Adopting E-signatures in the Mutual Fund Industry

Author:

Dale James
Dealer Account Manager

We sign devices for packages. We tap at the coffee shop. We enter PINs at POS pads. We even use apps on our phones. There's an electronic payment and verification revolution under way and electronic signature (e-signatures) will play a big part of that revolution.

An E-signature is a digital signature or symbol that many industries are using to replace wet signatures on contracts, banking documents, and many more. The functionality of submitting an e-signature has been around for some time. Around the world, countries have drafted laws providing guidance on the use of electronic signatures. These measures, once implemented, have helped develop efficiencies, saved time and reduced paper use.

Real Estate leads the way

Similar to Mutual Funds, the Real Estate industry is paper intensive. In 2015, an amendment in the Electronic Commerce Act (ECA) permitted the use of e-signatures for Real Estate transactions. Since its release, e-signatures have become common practice. Banks too have implemented e-signatures in branches.

The bumpy road to e-signatures

The need for compliance and fraud protection always made the mutual fund industry paper-intensive. Older advisors can certainly remember the old days of sorting signed carbon paper form pads. The advent of fax machines and then email made duplication unnecessary.

But for many, scanning and email remain the state of the art. This remains despite the fact that on January 23, 2003, the MFDA released its Electronic Signature notice MSN-0016 to members, permitting the use of electronic or digital signatures for agreements, contracts and transactions. Yet, fifteen years on, the industry has been hesitant to embrace its use. This reluctance has resulted in a lack of consensus on a collective approach to advancing beyond accepting physically signed documents.

Benefits of E-signatures

The benefits of moving to paperless transactions and e-signatures go far beyond reducing paper. E-signatures are:

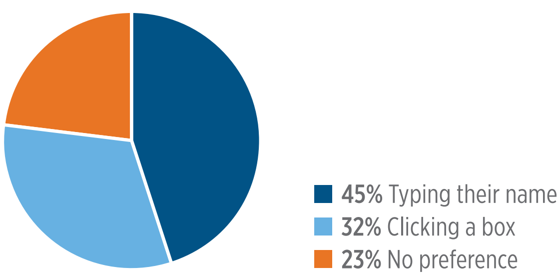
More Accurate: When integrated with automated digital document workflows, files can be time-stamped and password protected to verify authenticity and protect privacy.

Faster and more efficient: Digitally signed documents can travel at the speed of the Internet without processing delays related to mismatched or illegible client signatures. In addition, this allows easier document sharing and increases the ease of doing business between investors, advisors, fund companies and financial institutions.

Less costly: Electronic document sharing will reduce postage and courier costs and reduce the risk of lost documents.

More Convenient: Clients can sign and share documents at their convenience without the need for face-to-fact meetings.
A research report out of the UK highlights consumers comfort with e-signatures. The report noted that 77 percent of consumers surveyed have digitally signed a form three or more times over the past three years. As well, another 77 percent of consumers are moderately to very comfortable signing and submitting an official document online. Figure 1 below illustrates that 45 percent of consumers prefer to type their name to complete an electronic signature rather than clicking a box. In comparison, 23 percent had no preference, while 32 percent prefer the "clicking a box" style of e-signature.

Figure 1: Consumer Preference for Electronic Signature Usage[1]



With so much to gain as evidenced through these benefits and consumer adoption, why is our industry sitting on the sidelines?

Industry Initiatives

The economies of scale make it easy for institutions such as the banking and real estate industries to invest in e-signatures. However, for fund dealers costs can be prohibitive to integrate this functionality.

Secondly, early adopters of e-signatures encounter varying degrees of acceptance for e-signed orders among mutual fund providers. In addition, no single standard for e-signatures has been accepted. These range from a wet-looking signature to a simple typed name.

Progress is being made. Third-party providers such as DocuSign and Adobe Sign have introduced workflows to capture legal electronic signatures. Industry partner Fundserv has also addressed this need. A document package including The Electronic-Signatures-Customer-Addendum, Companion Paper and Fund Industry Guidelines for Electronic Signatures are now available on the Fundserv website. These documents will provide guidelines to standardize the use and acceptability of e-signed documents between its members. These will come into effect later in the fourth quarter of 2018.

Mackenzie Investments supports this progressive plan because it will reduce processing delays, benefit the environment by reducing the amount of paper generated and increase the ease of doing business with our industry partners. To align with industry-wide standards, Mackenzie Investments will soon be accepting e-signed documentation.

It's an exciting initiative and long overdue. Dealers and fund companies alike must seriously reflect on how this initiative will benefit their clients, advisors and their business. Now is the time to incorporate and accept e-signed orders, advance this initiative, modernize current processes and catching up to the future of Financial Services.

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ENGLISH/BILINGUAL	1-800-268-7119
TTY	1-855-325-7030
FAX	1-866-766-6623
E-MAIL	drelations@mackenzieinvestments.com
WEB	mackenzieinvestments.com

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