Delivered via email Dec 11, 2018

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

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, rue du Square-Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Fax: 514-864-6381
e-mail: consultation-en-cours@lautorite.qc.ca

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Nunavut

CSA Notice and Request for Comment
Proposed Amendments to National Instrument 81-105 Mutual Fund Sales Practices and Related Consequential Amendments
http://www.osc.gov.on.ca/documents/en/Securities-Category8/csa_20180913_81-105_mutual-fund-sales.pdf

To whom it may concern:

As a retail investor I appreciate the opportunity to comment on the proposed amendments to National Instrument 81-105 Mutual Fund Sales Practices and Related Consequential Amendments (the Proposals).

Here are my primary comments:

- Deferred Sales Charges are **not beneficial, in any way, for the investor who pays them,** however **they are very beneficial indeed, for the advisors who receive them.**
    - **How can this be fair to the investor?**
    - **In the near term, it is the most lucrative way for an advisor to purchase a mutual fund.**
    - **In fact, the only motivation for an advisor to sell a DSC mutual fund is to be paid more, faster than by any other means of selling a similar fund.**
    - **There is no defensible advantage to the client for purchasing a DSC fund vs an equivalent front or no-load fund**
- **Embedded commissions on Mutual funds serve no purpose in a discount brokered transaction of a mutual fund, except to unfairly enrich the discount broker.** Embedded commissions were created originally, to reward the seller of a mutual fund and motivate them to continue to offer advice to their clients on the products sold. However, since discount brokers are not allowed to give investment advice to their clients, **to receive an embedded commission is to be paid for a service that they cannot render**.
    - How can that possibly be fair?
    - How can this practice be justified?
    - A practice that WOULD be fair, would be for a discount broker to purchase a stripped down mutual fund (with no embedded commission) and charge a trade charge similar to that which they charge to purchase a stock.

Background:

I am a retired Wealth Advisor from a big 5 Canadian bank owned brokerage office, where he had a successful 21-year career. Early in that career, as I learned how investments were bought and sold, so did I learn too, about the sales charges levied to purchase Mutual Funds. It was not difficult to see the best option for me as an advisor: DSC! If fact, a joke that went around some investment offices went: “DSC! Good for me… and good for me!”
Unfortunately, however, it was no joke: clearly, for the advisor a 5% commission up-front was very compelling – and generated a much nicer paycheck than the 1-2% a Front-end load fund would pay. Granted, the trade-off was a more modest trailing commission on the DSC fund, but for many advisors the commission up front was the main draw. The dilemma is that some short-term fixed income funds can also be purchased on a deferred sales charge basis, and advisors have been known to purchase these for people without regard for possibility that their short-term cash needs might change. Especially in a case like this, it is impossible to portray a DSC fund as being in the best interest of the client. The counter-argument could be that these sort of funds should only be available in DSC form as a switch option from other higher risk DSC funds…

Recently I have become increasingly troubled by the distancing of the needs of the investing public from what is provided to them by many advisors and their firms. There is endless talk from the firms, of putting the client's interest first, but then the firms put practices in place that contradict their own stated policies, such as converting client accounts with load funds to fee based accounts with F-class funds, (where the final fee may end-up being higher than the old load-fund package).

If these practices are going to continue to prevail, the investor's only defense will be to get educated: to this end, I have created an investor-focused website, called www.localwealthprofessionals.com, the focus of which is to provide the Canadian public with factual information in plain language on investing, to help people become smarter investors and also to help investors who prefer to work in an advisor relationship to become better, more successful clients… and to avoid DSC!

For the investor the joke should read: "DSC – Not for ME, Not for ME!"

In Summary:

I support fully a CSA ban:
(a) on trailing commissions being received by OEO dealers, and
(b) on DSC (deferred sales charge) sales of mutual fund as well as other investment products such as closed end funds, structured Notes and ETF's.

For the OSC to act in good conscience, it needs to reaffirm the mandate to eliminate these unfair sales practices.

Yours Sincerely,

Tom Dusmet
www.localwealthprofessionals.com
416-571-3581