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Member Regulation Policy

Canadian Investment Regulatory Organization
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RE: Rule Amendments – Proposed Amendment of Approved Person Fees Component within the Annual Fee of Dealer Member Fee Model

PFSL Investments Canada Ltd. (PFSL, we or our) is pleased to respond to the Canadian Investment Regulatory Organization's ("CIRO") consultation regarding the changes to Approved Person Fees. The proposed changes are particularly significant for mutual fund dealers that seek to make financial advice accessible to middle-income Canadians. Our comments reflect this perspective of serving the middle-income market. We are concerned that increased Approved Person fees will serve as another barrier to entry for new dealers

About Primerica

Primerica Financial Services (Canada) Ltd. is a leading distributor of simple 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 more than 10,800 licensed life insurance agents across the country, and approximately 7,000 of our life insurance agents are dually registered as mutual fund representatives. We have over 700,000 investment accounts, with median assets per client of \$15,000.

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 gain 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. Our goal is to empower Canadians to make informed financial choices through education and help them set and achieve their financial goals.

We pride ourselves on our high customer satisfaction and retention, our collaboration with regulators as we believe in strong consumer protection, and our compliance record. Primerica's people-first philosophy and our commitment to doing what's right for our clients are evident in the millions of families who trust Primerica for their family's financial needs across North America.

The Proposed Changes are a Departure from the Principle of Proportionality

The introduction of a uniform, \$300 fee for Approved Persons treats the financial circumstances for dealers as evenly distributed. However, this is far from the case, as dealers vary significantly in firm size, business model, and supervisory risk. Many dealers seek to operate in the low-risk, small-account market as they build out their practices. Dealers serving this market will have a greater number of Approved Persons as they serve a larger pool of clients. The proposed fee will raise the dealer's cost disproportionate to the financial condition of the dealer.

One of CIRO's own Guiding Principles is proportionality. Raising the per-person fee will disproportionately impact dealers in the middle-income market, compounding their costs for operating their business and adding another barrier to entry into the marketplace that is increasingly catering towards high-net worth clients. We appreciate that Approved Persons draw resources from CIRO and thus should pay fees, however we must note that the resource allocation is not equitably distributed. In PFSL's submission from June 2024, we asserted that a new Approved Person at a dealer with a small book is not drawing the same resources from CIRO as dealers with a large book and complex products. Further, we noted that a fee structured which is uniformly imposed on Approved Persons will push firms to focus on high net-worth, high revenue clients. At a moment where the advice gap is growing between high-net worth and middle-income clients, adding another barrier to entry for dealers serving the middle-income market risks exacerbating this issue.

Transparency in Cost Recovery

The work that CIRO has been executing since implementing their integrated fee model has begun to take effect since the model was introduced. Dealers such as PFSL have been paying their National Registration Database (NRD) enrollment fees. The proposal seeks to cease collecting its registration fees through the NRD and end its cost-recovery arrangements with certain provincial regulators, replacing them with higher Approved Person fees. While we understand that CIRO does not have access to information related to the functions the NRD registration fees and provincial recovery funded are, how those costs are changing, or how they will be managed under the new model, this information is important in assessing the appropriateness of the overall costs dealers are being asked to bear. We appreciate that CIRO is taking on additional responsibility and related costs, but expected that with CIRO being overseen by the CSA, information related to anticipated savings resulting from this change would be made available to CIRO and its dealer members. Without this transparency, Members cannot sufficiently assess whether the proposed increase is justified or duplicative.

Further, PFSL seeks an understanding from CIRO of the costs for registration for Approved Persons, and how they are distributed based on the type of Approved Person. We believe that efforts must be made to lower financial barriers of entry for newly Approved Persons, including registration costs. Raising registration costs without transparency on how those costs are distributed will be perceived as an unfair and unequitable outcome.

Recommendations

With the aging of advisors generally, it is important to encourage new entrants into the market by minimizing barriers wherever possible. This would expand access to financial advice to all

Canadians, increase product offerings, and help underserved markets gain financial wealth. We believe that CIRO's proposed rise in the Approved Person fees is not in line with this goal. We recommend the following actions:

- **Publish a transparent cost-driver breakdown;** CIRO should provide a clear explanation of which registration functions were being funded through the NRD fee and cost recovery from provincial agencies, and how those savings are going to be recovered through the new Approved Persons fees.
- **Implement a proportional fee structure:** Registration fee structure should be representative of the overall cost to serve Approved Persons. New entrants and those serving smaller accounts should have lower fees if their drain on resources does not match existing Approved Persons and those serving large accounts.

Conclusion

PFSL appreciates the opportunity to provide commentary to CIRO on the proposed amendment of Approved Person fees. We look forward to continuing to work with CIRO on these proposed amendments and would be pleased to discuss any questions or concerns CIRO may have.

Sincerely,

[Original Signed By]

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