

December 19, 2023

Member Regulation Policy
Canadian Investment Regulatory Organization
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RE: Rule Consolidation Project – Phase 1

PFSL Investment Canada Ltd. (“PFSL” or “we”) is pleased to respond to the Canadian Investment Regulatory Organization’s (“CIRO”) consultation regarding Phase 1 Proposed Dealer and Consolidated Rules (“DC Rules”). These are significant changes for the industry, and our comments regarding the proposed amendments follow.

About Primerica

Primerica Financial Services (Canada) Ltd. is a leading distributor of basic financial savings and protection products to middle-income households throughout Canada, serving the Canadian public since 1986. Our Canadian corporate group includes our mutual fund dealer, PFSL Investment Canada Ltd. and our life insurance company, Primerica Life Insurance Company of Canada (“PLICC”). PLICC is represented by 10,000 licensed life insurance agents across the country and about 60% of our life insurance agents are dually licensed as mutual fund representatives. We insure almost 550,000 lives and operate in every province and territory in Canada.

Our products and personal advice help middle-income Canadians establish long-term financial goals. Our representatives guide their clients at life's critical points, helping them avoid common pitfalls to gaining financial independence: higher cost and lower face value insurance that does not protect adequately, starting to save too late, not saving enough and neglecting tax-advantaged savings opportunities, to name a few. Our representatives take a holistic approach with their clients and offer our digital FNA (Financial Needs Assessment), which provides them with a snapshot of their financial situation and a road map to achieve their goals.

We have an exclusive sales force of representatives, which allows us to put supervision, monitoring, controls, and restrictions in place based on trends and risks we identify.

Proficiency Requirements are Proportionate with Required Product Knowledge

PFSL believes proficiency requirements should be proportionate with the required product knowledge of each registration category. Mutual funds present less risk to investors than exchange-traded funds (“ETFs”) and do not warrant higher obligations. ETFs are exchanged on the stock market and experience more volatility, whereas professional fund managers actively manage mutual funds and are more suitable for the modest-income market in Canada. We request that CIRO not merge mutual funds and exchange-traded funds' proficiency and regulatory compliance as both products contain different complexities and structures.

Implementation Period

PFSL understands that CIRO intends to introduce its Rule Consolidation Project ("the Project") in five phases. While we understand this method, we believe CIRO dealers will only fully understand the proposed rules and the impact on their business once all phases have been internally assessed. The changes stemming from the Project will require CIRO dealers to update documents and require additional resources. The required changes will be particularly challenging for small and medium-sized CIRO Dealers with limited resources to implement the required changes. We request that the DC Rules come into force following the finalization of the Project phases and that firms have sufficient time to assess the impact on their business.

90-Day Comment Period for Each Phases of the Project

PFSL believes CIRO should implement a 90-day comment period for the Project's remaining phases. Extending the consultation period by 30 days will allow CIRO Dealers additional time to assess the impact of the proposed rules, enhancing compliance with the DC Rule once they come into force. A 90-day consultation period will also allow for more diversity of opinions that allows CIRO to balance opposing opinions and develop a final DC Rule that effectively represents CIRO stakeholders. 90-day consultation periods are also more effective for small and medium-sized CIRO Dealers who have limited resources to assess the impact of the proposed DC Rule within 60 days and be beneficial for all CIRO Dealers during heightened vacation periods, such as during summer or cultural observances.

Conclusion

PFSL appreciates the opportunity provided by the Canadian Investment Regulatory Organization to provide our comments on Phase 1 of its Rule Consolidation Project rule proposal. Please find our responses to the questions posed by CIRO in Rule Consolidation Project – Phase 1, beginning on page 3. We look forward to continuing to work with CIRO on these proposed amendments and would be pleased to discuss any questions or concerns you may have.

Sincerely,

[Original Signed By]

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Chief Executive Officer

cc:

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Consultation Questions

Question #1 - Delegation

As part of the Phase 1 Proposed DC Rules, we have adopted existing IDPC Rule subsection 1103(1) relating to delegation but have not yet made a final decision on the approach we should take in drafting the final general rule requirement relating to delegation.

