are presented on time;
- c) Some or many Directors do not necessarily have access to computers or, if they do, they are not always connected to the Internet or email;
- d) Some Corporations do not allow outside Internet access except through a limited secure gateway, to which Directors and senior officers do not necessarily need access;
- e) Prompt production of the filings minimises any penalties imposed on the company;
- f) Notification of transactions to the Company means that the company can track any trading that is happening outside of “window” periods, when transactions are normally forbidden;
- g) The company acts as the central repository of all information about the insider’s shares, whether purchased by him/her, or issued under ESOP, SDP/DRP or other plan, by the Company;
- h) Issues of security of filings, etc., are often best handled from a company’s system, rather than from what may be a director’s home computer system.

## **Direct electronic filing**

(This comment reflects both concerns expressed to us by clients, and our concern for the future of our business model. All other comments are based purely on client and administrative concerns.)

We understand that there are currently no plans to allow for direct electronic filing by exchange of data from a computer into the database, without the tedious process of going through the website. We also understand that, at present, there is no intention to develop such a system in the foreseeable future.

In the third paragraph of the beginning “Substance and Purpose” section, the document states that “The objective of SEDI is to allow insiders of most reporting issuers to file their insider reports in electronic format over the internet using commonly available web browsers”. We feel that, in its rush to implement this laudable objective, the Commissions are in danger of not so much “allowing” insiders to file this way, but of “forcing” them to do so. Although it is undeniably the responsibility of the Insider him or herself to file the report, the fact is that many companies do file on behalf of their insiders, and the proposed system, which forces individual filing, will prove cumbersome to corporate administrators who presently offer this service. The proposed system must provide a facility for either continuing paper filing by agents, or for direct electronic input into the SEDI system as output from a software program in a standardised format.

## **Additional Obligations**

The proposed Issuer Profile Supplement places requirements on corporations that they currently do not have, specifically the requirement to file notice of an Issuer Event. What are the requirements to file notice of these events ? Would there be penalties if an issuer failed to produce these filings ? Is it proposed that the Issuer now become a party to the filing transaction, whereas before the responsibility rested solely with the Insider ?

## **Potential Confusion**

It seems that these new obligations are solely to assist Insiders to prepare their reports on the website, but under this proposal, public information is now coming from two sources, and this is somewhat confusing. For example, let us suppose that a company has a stock split, and reports it as an Issuer Event. Currently, the practice is that Insiders do not need to report the change in the number of shares that result solely from the split until the next time a reportable transaction is made. Under the new proposal, would each Insider also have to report the change in the number of shares ? And would that report have to be produced within the ten-day deadline, or would the Commissions allow exemptions to match with current practice ?

## **Issuer Events**

In the current proposal, a Stock Dividend is given as an example of an occasion that would prompt an Issuer Event filing. Either this should not be included here, as participation in stock dividend programs is purely voluntary, or the wording needs changing to indicate that it refers to a general distribution of stock and not the optional program by that name.

## **System Loading**

The current electronic filing regime for corporate filings in Ontario came about partly because, in an initial test of limited public access, the system was overwhelmed and could not cope with either the volume of transactions or the volume of phone calls from even the strictly limited group of users in the first trial. The Ontario Government therefore decided to go with the restricted access “service provider” model that is now in place. Have the Commissions or CDS estimated the potential load on the system which would result from allowing public access by every Insider in Canada ? Is there an alternative “service provider” model in place for this system ?

## **Proposed Implementation Date**

Given the nature of the changes required, whereby the Commissions are effectively asking every Insider to file directly, and every Issuer to file its initial filing within a three-day timescale, we submit that the proposed implementation schedule is far too short. It is our contention that a phase-in period of at least a month should be provided, and that month should come after the Annual Meeting season (ie, May-June 2001) rather than before it.

## **Federal Filings**

It is unfortunate that the proposed new system will not apply to Federal filings, which may still have to be done under the existing system. In proposing a new system, the Commissions should make sure that the new system replaces all of the old systems, and does not do only part of the job. Under this proposal, presumably an Insider of an Issuer subject to Federal filing would still be expected to file reports in paper form, and maintain records of balances, etc., thus effectively doubling up on the work. We submit that this duplication is not acceptable.

## **Conclusion**

We thank you for the opportunity of making these representations, and look forward to revised proposals in the near future.

Bridgeway Software Canada Inc.  
September 14<sup>th</sup>, 2000

By:  
Nigel Blumenthal, President