



THE INVESTMENT
FUNDS INSTITUTE
OF CANADA

L'INSTITUT DES FONDS
D'INVESTISSEMENT
DU CANADA

IFIC Submission

Re: **CSA Consultation Paper 51-405**
*Consideration of an Access Equals Delivery
Model for Non-Investment Fund Reporting
Issuers*

March 9, 2020





PAUL C. BOURQUE, Q.C., ICD.D / c.r. IAS.A
President and CEO *Président et chef de la direction*
pbourque@ific.ca 416 309 2300

March 9, 2020

Delivered By Email: consultation-en-cours@lautorite.gc.ca, comments@osc.gov.on.ca

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 Consumer Services Commission of 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

Attention:

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8

Me Philippe Lebel
Corporate Secretary and Executive Director,
Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1

Dear Sirs and Mesdames:

RE: CSA Consultation Paper 51-405 Consideration of an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers

The Investment Funds Institute of Canada (**IFIC**) appreciates the opportunity to comment on the Canadian Securities Administrators' (**CSA**) Consultation Paper 51-405 *Consideration of an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers* (**Consultation**).

IFIC is the voice of Canada's investment funds industry. IFIC brings together 150 organizations, including fund managers, distributors and industry service organizations to foster a strong, stable investment sector where investors can realize their financial goals. IFIC operates on a governance framework that gathers member input through working committees. The recommendations of the working committees are submitted to the IFIC Board or board-level committees for direction and approval. This process results in a submission that reflects the input and direction of a broad range of IFIC members.

We commend the CSA for its efforts to reduce the regulatory burden on non-investment fund reporting issuers by proposing to adopt an access equals delivery model for delivery of certain disclosure and continuous disclosure documents. We agree that electronic access to documents provides a more cost-efficient, timely and environmentally friendly manner of communicating information to investors. The reasons which support adopting an access equals delivery model for non-investment fund reporting issuers are equally applicable to investment fund reporting issuers. We therefore urge the CSA to also adopting an access equals delivery model for certain continuous disclosure documents filed by investment fund reporting issuers.

IFIC provides its comments on the Consultation, including the reasons which support adopting an access equals delivery model at this time for both non-investment fund reporting issuers and investment fund reporting issuers. Our responses to certain questions posed by the CSA are set out in Appendix A to this letter.

Access Equals Delivery is not a New Model

In *Canada Steps Up: Evolving Investor Protection* the Task Force to Modernize Securities Legislation in Canada (**Task Force**) recommended the adoption of a full access equals delivery system in 2006. The Task Force specifically recommended that since investors can access disclosure materials through SEDAR, the “next step” in the evolution of Canada’s disclosure based system is to adopt a more extensive access-equals-delivery model¹.

If access equals delivery was considered a reasonable evolution of the Canadian capital markets without imperiling investor protection in 2006, then given the technological advances since that time it is clearly a reasonable approach for the Canadian capital markets in 2020.

Canadians’ Access to the Internet Is Nearly Universal

Past concerns about moving to an access equals delivery model have primarily focused on access to the internet, particularly for rural and older investors. The concern suggested that greater ability for all investors to access the documents electronically was necessary so that investors are not disadvantaged by the new model.

The Statistics Canada *Canadian Internet Use Survey* for 2018 found that 91% of Canadians aged 15 and older used the internet, with more seniors reporting Internet use (71%). This was an increase of 8% over the results in the 2012 survey, with the proportion of seniors online increasing by 23%. The 2018 survey also found that 94% of Canadians had home internet access.²

This level of access to the internet by Canadians alleviates previous concerns about investor access to the issuer’s documents electronically. We further note that the access equals delivery model preserves the ability of investors to request paper copies of disclosure documents from the issuer.

Current Experience of Investor Opt-In to Receive Continuous Disclosure Documents

Investment fund reporting issuers communicate with their securityholders annually on whether they wish to receive interim and annual financial statements and Management Report of Fund Performance (**MRFP**). We recently surveyed our members to understand the cost of the annual mailing, the number of investors who elect to receive the interim and annual continuous disclosure documents in paper and the cost of providing the documents in paper.

¹ Task Force to Modernize Securities Legislation in Canada *Canada Steps Up: Evolving Investor Protection* (October 2006) page 27.

² Statistics Canada Canadian Internet Use Survey <https://www150.statcan.gc.ca/n1/daily-quotidien/191029/dq191029a-eng.htm>

The cost of sending the annual request to securityholders varies with the size of the investment fund complex, but for the 15 members who responded to our survey, this cost varied from \$13,365-\$838,058 in 2017, \$22,737-\$880,958 in 2018 and \$20,727-\$1,117,905 in 2019. Further, while the absolute number of annual mailings sent each year varies depending upon the size of the investment fund complex the percentage of securityholders who opted to receive paper documents by mail is quite similar:

- the median percentage who opted to receive interim documents was 3.5% in 2017, 2.6% in 2018 and 3.3% in 2019
- the median percentage who opted to receive annual documents was 3.0% in 2017, 3.1% in 2018 and 3.9% in 2019.

