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July 6, 2022

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Superintendent of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
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**Re: Proposed Amendments and Proposed Changes to Implement an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers**

Dear Madam/Sir:

Broadridge Investor Communications Corporation (“Broadridge”)<sup>1</sup> appreciates the opportunity to provide comments on the Canadian Securities Administrators (“CSA”) *Proposed Amendments and*

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<sup>1</sup> Broadridge (NYSE: “BR”) is a Fortune 500 global Fintech leader with over \$5 billion in revenues. It provides Canadian companies, investment managers, investors, and financial intermediaries with technology solutions for investor communications, corporate governance, trade processing, and other functions.

*Proposed Changes to Implement an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers* (the “proposal”).

## **Executive Summary**

Based on the CSA’s estimates of the costs, Broadridge’s estimates of the potential savings, and testing with Canadian investors, the proposed Access Equals Delivery (“AED”) model would raise costs for most Canadian companies and result in less access to information investors use to monitor their investments.

The added costs the average issuer would incur to rely on AED would surpass the savings they would realize in no longer sending annual request notices, financial statements, and MD&As to investors who receive them today. Averages of course do not tell the whole story. The economics of the AED model would benefit only the largest companies. But among 88% of all Canadian issuers, reliance on AED would cost them more than they would save on paper and postage, so they would likely not use it. Based on the economics alone, AED would potentially create confusion for investors. That is because investors would receive personal notifications for some of the holdings in their portfolio, which most investors have come to expect, while needing to search for media releases and filings for other holdings in their portfolio.

Investor advocates have expressed the view that the relatively minor cost savings to the largest companies would not be worth the reduction in investor protection, particularly for investor segments that most need such protection.<sup>2</sup> The costs to keep retail investors informed are relatively small compared to the great advantages public companies receive by going public.

The results of research with Canadian retail investors indicate that the model’s use of media releases would not provide effective notification. Moreover, few retail investors use SEDAR to access the disclosure documents. The evidence shows that “access” does not equal “delivery.”

We commend the CSA for looking to modernize investor communications. However, when it comes to technology, a better path exists. Digital delivery of notifications and continuous disclosure documents, under “tweaks” to the current Notice & Access approach, can both reduce regulatory costs and enhance investor education and engagement.<sup>3</sup> Based on Broadridge’s analysis, digital delivery can eliminate approximately 76% of the costs of sending financial statements and MD&As, while ensuring that every investor who now receives the annual request notices and disclosures will continue to receive them. Virtually all issuers, large and small, can realize economic benefits from digital delivery.

Digital delivery provides a more effective form of notification and access. Notifications are typically provided to an investor’s email inbox along with a link to the specific document in a centralized

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<sup>2</sup> See *CSA’s Proposal for Company Disclosures Has Downsides for Investors*, by Jean-Paul Bureaud and Edward Waitzer, *Globe and Mail*, June 19, 2022, (“The CSA’s policy choice is too focused on eking out minor costs savings for some public companies rather than better protecting investors...This lack of awareness is greater among investors with lower income or wealth, less education, and of older age.”).

<sup>3</sup> The option to receive annual and interim financial statements as well as related management’s discussion and analysis (MD&As) under the “Notice & Access” model is set out in subsection 4.6 of National Instrument 51-102 *Continuous Disclosure Obligations* (“NI 51-102”).

database, thereby eliminating the time and effort involved in hunting and pecking for information. Providing a robust, user-agnostic link should be foremost on the agenda for SEDAR+ so that no investors are left behind.<sup>4</sup> Moreover, providing QR codes on mailed notices, for example, would facilitate a smooth transition to digital delivery -- with resulting paper and postage savings accruing to all issuers for these and other regulatory communications as well.

## **Main Discussion**

### **Economic Analysis**

Based on Broadridge's analysis of over 3,400 Canadian issuers, companies incurred an average cost of approximately \$5,500 in sending annual request notifications, financial statements, and MD&As in 2021. This estimate includes paper, postage, and processing fees for personal notification of disclosure documents, preference capture, and fulfillment of requests by Canadian and U.S. investors to receive documents by mail or email.

