POINT OF VIEW

SEC REGULATORY MODERNIZATION

OVERVIEW

The time is right to revisit SEC's rules based on paper mail delivery of investor documents, including statements, confirmations, prospectuses, and annual and semi-annual reports.

The primary method of sending investors paper documents by mail should be replaced with a framework based on digital delivery. This framework would not prevent an investor from receiving paper if that's their preference, as an alternative to a digital delivery.

Since the mid-1990s the SEC has established electronic delivery ("eDelivery") policy through a series of interpretative releases. More recently, the Commission has acknowledged the benefits of ease and efficiency for investors to receive documents digitally for mutual fund shareholder reports and proxy documents.

Fidelity already provides eDelivery of required brokerage and mutual documents including statements, trade confirmations, prospectuses, and shareholder reports to 72% of Fidelity Brokerage Services (FBS) customers **or over 7 million households. Over 80% of Fidelity brokerage customers opening a new account chose electronic delivery.**[1]

INVESTORS BENEFIT FROM EDELIVERY IN A NUMBER OF WAYS

eDelivery provides investors with access to their document in the most timely and effective manner, by sending immediate notifications when documents are available. This allows investors to take action and be more engaged with their investments.

Electronic delivery is secure, with sensitive documents accessible when an investor securely logs-in to their account, rather than when an envelope is delivered by postal mail.

Individuals with disabilities, also benefit from eDelivery. Many of these customers use screen readers and other assistive technologies to read documents, which are much easier to access electronically.

Finally, eDelivery benefits the environment by significantly reducing paper use and printing and mailing resources.

Despite these clear benefits and the clear preference for eDelivery, SEC rules still require a customer to affirmatively opt-in to eDelivery.

It is time for the SEC to make eDelivery the primary method for providing investors with access to documents.

5 INVESTOR PROTECTION PRINCIPLES

Fidelity believes a transition to electronic delivery should be guided by these five investor protection principles.

- **1. Advance Notice:** Investors should be provided with a plain english disclosure about the transition to electronic delivery within a reasonable timeframe prior to the transition.
- **2. Honor Investor Preferences:** Investors should have a freely accessible means to communicate and change their preferences, including choosing to receive paper.
- **3. Easy Access to Change Contact Information:** Investors should have the means to provide and/or change their contact information for the purposes of digital delivery, prior to beginning of digital delivery. Investors who have not provided digital contact information will not be transitioned to eDelivery.
- **4. Consumer Friendly Format:** Investors should be able to access regulatory document in a timely and user-friendly manner. If requested, firms should provide investors with a paper copy of a regulatory document in a reasonable time-frame.
- **5. Safeguards to Assure Delivery:** Firms should establish safeguards and policies to address invalid or inoperable digital contact information and establish policies that transition investors with inoperable digital addresses to paper mail delivery.

THE FEDERAL REGULATORY TREND FAVORS ELECTRONIC DELIVERY

- **Other federal agencies are actively facilitating digital delivery of financial communications to investors. These regulators recognize that digital delivery of documents is the preferred means of communication for millions of investors.**
  - **The Social Security Administration ("SSA"),** for example, has eliminated paper as the primary method of furnishing benefit statements and facilitated access to online benefits statements—and 45 million individuals have established online accounts on "my Social Security."
  - **The Federal Thrift Savings Plan ("TSP")** in 2003 made digital delivery the default method for delivery of quarterly account statements for its 5.5 million Thrift Plan participants.
  - **The Department of Labor** recently adopted a new safe harbor to permit digital delivery of retirement participant documents and disclosures, including summary plan descriptions, summaries of material plan modifications, and summary annual reports.

1. Fidelity Data as of November 2020

Fidelity Brokerage Services LLC, Member NYSE, SIPC,
900 Salem Street, Smithfield, RI 02917

994910.1.0