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## ONTARIO SECURITIES COMMISSION NOTICE AND REQUEST FOR COMMENT

### **PROPOSED ONTARIO SECURITIES COMMISSION RULE 81-502 RESTRICTIONS ON THE USE OF THE DEFERRED SALES CHARGE OPTION FOR MUTUAL FUNDS AND PROPOSED COMPANION POLICY 81-502 TO ONTARIO SECURITIES COMMISSION RULE 81-502 RESTRICTIONS ON THE USE OF THE DEFERRED SALES CHARGE OPTION FOR MUTUAL FUNDS AND RELATED CONSEQUENTIAL AMENDMENTS**

[https://www.osc.gov.on.ca/documents/en/Securities-Category8/rule\\_20200220\\_81-502-rfc-deferred-sales-charge-option-mutual-funds.pdf](https://www.osc.gov.on.ca/documents/en/Securities-Category8/rule_20200220_81-502-rfc-deferred-sales-charge-option-mutual-funds.pdf)

I am delighted to have the opportunity to comment on the OSC proposals to constrain the sale of DSC mutual funds. These funds have been very harmful to investors, especially families of modest means striving to save for retirement. I think they should be banned outright since they have no redeeming value for small investors. The DSC only benefits Firms that don't want to pay their employees properly and unethical fund companies that flog toxic products.

With the range of information and low-cost investment advice options available to clients today, a 5 per cent upfront charge with a seven-year fixed term holding period is going to put off sensible clients. That's if the mutual fund sales person discloses this information prior to the sale. Financially vulnerable clients should not be sold DSC funds.

It's nice to see that the CSA (Ex Ontario) have prohibited the DSC. Now a young salesperson has to make more effort to make sure that the client is satisfied and their best interests have been served. Under the soon to be implemented Client Focussed Reforms, DSC sales won't fly anyways. Thankfully, the death of the dinosaur DSC fund is in sight.

While the proposed OSC restrictions may reduce the most egregious sales practices, there still will some abused investors.

I urge the OSC to go further. I recommend that people that sell DSC funds be required to use the title "Salesperson " and not "Financial Advisors" so investors better understand who they are dealing with.

I also recommend that in future when a DSC fund changes mandate or it is merged into a fund with a different mandate that it can be redeemed penalty fee-free.

When the redemption schedule matures, a DSC fund should automatically revert to a lower MER series that is not DSC, like Fidelity does,

Finally, the Fund Facts should clearly state how the early redemption penalty is calculated - either based on original cost or current market value.

It is unfortunate that honourable OSC staffers must spend time on this consultation but that is what happens when politicians and special interests infiltrate a securities regulator.

Please publicly post this ASAP - I really want this feedback publicized.

Respectfully,

Peter Whitehouse