Investors Have Spoken: It's Time for Default E-Delivery

Most Americans with brokerage accounts **prefer accessing their investor documents electronically via e-delivery** rather than through the postal system. However, the Securities and Exchange Commission **(SEC) mandates paper delivery to be the default** for several required documents, including prospectuses, account statements, trade confirmations, and investment adviser brochures.[1]

New survey results show that **a majority of retail investors of all ages want e-delivery** for its **environmental benefits, speed**, and **convenience**.[2]

It's time for the SEC to **enable default e-delivery for all investor documents** and **give investors the choice** of paper delivery if preferred.

Retail Investors of ALL AGES Prefer E-Delivery Over Paper

79%

have already chosen e-delivery for at least one type of investor document, **including 75% of those 55 years old and above.**

85%

are comfortable with default e-delivery for investor documents going forward provided **they can still opt-in to paper delivery. This result holds across all age groups including seniors.**

Only 8%

want to receive all investor communications in paper form through the mail.

E-delivery refers to providing **access through digital or electronic methods** to a customer's account information and required disclosure documents, for example:

- An investor receives **an email or text alert** from her brokerage firm notifying her that her documents are available on **the firm's secure website or mobile app** with a link or instructions to log in to her **password-protected account** to view the documents.

Seniors Are Key Part of Trend Toward E-Delivery

The **Social Security Administration** requires beneficiaries to **access benefit statements online,** and more than 50 million individuals have "*my* Social Security" online accounts.

In 2020, the **Department of Labor** enabled **default e-delivery** of documents and disclosures to **retirement plan participants**.

In a 2022 report, the DOL found its new e-delivery rules are **"unlikely to have any negative impact"** on **"individuals residing in rural and remote areas, seniors, and other populations that either lack access to web-based communications or who may only have access through public means"** due to "the regulation's specific safeguards against such impacts."[3]

The SEC requires investment companies and brokerages to provide retail customers a range of disclosures and other information about their investments.

In the 20th century, the SEC mandated these documents to be delivered in paper form through the postal system. But as internet access expanded, the SEC began changing its rules for some documents, allowing **default e-delivery** while **preserving investors' power to choose paper delivery.**

Environmental Impacts Are Top Reason Why Investors Prefer E-Delivery Over Paper

79%

say that switching to e-delivery is **an easy way to cut their carbon footprint**.

By promoting more efficient paper usage, **e-delivery reduces major contributors to climate change** including greenhouse gas emissions, landfill waste, deforestation, water and air pollution, and water, wood, and energy consumption.

More than **830 million pages of paper** are **used every year** to print and mail **prospectuses** and **shareholder reports** to investors – **just two of the many documents** subject to the SEC's default paper delivery rules.[4] This requires **cutting down 101,000 trees every year**. Considering all stages of paper's life cycle – from raw material extraction to disposal – **this amount of paper usage** has **enormous environmental impacts**.[5] Below are four primary environmental impacts and how they translate to everyday life.

Total energy consumed ▶ **107,000 million BTUs**

127,000 home refrigerators running for a year

Greenhouse gases released ▶ **75.5 million pounds CO_2 equivalent**

Annual emissions from 6,850 cars

Water usage ▶ **89.8 million gallons**

Annual consumption by 64,800 washing machines

Waste produced ▶ **4.95 million pounds**

The solid waste 1.13 million people generate every day

It's time for the SEC to **extend default e-delivery to all investor documents** still governed by the old paper-default rules. The **data is clear**: modernizing the disclosure rules for these documents is **good for investors** and **good for the environment**.

Today the SEC has the opportunity to lead the expansion of e-delivery adoption.

Advances in technology in recent years have helped shorten the process of completing securities transactions, and the SEC is working to move the industry from 2-day to 1-day settlement (T+1) for investor trades.

Paper delivery is too slow and impractical in this new paradigm. **E-delivery is necessary** to ensure customers receive their required disclosures within the SEC's new timeframes.

Expanding **default e-delivery** and **investors' power to choose** paper delivery builds on the SEC's prior modernization work and supports its mission to protect investors.

1990

In the 1990s, the SEC became one of the first government agencies to modernize its rules requiring paper forms to be sent through the mail by issuing interpreting guidance to enable e-delivery.

2005

2007

In **2005, 2007,** and **2018, the SEC** issued significant rule changes that **enabled default e-delivery** for several types of disclosures and **ensured investors can choose paper delivery** if they prefer.

2018

2021

In his 2021 confirmation hearing, **SEC Chair Gensler committed to prioritize the expansion of e-delivery** and the elimination of paper.

But **the SEC still requires default paper delivery** for a number of investor documents. As a result, **many investors find it confusing and difficult to sign up for e-delivery.**

27%

of investors say that they have **signed up for e-delivery but still receive paper documents**.

In a 2020 report, SIFMA and other trade associations laid out a viable and responsible **5-part plan** to modernize disclosure rules at the SEC and **make e-delivery the default** for investor communications with **appropriate safeguards and notifications**. Under this plan, **investors will always have the choice to receive paper delivery**.[6]

1 First Year: Notify and Prepare Investors

During a one-year transition, firms will notify investors currently receiving paper delivery that e-delivery will begin on a specified date, except for investors who elect to continue receiving paper delivery or who do not have an electronic address associated with their account. Such notifications would include instructions that explain how investors can opt-in to paper delivery both during and after the one-year transition period.

2 No Change for Current E-Delivery Customers

Customers who have already opted-in to e-delivery will continue to receive investor communications in the same manner, unless they elect to make a change.

3 Transitioning Customers With E-Delivery Capabilities

For customers who have provided an email address or other means to receive electronic communications, firms can begin to deliver required investor communications via e-delivery. Firms would follow up on e-delivery failures (e.g., undeliverable emails sent to inactive addresses) with an alternative e-delivery method or a paper mailing, and investors will retain the option to choose paper delivery at any time.

4 No Change for Customers Without E-Delivery Capabilities

Customers who do not have an electronic address associated with their account will continue to receive investor communications via paper delivery.

5 New Customers: With and Without E-Delivery Capabilities

New customers would be informed that they will be enrolled in e-delivery when they provide an email address or other means to receive notice that their investor documents can be accessed electronically, unless they opt-in to receive paper delivery.

1 A list of SEC-required investor documents that are still subject to default paper delivery rules can be found in Appendix A in the 2020 report, E-Delivery: Modernizing the Regulatory Communications Framework to Meet Investor Needs for the 21st Century. Available at, https://www.sifma.org/wp-content/uploads/2020/09/E-Delivery-Paper.pdf.

2 SIFMA in partnership with YouGov surveyed 1,312 retail investors nationwide who hold at least $5,000 across all accounts (retirement, education savings, stocks, bonds, mutual fund, and brokerage), excluding property and cryptocurrency investments. The survey was conducted online from May 16 to May 19, 2022. Full survey results can be found here, https://www.sifma.org/resources/submissions/e-delivery-investor-survey-results/.

3 Available at, https://www.napa-net.org/sites/napa-net.org/files/EBSA%20--%20Default%20Electronic%20Disclosure%20Report%20%281.26.2022%29-3.pdf.

4 Data provided by Broadridge Financial Solutions, Inc.

5 Estimates of environmental impacts are derived from the Environmental Paper Network's Paper Calculator, available at, https://c.environmentalpaper.org/.

6 Read the full plan at, https://www.sifma.org/wp-content/uploads/2020/09/E-Delivery-Paper.pdf

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