BY ELECTRONIC MAIL

July 6, 2020

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

Dear Sirs/Mesdames:

Re: Ontario Securities Commission Notice and Request for Comment - Proposed Ontario Securities Commission Rule and Companion Policy 81-502 Restrictions on the Use of the Deferred Sales Charge Option for Mutual Funds and Related Consequential Amendments (the "DSC Paper")

Thank you for the opportunity to provide comments to the Ontario Securities Commission ("**OSC**") on the DSC Paper.

Fidelity Investments Canada ULC ("**Fidelity**") is the third largest mutual fund company in Canada. Fidelity manages over $146 billion in retail mutual funds and institutional assets.

For over 70 years, including 33 years in Canada, Fidelity has put investors first by working hard to help them achieve their financial goals. We recognize that the OSC is also committed to improving outcomes for investors and we are pleased to work collaboratively with the OSC toward our shared commitment.

Introduction

We agree with the OSC's decision not to ban the deferred sales charge option ("**DSC**") and thank the OSC for recognizing the value of DSC, particularly for smaller investors and for recognizing that the DSC provides choice for investors.

Over the last several years, we have seen a decline in the use of DSC. We believe that this decline can be attributed to a number of factors, including the shift in regulatory thinking. A number of CSA consultation papers contemplating the banning of embedded fees and related topics have, in our mind, pushed investors, financial advisors and dealer firms toward fee-based investment options with higher associated fees.

In Staff Notice 81-730, the OSC outlined an alternative approach for addressing the investor protection concerns arising from the use of DSC instead of joining the CSA in its outright ban. The OSC signalled to the marketplace that it remains supportive of DSC with appropriate safeguards in place to mitigate negative investor outcomes. Fidelity is supportive of adopting safeguards that are workable and economically feasible. We have argued for appropriate regulation of the DSC option to prevent harm to investors for some time.

Investment Fund Manager Restrictions

Maximum Term of DSC Redemption Fee Schedule Limited to 3 Years

Fidelity acknowledges the OSC's policy concerns associated with the length of the "lock-in" feature of the DSC redemption fee schedule. However, we believe that the proposed term limit of 3-years is too restrictive.

We note that the term of limit of 3-years is akin to the industry's low-load structure. Based on current low-load fee schedules, an investor with $20,000 to invest would only generate an upfront commission of $500. This commission is typically split between the dealer and advisor, and would not, in our view, compensate the advisor for the cost of setting up and managing a small account appropriately. Therefore, the combination of the 3-year term limit and the small account size restriction will likely result in dealers and advisors abandoning DSC altogether. We do not believe that this was the OSC's intention.

Accordingly, Fidelity recommends that the OSC allow for a maximum DSC schedule of 5-years. A longer DSC schedule allows modest investors to access financial advice at a reasonable cost.

10% Free Option

We note that Fidelity's low-load DSC structures are not eligible for the 10% free amount. It is unlikely that a 10% free option would be economically feasible for a 3-year DSC schedule.

