

Via email

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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

https://www.osc.gov.on.ca//en/NewsEvents_nr_20200220_osc-proposes-rule-to-restrict-use-of-deferred-sales-charge-option.htm

I appreciate the opportunity to comment on these proposals that attempt to reduce negative investor outcomes imposed on retail investors by the sale of DSC mutual funds.

Some facts are self-evident, they don't need explaining.

Why do we have seat belts ? We have seat belts so that in an event of an accident, there is a system to protect the driver. Same for airbags. We don't' expect an accident everyday but we wear the seatbelt every day.

Why do buildings have sprinklers? Are we expecting a fire everyday ?? No, but when a fire erupts, there is a backup safety system.

Elevators have an automatic safety brake system. So the occupants cannot drop 10-20 stories.

Bridges have a built in safety factor. A bridge is designed to take loads to cover a worst case scenario.

Where is the safety system in owning DSC funds. ? Where is the scenario where an investor changes his/her mind from a 7 year lock-in?? What should a DSC investor do if he needs sudden liquidity ?- like today in the new SARS-Corona world ??

Investing is about the >>investor<<. It's his assets. It's his retirement nest egg. It's not about the IAs needs. It's not about a system where the bank can maximize profits and minimize their risks !

The hidden DSC fees force the assets into a MF, where there is no input by the IA into the company selections. No input into changes. Worse, DSC MFs also remove all liquidity from the investor.

When a retail investor is sold DSC MFs, he basically puts his assets in jail. The investor loses all his right to use his assets if and when he needs liquidity, like in the new coronavirus world.

Where is the Govt. Approved safety system in owning DSC funds? Investing is about flexibility of choices. About liquidity. How can an investor protect the risk-of-loss to his MF?

When an investor opens an investment account, he must fill a "KYC" questionnaire. That's a sort of seat-belt. it defines needs, expectations and allowable risks. Does the IA expect this KFC to be good for 50 years? The KYC must be revisited every year. Let's say this needs to change. Liquidity changes. What can the IA do if the funds are locked into an immovable DSC jail?

Owning DSC MFs assumes that markets only go up. That the investor will not need this asset in cash in the DSC jail term. DSC MF assumes that shares that drop in value, will return to that value after a correction, and fly higher.

The investment lessons of the Corona financial reality teaches ME, that DSC MFs must be abolished. Discarded. Made illegal to sell. In owning a DSC MF, the risk is taken by the uninformed investor. All the rewards are enjoyed by the selling IA, the Bank, the MF company and the federal govt. who charge taxes at every level

The early redemption penalty fee should be waived in the event of death of the unitholder. The last thing a grieving family needs is to have to pay a penalty to access will proceeds.

If as a result of a merger, the fund's objectives are changed or the MER is increased, the unitholder should be able to redeem without penalty.

CRM2 cost reporting should be amended to require a line stating the amount paid by the client in early redemption penalties along with a note explaining that the penalty was paid to the mutual fund and not to the dealer.

The lengthy transition to June 1, 2022 is unconscionable knowing what the OSC knows about the harms caused by the DSC fund. Ontarians are hurting right now with COVID-19 and need more protection, not less.

The proposed provisions, while inadequate, should be imposed by the Honourable. Minister of finance on Segregated funds as well.

All in all, this consultation demonstrates a profound disrespect for Ontario investors and blatant disregard for the public interest. It is reckless regulation based on lobbyists not evidence.

Thanking you in advance for giving me the opportunity to explain my logic.

Please feel free to publish this letter on your website,

Yegal Rosen, BEng, retired IA
Lead plaintiff in the BMO-NB overtime case