The CSA estimates that the average issuer would incur approximately \$6,000 in new SEDAR filing costs to rely on the AED approach.<sup>5</sup> In other words, for the average issuer, the costs of relying on the AED model would exceed the savings.

Our analysis indicates that the largest companies could realize economic benefits from AED, while 88% of all Canadian issuers would be economically worse off if they relied on it. Therefore, most companies would likely not use it. As a result, the AED model has the potential to create confusion for investors. Investors would receive personal notifications and disclosures directly for some of the securities in their portfolio, which they have learned to expect, but need to know to monitor media releases, or to search for them (e.g., on SEDAR) for their other holdings.

By contrast, digital delivery would provide cost savings to virtually all companies along with more consistency and easier access for investors. With further adoption of digital delivery of notices and financial disclosures, the average issuer would realize savings of approximately \$4,200 (i.e., 76% of the costs they currently incur). Larger issuers would save substantially more. With greater adoption of digital delivery, issuers would realize additional savings by electronically delivering other regulatory communications as well.

### **Highlights of Recent Investor Testing**

*Quantitative Research.* To assist regulators and other market participants in evaluating potential changes to the continuous disclosure framework, including NI 51-102, Broadridge retained an

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<sup>4</sup> See Canadian Coalition for Good Governance's ("CCGG") comment letter to CSA's Proposed Amendments, Bruce Cooper, Chairman of the Board of Directors, June 29, 2022, ("Electronic delivery can be achieved by an effective and modernized notice and access model without removing delivery requirements.").

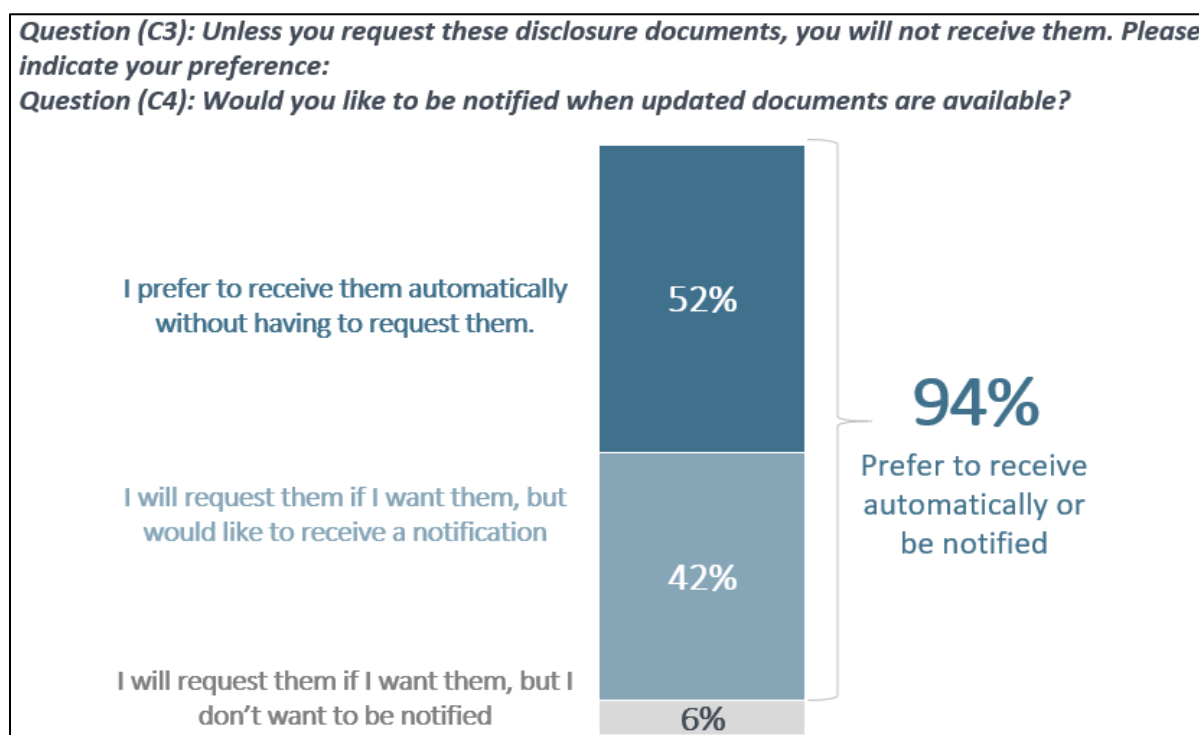
<sup>5</sup> See Section 6, *Anticipated Costs and Benefits of the Proposed Amendments* (ANNEX N, Local Matters, Ontario Securities Commission ("OSC")), which estimates that listed issuers "would incur ongoing additional costs of approximately \$1,500 to issue and file a news release, or \$6,000 per year, in connection with using AED for financial statements."

