Via email

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
https://www.osc.gov.on.ca/en/SecuritiesLaw_rule_20200220_81-502-rfc-deferred-sales-charge-option-mutual-funds.htm

Money Coaches Canada https://moneycoachescanada.ca/ is the nation's leading provider of advice-only financial planning and money coaching. The Money Coaches Canada team brings a range of credentials, work experience and professional styles. Coaches are located nationwide but are never bound by their geographic location. They work with clients either in person or using teleconferences and on-line meeting tools.

Money Coaches Canada appreciate the opportunity to comment on the proposals that are designed to mitigate potential negative investor outcomes of Deferred Sales Charge (DSC) sold mutual funds. In particular, the restrictions are intended to address the "lock-in" effect associated with the DSC option and reduce the potential for mis-selling, while allowing dealers to offer the DSC option to clients with smaller accounts. All of the proposed constraints will still allow exploitation of many retail investors albeit with some improved protection for seniors over 60. A DSC mutual fund is in the best interests of dealers, not the retail investor.

It is disappointing that the Commission must consult on this when empirical research provides all the evidence needed to ban the product. We note that all the other provincial regulators are taking steps to ban the sale of DSC funds. Based on the Comment letters already posted on the OSC website it appears there is not a shred of support for the OSC proposals from ordinary investors.

In our experience the average Canadian investor has limited understanding of how much they are paying in investment fees, the impact of fees and redemption charges on their ability to reach their goals, how and how much advisors are compensated and what services to expect in return for that compensation. CRM2 disclosures have not adequately addressed the knowledge gap.

Regulators must take a stronger position in creating systems and platforms that recognize that the average investor is unlikely to build up the level of knowledge needed to navigate the complexity of the intricacies of the DSC option.

Ontario families need to focus on making a budget, reducing debt and building up an emergency fund –-the kind of high integrity advice an advisor with a large upfront commission is unlikely to spend the necessary time and attention on.

The proposal to prevent cross-subsidization by ensuring that investors who purchase a fund on a no-load or front-end sales charge basis do not indirectly incur costs related to financing the upfront commissions associated with the DSC option should be done no matter what else results from this consultation. This should result in lower management fees for standalone no-load charge series thereby saving money for millions of people. The resulting higher cost would make it extremely difficult for any professional advisor to recommend a DSC fund.

The need to go to cash in a volatile market should not be constrained by an early redemption penalty. COVID-19 makes it clear that products with any constraint on liquidity are a bad fit for retail investors especially those of modest income.

Small investors have ready access to Robo- Advisors, thousands of no-load mutual funds via their bank branch and hundreds of low-cost ETF's and of course to advice-only financial planning organizations like ourselves. Banning DSC funds will have a positive impact on Ontarians saving for their retirement and other life goals.

We simply cannot support any proposals that would see the DSC mutual fund continue to be sold.

Sincerely,

Karin Mizgala
CEO and Co-founder,
Money Coaches Canada