

June 1, 2020

Via email

The Secretary
Ontario Securities Commission
20 Queen Street West 22nd Floor Toronto, Ontario M5H 3S8
Fax: (416) 593-2318
comments@osc.gov.on.ca

**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

Thank you for the opportunity to comment on these proposals designed to limit the harm caused by deferred sales charge (DSC) mutual funds.

The mandate of the OSC is to provide protection to investors from unfair, improper or fraudulent practices- I am not convinced that these proposals meet that standard. The Deferred sales charge mutual fund is probably one of the most toxic products ever unleashed on retail investors. It has a long history of causing pain and anguish. It has no redeeming value except to those who design and sell the product. A large number of better alternatives are readily available to Ontario families planning for their retirement or their child's education. The best thing the OSC can do is just ban it outright like the rest of Canada has done

Since the OSC must, despite its reservations, address the desires of its political masters, I offer some suggestions to improve the proposed measures.

Prohibiting borrowing to invest in this complex product is an excellent idea. The faster this happens the better. Dealer supervision and compliance are clearly inadequate controls and cannot be depended upon for investor protection.

Keeping the product away from seniors over 60 years of age is also an excellent proposal. It should be kept away from all vulnerable investors. The ombudsman for banking services and investments reports that seniors are disproportionately singled out for financial assault by the financial services industry.

The proposal to create a separate fund Series for DSC with its own management fee is the right thing to do. The true cost of this fund would be made transparent- this is as it should be. It will also cut down on any subsidization incurred by investors in other series of funds - they will no longer have to be subject to the burden of amortizing the outsized upfront commission payment. A big win for non-DSC mutual fund investors.

By stipulating that those hefty upfront commissions apply only for new contributions to a client's account, the OSC is finally laying down the law to prevent account churning, a well-known documented tactic used by DSC fund salespersons. It is a black mark on the fund industry, its management and its "advisors" that such a rule is required .

The planned implementation date of June 1 2022 makes no sense given the known harms that are taking place. Some restrictions like not selling DSC to 60 year old Ontarians or cessation of leveraging to buy DSC funds can be implemented tomorrow. The industry has had more than sufficient time to feast on the retirement savings of clients. The OSC must demonstrate the same aggressive behaviour towards protecting investors as it does in reducing " regulatory burden".

While I appreciate the government's OPEN FOR BUSINESS intention, it should not support the monkey business associated with retaining the DSC option for Ontario investors.

I hope this information is useful to you.

Sincerely,

Stan Gourley