independent market research firm, True North Market Insights (“True North”), to survey 2,000 Canadian retail investors. The survey was administered both in English and French and included residents of all provinces and territories.<sup>6</sup> Survey participants were asked questions about sample disclosure documents including company financial statements and MD&As.<sup>7</sup>

Respondents were profiled based on self-reported demographic information (e.g., gender, age, income, level of educational attainment, and household assets) for purposes of understanding the extent to which AED would impact various segments of investors. Results of True North’s survey indicate that AED would derogate from investor education and protection, and prove to be unpopular with investors. Few if any investors would use SEDAR to access information without regular, personal notification:

- 94 percent of Canadian investors said they prefer to receive the disclosures automatically or be notified directly when they are available.
- 82 percent of Canadian investors are either not aware of SEDAR or do not use it.

**Chart 1. 94% of stock investors say they prefer to receive MD&As and financial statements automatically or to be notified of updated documents. Only 6% say they do not want to be notified.**

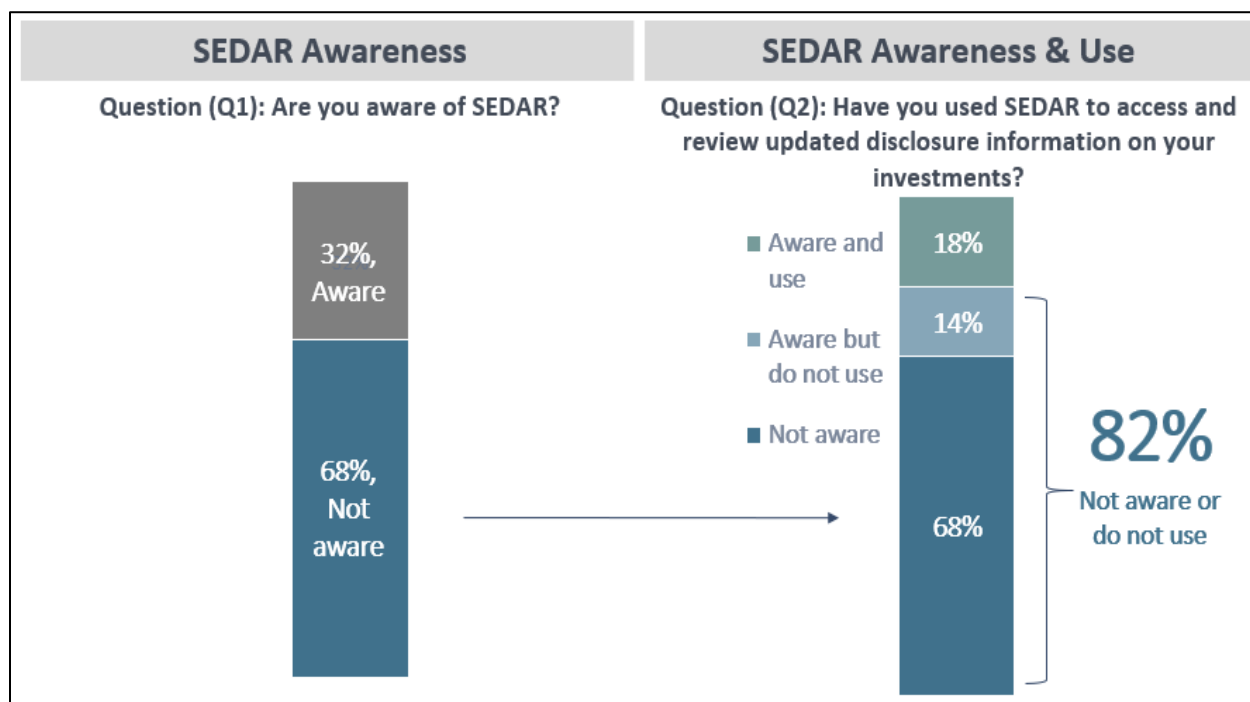


Source: True North Market Insights, 2021 Survey (Slide 31).