Therefore, the cost to send the annual request far exceeds the percentage of investors who opt to receive the interim and annual documents in paper. These costs are borne by each investment fund and, indirectly, by the fund's investors.

Further, these results support the move to an access equals delivery model. The low opt-in rates clearly demonstrates that only a small number of retail investment fund investors want to receive the interim and annual financial statements and MRFPs in paper.

IFIC Support for Expanding the Access Equals Delivery Model to include Investment Fund Issuers

IFIC supports the CSA's proposed access equals delivery model under which delivery of certain documents can be effected by making the documents publicly available on the System for Electronic Documentation Analysis and Retrieval (**SEDAR**) and the issuer's website. Replacing delivery requirements for certain disclosure documents with a requirement to make the documents available electronically will reduce regulatory burden on issuers in a meaningful way. Investor protection will not be compromised both because of the nearly universal access of Canadians to the internet and because investors can continue to request hard copies be provided by the issuers.

We urge the CSA to make the access equals delivery model available to both investment fund reporting issuers and non-investment fund reporting issuers as quickly as possible.

* * * * *

IFIC supports this important initiative and its extension to investment fund reporting issuers. We would be pleased to provide further information or answer any questions you may have. Please feel free to contact me by email at pbourque@ific.ca or by phone at 416-309-2300.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA



By: Paul C. Bourque, Q.C, ICD.D
President and CEO

APPENDIX A—CONSULTATION QUESTIONS

- 1. Do you think it is appropriate to introduce an access equals delivery model into the Canadian market? Please explain why or why not.**

As discussed in our comment letter, IFIC supports introducing an access equals delivery model at this time for both non-investment fund reporting issuers and for investment fund reporting issuers. Such a model has been recommended since 2006, and concerns about investor protection have been addressed with the nearly universal access to the internet which Canadians now have and by preserving the ability of investors to continue to request the delivery of paper copies of the documents. IFIC also supports the significant environmental benefits which will accrue from the move to electronic access to these documents.

- 2. In your view, what are the potential benefits or limitations of an access equals delivery model? Please explain.**

In our view, the access equals delivery model can benefit both issuers and investors. It can facilitate the communication of information by enabling issuers to reach more investors in a faster, more cost-effective and environmentally friendly manner.

- 3. Do you agree that the CSA should prioritize a policy initiative focussing on implementing an access equals delivery model for prospectuses and financial statements and related MD&A?**

We support the CSA prioritizing a policy initiative focusing on access equals delivery for prospectuses and financial statements and related MD&A for non-investment fund reporting issuers, and for financial statements and MRFPs prepared by investment fund reporting issuers.

- 5. For which documents required to be delivered under securities legislation (other than prospectuses and financial statements and related MD&A) should an access equals delivery model be implemented? Are there any investor protection or investor engagement concerns associated with implementing an access equals delivery model for rights offering circulars, proxy-related materials, and/or take-over bid and issuer bid circulars? In your view, would this model require significant changes to the proxy voting infrastructure (e.g. operational processes surrounding solicitation and submission of voting instructions)? Please explain.**

Investment fund reporting issuers are currently able to use notice and access for the delivery of proxy materials to their investors based on exemptive relief granted by the regulators. The CSA has recently³ published for comment a proposal to codify this relief for all investment fund issuers. We have supported this proposal and look forward to the codification.

- 6. Under an access equals delivery model, an issuer would be considered to have effected delivery once the document has been filed on SEDAR and posted on the issuer's website.**

- a. Should we refer to "website" or a more technologically-neutral concept (e.g. "digital platform") to allow market participants to use other technologies? Please explain.**

Use of a more technologically-neutral concept would be preferable.

- b. Should we require all issuers to have a website on which the issuer could post documents?**

The CSA has recently⁴ published for comment a requirement for all investment fund reporting issuers to have a designated website. We assume the purpose of mandating a designated website is to be able to move some disclosures to the designated website in order to reduce the regulatory burden on investment fund reporting issuers

³ CSA Request for Comments *Reducing Regulatory Burden for Investment Fund Issuers--Phase 2 Stage 1*

⁴ Ibid

7. Under an access equals delivery model, an issuer would issue and file a news release indicating that the document is available electronically and that a paper copy can be obtained upon request.

a. Is a news release sufficient to alert investors that a document is available?

For investment fund reporting issuer continuous disclosure documents such as the interim and annual financial statements and and MRFPs we do not believe a press release should be required, given the very low rate of opt-in by investors.