Which of the following rule drafting approaches do you think we should take and why? Should we:

generally permit the use of delegation, subject to specific prohibited exceptions itemized elsewhere throughout the rules?

or

generally prohibit the use of delegation, subject to specific permitted exceptions itemized elsewhere throughout the rules?

PFSL believes that CIRO should generally permit the use of delegation, subject to specific prohibited exceptions itemized elsewhere throughout the rules. We further support CIRO's ability to grant exemptive relief for delegation.

Question #2 - Temporary discretionary accounts

We have determined that there is no longer a need to make temporary discretionary account arrangements available to clients and will be proposing to eliminate this investment dealer account type as part of future phase of the Rule Consolidation Project.

Do you agree with the proposed elimination of this investment dealer account type? If not, please provide reasons why this account type should be retained.

CIRO should continue to permit temporary discretionary account arrangements. PFSL believes temporary discretionary account arrangements should also be permitted for Mutual Fund Dealers. Using temporary discretionary account arrangements is beneficial for clients with limited access to the internet or other modes of communication to authorize a trade due to illness, frequent travel, or not wanting to worry about the day-to-day management of their portfolio.

<p>Question #3 - Account types that can be offered by Investment Dealer Members and Mutual Fund Dealer Members</p>
<p>Under the Phase 1 Proposed DC Rules, the following account types will be available to Dealer Members:</p> <ul style="list-style-type: none">• advisory account (available to both Investment Dealer Members and Mutual Fund Dealer Members)• direct electronic access account (available only to Investment Dealer Members)• managed account (available only to Investment Dealer Members)• order execution only account (available only to Investment Dealer Members) <p>Should we consider proposing to allow Mutual Fund Dealer Members to offer managed accounts and order execution only accounts as part of a future Rule Consolidation Project phase and provided they comply with requirements that are materially the same as those that apply to Investment Dealer Members? Any such changes would have to be developed in conjunction with the CSA.</p> <p>PFSL supports a flexible option for CIRO dealer business models which would allow the above account types to be available to all CIRO dealer members, including mutual fund dealers, in accordance with the requirements found in the IDPC Rules.</p>

<p>Question #4 – Regulatory financial filing forms</p>
<p>The existing IDPC and MFD rules require the completion and submission of two different regulatory financial filings forms (both referred to as Form 1). As part of a future Rule Consolidation Project phase, a determination will need to be made as to whether we maintain two different regulatory financial filing forms or one going forward.</p> <p>Do you think we should maintain two different regulatory financial filing forms or one for both categories of CIRO Dealer Members? Why?</p> <p>Form 1 should be one form for both categories of CIRO Dealer Members. The financial filing requirements for mutual fund dealers should be a separate section within Form 1 due to the reporting differences between mutual fund dealers and investment dealers. PFSL requests that CIRO avoid implementing significant changes to Form 1. Should CIRO do so, CIRO should permit its regulated stakeholders to have a 90-day consultation period to assess the impact of the changes and respond accordingly.</p>

Question #5 – Harmonized Approved Person regime

There are material differences in the Approved Person regimes that apply to Investment Dealer Members and Mutual Fund Dealer Members. Our intention is to:

- **harmonize these two regimes as much as is feasible,**
- **retain a harmonized regime that continues to stress the important role played by individual Approved Persons in ensuring rule compliance, and**
- **ensure the harmonized regime accommodates different firm types and business models without introducing significant regulatory burden.**

What other factors should CIRO consider in its future phase work to develop a more harmonized Approved Person regime?

Proficiency requirements should be proportionate with the required product knowledge of each registration category. We do not believe that APs for mutual fund dealers should incur additional requirements such as or proficiencies or filings due to the lower risk involved in mutual funds relative to many other types of financial investments.

Question #6 - Categorization of clients

As part of a future phase of the Rule Consolidation Project we will need to determine whether the use of the “institutional client” / “retail client” categorization should be extended to Mutual Fund Dealer Members and, if so, whether all Dealer Members should be given the option of treating all clients as “retail clients” to avoid the burden of having to categorize clients.

Should all Dealer Members have the options of either: (1) categorizing their clients as either an “institutional client” or a “retail client” and complying with the rules relevant to each client type, or (2) treating all clients as “retail clients” and complying with the rules relevant to retail clients? Why or why not?

PFSL only serves retail clients but is supportive of IFIC's response regarding this question.