<sup>6</sup> True North conducted the research between May 11 and May 20, 2021. See the full report attached to Broadridge Investor Communications Corporation September 17, 2021 comment letter to Proposed Amendments to National Instrument 51-102 Continuous Disclosure Obligations and other Amendments and Changes Relating to Annual and Interim Filings of Non-Investment Fund and Reporting Issuers, available at [com\\_20210917\\_51-102\\_broadridge.pdf](https://www.broadridge.com/20210917_51-102_broadridge.pdf) (osc.ca).

<sup>7</sup> The survey included several questions suggested by OSC staff.

**Chart 2. 82% of investors either are not aware of SEDAR or do not use it.**



Source: True North Market Insights, 2021 Survey (Slide 23). Only 6% use SEDAR more than once a year (Slide 24).

*Qualitative Research.* Broadridge arranged also for an online focus group of 50 Canadian retail investors to observe in practice how they find continuous disclosure documents. With their permission, we recorded the steps they take to find or access financial statements and MD&As for a stock they own, and we asked them if they preferred to receive a notification, or to access a news release when disclosure documents are available.<sup>8</sup>

Out of the 50 participants, only 1 thought to go to SEDAR initially when asked to find a continuous disclosure document for a stock they own. 49 out of 50 participants performed an internet word search, and then navigated to an issuer or broker-dealer website to find the documents (where available). None of the focus group participants searched for media releases.

<sup>8</sup> We utilized UserTesting.com, an online research forum and panel. Participants agreed to be videoed while being asked questions about locating continuous disclosure documents. The video captures their thoughts and reactions while searching for an annual report for a stock they own.

Participants were clear that media releases would not be an effective form of notification.<sup>9</sup> Most said they would prefer to receive automatic, “push” notifications when disclosure documents are available.<sup>10</sup> A sample of verbatim quotes follows:

*“I would prefer to receive a notification instead of having to go to the site [SEDAR] and search.”*

*“If something was just released in the news, I might miss that, but if I were to get a direct email or text message or something like that, that would actually be preferable.”*

*“I would prefer to receive notification that would link me directly to it [Annual Report or other disclosure] rather than have to search myself.”*

*“...I wouldn’t go searching for the report...”*

A short, curated video clip representing their responses is available here (place your smartphone camera over the QR code below, and tap, to view the video clip on YouTube).<sup>11</sup>

**Video Clip: 46 of 50 participants prefer to receive automatic, push notifications.**



### **A Better Path Exists to Reduce Regulatory Costs and Enhance Investor Communications.**

We commend the CSA for incorporating technology in the proposal, however, a better path exists to reduce regulatory costs and enhance investor communications; namely, digital delivery of notifications and continuous disclosure documents under the current Notice & Access approach.<sup>12</sup> We estimate that

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<sup>9</sup> Cooper, *supra* note 4, (“Implementing access equals delivery prior to delivering a modernized and more user friendly, searchable and intuitive platform for investors to access such documents seems both premature and appears to unfairly advance the stated purpose of reducing issuer costs without providing investors with a modernized platform for accessing documents.”).

<sup>10</sup> In partnership with Bridgeable, a human-centered design firm, we also undertook sessions with investors to illuminate key design principles for continuous disclosures, an exercise that exceeded the scope of the proposed rule. We welcome the opportunity to brief the CSA on findings at a future time.

<sup>11</sup> The entire, unedited video montage is available upon request.

<sup>12</sup> See subsection 4.6 of NI 51-102.

Notice & Access has saved issuers approximately \$29 million in 2021, a more than 200% increase in four years. Pending amendments to the *Canada Business Corporations Act* (to permit issuers to use Notice & Access without an exemption) will lead to further adoption and additional cost savings for Canadian companies.

