

Varenes, April 29, 2003

Stephen Paglia  
Senior Policy Analyst  
Joint Forum Project Office  
5160 Yonge Street,  
Box 85, 17<sup>th</sup> floor  
North York, ON M2N 6L9  
spaglia@fsco.gov.on.ca

Me Denise Brosseau  
Secrétaire de la Commission  
Commission des valeurs mobilières du Québec  
Tour de la Bourse  
800, Square Victoria  
C.P. 246, 22e étage  
Montréal (Québec) H4Z 1G3  
consultation-en-cours@cvmq.com

Subject: **Comments on:**  
**“Rethinking Point of Sale Disclosure for Segregated Funds and Mutual Funds”**  
Joint Forum of Financial Market Regulators  
Consultation Paper 81-403

As an individual investor and expert in electronic document technology, we are pleased to share our comments on the above-mentioned subject.

Overall, we applaud the Joint Forum of Financial Market Regulators' effort; we believe it paves the way for simpler and better communications with the consumers, along with potential costs and efficiency savings for operators and sales representatives. The concepts of simplified documents, coupled with those of electronic delivery and print on demand technologies, also have tremendous environmental savings potential, as will be discussed at the end of this document.

With over 23 years of experience with information and document technology, we are one of the less than 200 individuals worldwide to have received the Electronic Document Professional (EDP) Certification from Xplor International. We are a member of the AIIM task force aiming to set an international standard format for long-term electronic document archival. We have significant experience in the financial industry, having consulted with firms such as Charles Schwab & Co. (San Francisco), National Life (Toronto) and Industrielle-Alliance (Quebec), amongst others. Our recommendations to the U.S. Securities and Exchange Commission (SEC) on electronic documents archival regulations are still posted on the SEC's web site. We are strong proponents of electronic delivery and print on demand technologies as tangible means to reduce costs and to help in preserving the environment.

Our comments will touch on 3 general areas. They are provided in English so they can benefit the majority of Canadians consumers and institutions.

**1. “access-equal-delivery” unjustly puts the burden on the consumers.**

We strongly oppose to the “access-equal-delivery” principle (page 3 and issues 03 and 05 on page 25).

In our experience, this approach would soon translate into the equivalent of asking the consumers to “*look for a needle in a haystack*”. Web sites constantly change, documents are often moved to different locations and broken links are way too common. In addition, there is no way to control all web sites for

ease of access and/or some kind of uniformity. For greater clarity, we oppose to the concept of “web-based postings” as a delivery alternative (including “postings on SEDAR”).

We do recommend that consumers *always* be offered *the choice* of electronic or paper delivery. Electronic delivery should be “personalized” (i.e. directed at the specific individual) according to the following principles:

- If sent by email, the sender can assume delivery has been completed if he has not received messages to the effect that delivery was *not* successful within a reasonable delay. The sender will be responsible for obtaining the consumer’s email address and providing a mean for the consumer to change the said address. For greater certainty, the sender *may* choose to receive a delivery confirmation by various techniques that are well known in the industry (read receipt, reply to the message, link to a confirmation Web page, etc.).
- If electronic documents are to be maintained on a Web site, the sender *must* provide a “*personal storage area*” uniquely identified for each consumer and protected against unauthorized access. This personal storage area should *only* contain documents relevant to or requested by that consumer, thereby greatly facilitating access. Retention of the electronic documents (in the consumer’s personal storage area) should be the same as their paper counterpart.
- In addition, all electronic documents should be:
  - protected against accidental tampering;
  - self-contained (i.e. a single file by document);
  - easily retainable on the consumers’ own computer;
  - accessible at no additional cost to the consumer (i.e. appropriate “viewers” do not involve any additional cost to the consumer);
  - authenticable as to the sender and the content. This would prevent the changing of their content and the forging of look-alike documents. Authentication is also a critical element in case of litigation. For this reason, we suggest that even the *Consumers’ Guide* should follow the suggested personal delivery guidelines.
- The last critical element pertaining to electronic documents is that of versioning. Way to often have we seen Web sites that simply “pull out” or overwrite a document that contained misleading information or errors that could result in litigation. In the paper world, the consumer could always revert to its hardcopy version, a tangible that would most likely be accepted as proof in case of litigation. In the electronic world, we therefore recommend that documents be versioned and that, if the operator has selected the personal web storage option, the exact version(s) that has been delivered to the consumer be maintained for as long as required by regulations. If a revised document is delivered to the consumer, it should be *added* to the personal storage area (i.e. it should *not* replace the original one), thereby keeping a full audit trail on the material that has been provided to the consumer.

## **2. Some practical issues surrounding fund summary documents (page 28)**

Readily available technologies can indeed alleviate many of the issues mentioned in this section.

Sales representatives should get electronic access to the operators’ documents. A proper document management framework would ensure they always get the most up to date version, also solving the updating issue. Document management systems often track who accessed what document, an helpful

feature in making sure the sales representatives has indeed accessed the proper document as well as the proper version.

Requests to send documents by email could also be made within such a document management framework, again ensuring that the proper version is delivered to the consumer. A document management framework could also facilitate the implementation of the “personal web storage” concept presented previously.

In the case of paper delivery, the newly proposed documents would most likely be ideal candidates for *Print On Demand* technology, thereby eliminating all stock and inventory issues. Well designed, they could also be printed on low-cost printers directly at the time and point of need by the sales representatives.

Consumers investing on a periodic basis should be directly notified or directly sent information about *relevant* changes. Again, we strongly oppose to the concept that “access to continuous disclosure” equals delivery.

We believe the fund summary document should cover only one fund. This should reduce its size, increase its readability and facilitate its maintenance cycle.

### **3. Reducing costs and preserving the environment.**

We believe the simplified documents will greatly improve their electronic delivery potential. According to a March 2003 study mandated by Equilogue Technologies Inc. and conducted by Toronto-based NFO CFGroup<sup>1</sup>, 70% of Canadian Internet users are interested in receiving documents electronically rather than by traditional mail. When polled specifically with respect to Mutual Funds and Annual Reports documents, over 50% of the respondent said to be interested or very interested in electronic delivery. With preserving the environment being the main motivation, we believe the Canadian financial industry can indeed reduce its paper consumption through this more economical *and* ecological alternative.

Even when considering paper delivery, the simplified documents (if properly designed) would very nicely lend themselves to the *print on demand* concept. Inventory and out-of-date waste costs could be eliminated; the environment would equally benefit by the industry only printing what is needed, when it is needed.

Hoping you will find these few comments helpful, do not hesitate to contact us if you would like to further discuss any of these concepts.

**Benoit Chenette**

benoit@chenette.net

---

<sup>1</sup> Press release available on Canada NewsWire web site, at [http://www.canadanewswire.com/cgi-bin/org\\_query.cgi?text=equilogue](http://www.canadanewswire.com/cgi-bin/org_query.cgi?text=equilogue)