

## **Submission to Consultation Paper 224 (Facilitating electronic financial services disclosures)**

### **Overview**

On behalf of the Property Funds Association (**PFA**), we welcome the initiative from the Australian Securities and Investments Commission (**ASIC**) to facilitate electronic financial services disclosure.

There are currently barriers to more widespread use of electronic disclosure as the default method for disclosure. Removing these barriers will provide investors with easier access to information and reduce the costs and inconvenience to issuers of providing hardcopy documents.

We provide our responses to some of the specific questions set out in CP 224 below.

### **Proposal A1**

We agree that ASIC needs to take action to further facilitate electronic disclosure and implement Options 1 to 3. As noted in CP 224, the legislation, regulations and ASIC's current regulatory guidance has not reflected the current industry demand for electronic disclosure.

The requirement that the issuer must obtain express agreement to delivery to an electronic address is often impractical in practice. Especially in relation to long established funds with a large number of existing clients, the issuer would need to obtain express agreement for each and every member in order to be able to deliver disclosures electronically to all members. This would make it extremely difficult to achieve in practice, as members may not respond to such a request for agreement, especially when they've already provided their email address to the issuer or their agent. The options proposed by ASIC accords with the general view of members and the industry that the provision of an email address generally indicates an acceptance that disclosures will be provided electronically to that email address.

Given the changes in technology and how investors view information, we also agree that facilitating the use of more innovative PDSs should also be undertaken to ensure that financial services disclosures are delivered in a way that remains relevant to how investors view and digest information. Those investors who need paper copies will either not provide an electronic address or they will expressly nominate to be provided a hard copy.

The benefits of facilitating electronic disclosure includes reducing printing and mailing costs to issuers by reducing the number of hardcopy documents which will need to be sent to investors. There will also be related benefits to the environment. Given the time required to print and post disclosures, investors will also receive disclosures within a shorter timeframe if disclosures were delivered electronically. This may also make it easier for investors to maintain electronic records and files of previous disclosures and correspondence.

Given that investors will still have the option to receive disclosures in hardcopy, we do not think there are any disadvantages associated with the proposals.

We also believe that this default disclosure delivery method should be extended beyond financial services as it reflects current community standards generally where emails are the preferred method of communication.

### **Proposal B1**

We agree with the proposal that nomination of an email address by an investor should permit the financial services provider to use that address to deliver disclosure.

We believe that there are a large number of investors for whom a financial services provider may have an email address, but to whom financial services providers are not able to deliver disclosure electronically due to the requirement that there must be express agreement from the investor to receive disclosures electronically.

Given the prevalence in usage of email to receive communications, we think that investors will be comfortable to receive a wide range of disclosures in relation to their investment. We agree with ASIC's comments in CP224.33, that a general warning or note that the electronic address will be used to deliver disclosures is sufficient. However, we would note that this guidance should not limit the ways in which financial services providers may satisfy themselves that an electronic address has been nominated.

We would also encourage ASIC to consider facilitating the delivery of notices of meeting by financial services providers electronically.

### **Proposal B2**

The PFA supports the additional method of disclosure to investors by making the disclosure available online and notifying investors of the disclosure and allowing investors to elect to receive the disclosure via an alternative method.

This will mean that investors will not receive disclosures which they are not interested in, i.e. PDSs. If financial services providers adopt this approach, we think that a consistent method should be used by the financial services provider. In this way, there would be a central portal where all relevant disclosures by the financial services provider are located.

We think that notification should be limited to letter, email or SMS, so that clients are likely to retain a record of the notification.

### **Proposal C1**

We agree with the proposal to facilitate more innovative PDSs by providing relief where necessary.

### **Proposal C2**

Given the right regulatory guidance and setting, there is ample scope for PDSs to be provided in a manner which is innovative and makes the information more relevant to investors.

There may be a risk that investors do not read the entire PDS. It could be considered whether financial service providers include a checklist function in electronic PDSs to ensure that investors have read the entire PDS.

We think the proposed updated regulatory guidance on electronic documents otherwise provides appropriate guidelines for the presentation of electronic disclosures.

**Conclusion**

We thank ASIC for the opportunity to make this submission to CP224. We would welcome the opportunity to discuss any aspect of this submission or the CP.

We believe that this is a really good development which will benefit the financial services industry and bring it in line with community standards.

Kind regards,

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CEO

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