Digital delivery can eliminate approximately 76% of the costs of sending financial statements and MD&As, while ensuring that every investor who now receives notifications and disclosure documents will continue to receive them. Unlike a media release, digital delivery is personalized and sent directly to investors.

Technologies that “push” disclosure information electronically to investors result in better engagement and added savings. They include email messages on mobile devices, notifications through apps and brokerage firms’ client-facing websites (i.e., to the very places where most investors go to manage their holdings), and other means.<sup>13</sup> Digital delivery provides attachments to the specific document or “links” to an electronic version filed in a central database. Under the AED model, investors would need to know to search for and monitor media releases, and then to search for the specific documents in SEDAR.

Digital delivery would provide the CSA with a smooth transition path to SEDAR+ without leaving any investors behind. Moreover, by encouraging QR codes on mailed notices, the CSA could greatly assist investors in transitioning to electronic delivery of financial statements, MD&As, and other regulatory communications, thereby eliminating additional paper and postage costs for issuers. The technology facilitates engagement with disclosure information. It will also result in added cost savings by moving other regulatory communications to digital delivery as well.

Attachment A provides a summary comparison of the AED and digital delivery models.

## **Conclusion**

Based on the CSA’s analysis of the costs, Broadridge’s analysis of the savings, and testing with Canadian investors, the proposed AED model would add costs for most Canadian companies and result in less access by investors to information they use to monitor their investments. The added costs that 88% of companies would incur to rely on the AED model would surpass the savings they’d realize by no longer sending the annual request notices, and financial statements and MD&As to investors who receive them today. They would likely not rely on it. The resulting dual treatment has the potential to create confusion for investors.

Investor advocates have expressed the view that any relatively minor cost savings to the largest issuers would not be worth the reduction in investor protection, particularly for investor segments that most need such protection. These costs to inform retail investors are small compared to the great advantages public companies receive by going public.

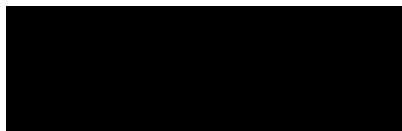
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<sup>13</sup> In the U.S., regulators encouraged the adoption of digital delivery solutions. The SEC and NYSE conducted a 5-year pilot, “Enhanced Broker Internet Platforms,” to increase the use of digital mailboxes and e-delivery rates. The program demonstrated that a shift to e-delivery can encompass all regulatory disclosures with better engagement of investors and added savings to issuers.

We commend the CSA for looking to modernize investor communication. When it comes to technology, a better path exists to reduce regulatory costs and enhance investor education and engagement; namely, digital delivery of notifications and regulatory disclosures. Providing a robust, user-agnostic link should be foremost on the agenda for SEDAR+ so that no investors are left behind.

On behalf of Broadridge, we thank you for the opportunity to submit comments. We welcome any questions you may have.

Sincerely,



Martha Moen  
General Manager, Investor Communication Solutions, Canada

**Attachment A:** Comparison of Digital Delivery and Access Equals Delivery Models



Attachment A

## Comparison of Digital Delivery and Access Equals Delivery Models

	DIGITAL DELIVERY	ACCESS EQUALS DELIVERY
<b>MAIN STREET INVESTORS</b>		
<b>Awareness of Disclosures</b>	High open rates on emails from brokerage firms to clients	Unknown
<b>Awareness of Opportunity to Receive Disclosures Directly</b>	Annual request process	Ad hoc request process
<b>Ease of Accessing Disclosures</b>	Easy (personal message with link to specific disclosures)	Multiple steps (locate general media release, then search for disclosure)
<b>ISSUERS</b>		
<b>Overall Cost Savings</b> (average per issuer)	\$4,200	\$5,500
<b>Incremental Cost to Utilize</b> (average per issuer)	\$0	\$6,000
<b>Net Savings/Cost</b> (average per issuer)	\$4,200	(\$500)
<b>Cost Savings Opportunity</b> (varies by size)	All issuers	Largest issuers

Note: See main body of letter for supporting data sources.