

PMAC Applauds OSC Decision to Ban Deferred Sales Charges on Funds

“We believe that Canadians in every province should be afforded the same opportunities and the same protections”

(TORONTO, May 7, 2021) – Portfolio Management Association of Canada (PMAC) applauds the Ontario Securities Commission’s (OSC) decision today to join the other Canadian Securities Administrators (CSA) in banning the use of deferred sales charges (DSC) for mutual funds. This change will harmonize the rules across Canada, leading to more efficiency and reduced regulatory burden for firms. It is also expected to lead to better investor outcomes and clarity on the services provided and their costs.

PMAC has long advocated for the elimination of DSC plans across Canada. Under these arrangements, dealers are paid an up-front fee by the investment fund manager when they sell DSC funds to investors. Although the investor does not pay an initial commission, they must hold the funds for a period of time (which can be up to 7 years) or pay a fee if they wish to redeem early. In their public consultation on this subject, the CSA stated these fee structures are often confusing and investors don’t understand when they are charged with early redemption fees. Clients who are locked into DSC plans may feel restricted from making changes to their investment portfolios or withdrawing funds when cash is required.

Many fund managers have already decided to stop offering the DSC option. While the OSC originally intended to restrict the availability of the DSC option in Ontario, PMAC believes an outright ban of DSCs is the right decision. A separate Ontario-only regime would have created confusion and compliance complexities, and potentially raised costs for investors. It was also not clear what would happen if a client moved from Ontario to another jurisdiction.

“We are pleased the OSC has decided to make this change,” says PMAC President Katie Walmsley. “It is a step toward greater transparency that will give Ontario investors more control of their investments with fewer surprises. Ontario’s decision to align with the other provincial regulators will improve harmonization.”

About PMAC

PMAC represents over [290 asset management firms](#) that manage more than \$2.8 trillion in assets. Members are all fiduciaries managing investments in the best interests of their clients which include private individuals, foundations, universities and pension plans. As one of the largest and fastest growing investment industry associations in Canada, PMAC operates coast-to-coast in English and French-language markets. PMAC employs a collaborative information-sharing business model and advocates on behalf of its members on securities regulation and government policy matters. The association’s mission is to advocate the highest standards of unbiased portfolio management in the interest of investors served by members. Visit us on [Twitter](#) and [LinkedIn](#).

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