

INVESTOR ADVISORY PANEL

April 24, 2020

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8

RE: IAP Comment on OSC Proposed Rule 81-502 *Restrictions on the Use of DSCs*

On behalf of the Investor Advisory Panel (IAP), I am writing to express our views on proposed OSC Rule 81-502 *Restrictions on the Use of the Deferred Sales Charge Option for Mutual Funds* (“Ontario’s proposal”). The IAP is an initiative by the Ontario Securities Commission to bring investor perspectives into its policy development and rule making process.

We agree with the Canadian Securities Administrators (CSA) that deferred sales charges (DSCs) are harmful to investors. Ample evidence supports this conclusion. In addition, as the CSA notes, there is no evidence of any investor benefit from the DSC option now that alternatives with fewer restrictions abound.

We cannot endorse Ontario’s proposal in light of these facts. Moreover, we are concerned that the proposal extends protection to some but not all investors.

For example, while it safeguards investors with large accounts from the harm of DSCs, it does not extend the same protection to smaller investors, who may well be more vulnerable as they tend to receive less robust investment advice.¹

Similarly, we are unable to support an option that is deemed too detrimental for older investors yet would still be marketable to young ones, including those who are the least experienced investors.

We also note that DSC sales are falling, both absolutely and proportionally, and an increasing number of fund managers and dealers no longer offer a DSC option. These trends indicate there no longer exists a compelling need, let alone justification, for the DSC option in today’s marketplace.

¹ See the findings in our July 2019 report entitled [A Measure of Advice: How much of it do investors with small and medium-sized portfolios receive?](#)

Simply put, DSCs are neither an appropriate nor a necessary investment alternative for consumers anymore. They do harm while providing no countervailing benefit for investors.

All Ontario investors deserve to be protected from this harm. Moreover, Ontario investors deserve no less protection than investors in other provinces and territories across Canada. Accordingly, we encourage Ontario to harmonize its position with the rest of the CSA jurisdictions.

Please let us know if you require any further information or clarification of our views in this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Neil Gross".

Neil Gross
Chair, Investor Advisory Panel