



October 23, 2020

Delivered By Email

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The Secretary, Ontario Securities Commission

20 Queen Street West 22nd Floor

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**Re: CSA Consultation Paper 25-402 – Consultation on the Self-Regulatory Organization Framework**

PFSL Investments Canada Ltd (“PFSL”) appreciates the opportunity to provide our comments to

**About PFSL**

PFSL is a mutual fund dealer and a member of the Primerica Financial Services Canada group of Companies (“Primerica”). Primerica is a leading distributor of basic savings and protection products to middle-income households throughout Canada. In addition to PFSL, our Canadian corporate group includes a mutual fund manager (PFSL Management Ltd.) and a life insurance company (Primerica Life Insurance Company of Canada). Primerica has been serving the Canadian public since 1986. Our mutual fund dealer contracts with the largest independent mutual fund sales force in the country with 7,200 Approved Persons (“APs”) and administers over \$11.5 billion of client investments, the vast majority of which serve the saving needs of middle-income Canadians. Our life insurance company contracts over 12,000 licensed life insurance agents across the country, protecting Canadian families with over \$120 Billion of term life insurance.

Primerica dedicates its efforts to providing middle-income families with access to simple, yet essential products and service through one of the nation’s largest and exclusive (captive) sales force. We consider our focus on middle-income Canadians one of the distinguishing features of our company since they are often overlooked by other financial service providers, particularly those providing personal advice. With this experience and a focus on preserving access to affordable financial products, we submit our comment to the CSA.

**Context**

Our mutual fund dealer offers a diverse set of funds from well-known fund managers. In addition, we offer a proprietary suite of mutual funds. All funds are vetted to ensure they meet the needs of the clients we

serve. Over 85% of our assets under management are in registered accounts. Our investment products, principles and personal advice help middle-income Canadians establish a long-term savings plan for retirement, education and other financial goals. Our representatives nudge their clients at life's critical points, helping them avoid the pitfalls of saving and investing: starting late, not saving enough, neglecting tax-advantaged opportunities, and buying and selling at the wrong times. We do not require minimum account sizes and offer savings programs with contributions as little as \$25 per month, with initial investments as low as \$100 to \$500. This approach allows Canadians, no matter how small their budget, to participate in the capital markets and set and achieve their financial goals. Our monthly contribution plans establish a savings discipline and better prepare our clients for their retirement and other life events. We often do this with our representatives conducting face to face meetings with clients at their kitchen table. Our representatives spend a significant amount of time and effort identifying their clients' needs and establishing their financial objectives, contributing to their personal financial knowledge in the process. Our representatives take a holistic approach to their clients' financial situation; it is far more than just making a fund recommendation but also empowering them with the knowledge and tools to strive towards financial independence.

### **Considerations**

Even though mass market households own only about 6% of financial wealth in Canada, they are a significant segment of mutual funds' investor base. They account for approximately 28% of assets and 83% of households. That is because mutual fund dealers provide the most accessible advisory service to retail investors in the securities industry today. The mass market's access to investments and advice needs to be preserved and that requires that independent mutual fund dealers continue to be viable under a new SRO model, without facing undue increase of their regulatory burden or costs.

### **Self Regulatory Organizations and Retail Investors**

PFSL believes in the value and efficacy of the SRO model of regulation of the investment industry. SRO's provide market regulation tailored to retail investors. They are better able to identify trends that may impact investors and adjust their regulatory approach accordingly.

We also believe it is important to maintain a funds (mutual funds, ETF's) registration category for dealers and for advisors (currently MFDA Approved Persons). This distribution channel has demonstrated its importance in serving investors of all means, but in particular those with more modest amounts to invest. The channel provides access to advice for those that are starting out investing, combined with personal advice to help investors achieve their financial goals.

Proposals to consolidate the regulation of various regulatory organizations and increase the scope of these organizations have been released recently. Consolidation, through merger or another approach, may provide efficiencies, as a minimum through the elimination of duplication of overhead. However, a clear set of outcomes should be established prior to embarking on any such consolidation. These should include:

- A consistent approach to retail investor protection;
- regulatory oversight commensurate with the investors being served and the products being sold;
- maintaining funds dealer and advisor registration categories;
- maintaining fees at current levels, or passing along savings from efficiencies achieved so that serving modest investors does not become uneconomical; and

- the ability to move to more complex product registration categories through obtaining the required proficiency, both at the dealer and advisor level.

The complexity and work required to combine two or more regulatory organizations is significant and bringing in registrants currently not subject to regulation by an SRO will be very challenging. We believe that, should this route be taken, it will need to be done in stages. However, we believe that registrants serving retail investors should be subject to a consistent regulatory approach.

### **Questions**

PFSL was pleased to participate in and contribute to the submission that The Investment Funds Institute of Canada provided and we endorse their responses.

### **Conclusion**

We appreciate the opportunity to provide comments on CSA Consultation Paper 25-402. As always, we remain open to discussion and willing to work with the CSA, the MFDA and with IIROC during the consultation period and beyond to ensure that the right regulatory model is established. Arriving at the right SRO structure will be crucial in ensuring that Canadian investors continue to have confidence when investing through either investment channel. It is equally crucial in ensuring that the industry remains competitive and able to serve investors of different budget sizes and needs.

Sincerely,

*[Original Signed by]*

John Adams, CPA, CA  
Chief Executive Officer