Dealer Restrictions

No Sales of the DSC Option to Clients Aged 60 and Over

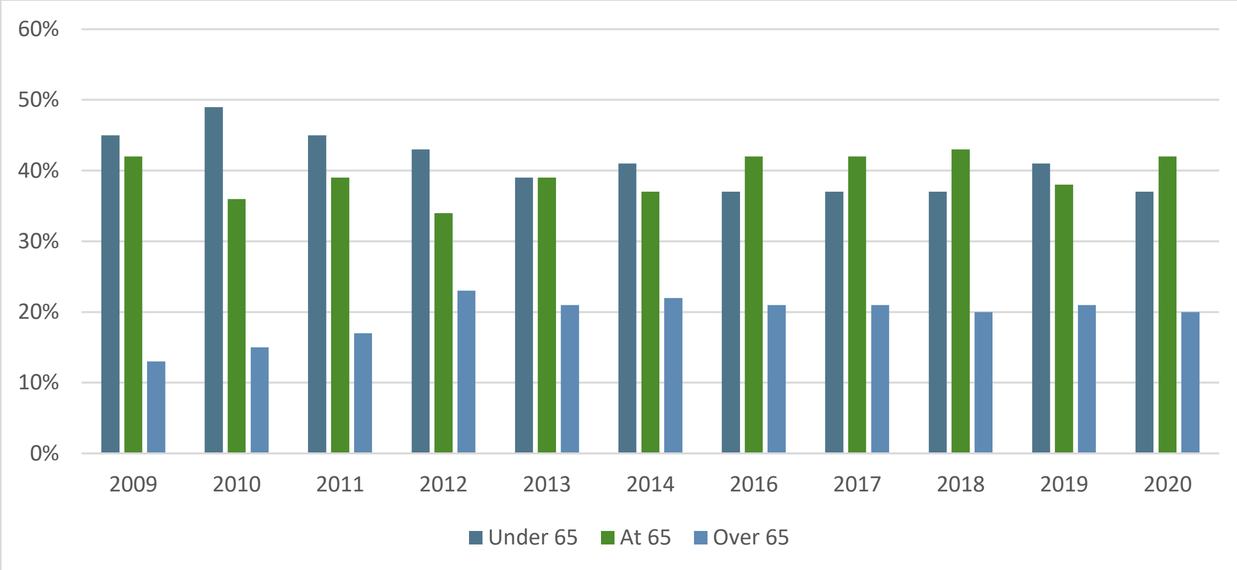
We appreciate the good work the OSC and CSA have been doing with respect to protecting older and vulnerable investors. We share this commitment. However, we believe that the current age restriction appears somewhat arbitrary and should be increased to age 65 and over.

Based on Fidelity's 2020 retirement survey report, 62% of pre-retirees (i.e., Canadians aged 45+ who are approaching retirement) indicated that they intend to retire at age 65 or older[1]. In addition, Fidelity's data shows:

- Since 2009, we saw an increase in pre-retirees who are likely to retire over the age of 65
- On average, 19% of pre-retiree respondents indicated that they plan to retire after age 65
- Pre-retirees believe that savings concerns are the number one reason holding them back from retiring when they want to
- Amongst women, 69% believe that savings concerns are holding them back[2]

[1] Fidelity Retirement Survey (2020)
[2] Ibid

Fidelity Retirement Survey: At what age do you intend to retire? (Canadians 45+)



Source: Fidelity Retirement Survey Report (2009 - 2020)
Note: Question not asked in 2015 survey

In addition, according to the OSC's Seniors Strategy report, the OSC defines a "senior" as an individual at the age of 65[3]. We are curious as to why the OSC would propose an age restriction which conflicts with the age restriction continuously used in its Seniors Strategy?

Accordingly, based on our research and the OSC's Seniors Strategy, we believe that the appropriate age restriction should be set to individuals 65 and older.

Maximum Client Account Size of $50K

Fidelity has always said that the DSC remains a viable purchase option for the modest investor. However, this proposed restriction is, in our view, not workable as it is too low to capture all modest investors. We recommend that the OSC adopt a restriction of $100,000 per account of an investor.

We believe that, on balance, our proposed revision would still be aligned with the OSC's policy rationale and will make it worthwhile for dealers and advisors to continue to use DSC for servicing and advising modest investors in Ontario.

Conclusion

Fidelity is pleased to see that the OSC recognizes the value of DSC and choice for investors, particularly for smaller investors where used appropriately. We support the use of DSC with appropriate safeguards in place. We are happy that the OSC is willing to work collaboratively with the mutual funds industry in order to ensure that the final safeguards adopted are both workable and economically feasible.

[3] https://www.osc.gov.on.ca/documents/en/Securities-Category1/sn_20180320_11-779_seniors-strategy.pdf

We hope that you find our comments constructive and we look forward to seeing all of them adopted by the OSC. We would like to thank the OSC for the opportunity to comment on the DSC Paper and we would be pleased to discuss any of our comments or suggestions.

Yours sincerely,

"W. Sian Burgess"

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