The Secretary
Ontario Securities Commission
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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

I welcome the opportunity to comment on the OSC proposals to constrain the sale of DSC mutual funds.

In February 1994, the Ontario Securities Commission (OSC) asked securities lawyer Glorianne Stromberg to research the then high-growth mutual fund industry; and to make recommendations to improve how it was regulated. Ms. Stromberg responded in early 1995 with a thoroughly researched classic report *Regulatory Strategies for the Mid-90s: Recommendations for Regulating Investment Funds in Canada*. One of her major findings: "Sales representatives" generally recommend mutual funds paying higher commissions over those that pay less. It is disappointing that the OSC is still grappling with this core issue.

It's strange to see that the CSA have prohibited the DSC, but the OSC who have detailed research supporting a ban, has not. What behind the scenes forces are at play that prevents the OSC from doing the right thing for investors?

With the wide range selection of low-cost investment advice options available today, a DSC fund is an outrageous option.

I personally believe DSC funds should be prohibited outright. A ban would help prevent a generation of sales Reps used to outsized front-loaded sales commissions. It will assist in the development of truly professional advisors.

DSC funds have been very harmful, especially to seniors and retirees. I am delighted that there will not be any more victims over 60 years old.

The proposed restrictions on sales of DSC mutual funds will, if enforced, definitely mitigate some investor harm.

If I understand the proposals correctly, the DSC fund will have to carry the full weight of the money used to make the 5% upfront payment .This will reduce the MER’s of non-DSC funds but increase the MER of DSC funds thus making them harder to justify. That is a positive step and a win for non-DSC unitholders.

I recommend that Reps that sell DSC funds not be permitted to identify themselves as advisors since anyone selling under such a blatant conflict- of-interest is more aptly labelled a salesperson. That is what should be on their business cards. Certainly not *Seniors Expert!*

I recommend that investor profiles clearly define “investment time horizon” in plain language that a retail investor can understand and reflect upon.

Fund Facts disclosure should briefly describe the nature and scope of the services and advice, if any, to be provided by the 5% and the ongoing trailing commission.

The implementation time appears to be very long. I am not sure why this time is needed- a lot of harm can occur during the transition period. Surely, companies have been preparing for such an eventuality for years.

Finally, I urge the OSC Investor Office to issue an Investor Bulletin explaining the potential harms of DSC sold mutual funds.

I hope this input is useful to you.

Permission is granted to publicly post this Letter.

Sincerely,

Ruth Elliott