



CIRO · OCRI

Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

**IN THE MATTER OF
THE MUTUAL FUND DEALER RULES
AND
PFSL INVESTMENTS CANADA LTD.**

NOTICE OF HEARING

A first appearance will be held before a Hearing Panel of the Canadian Investment Regulatory Organization (“CIRO”) ¹ pursuant to Mutual Fund Dealer Rule 7.3 to schedule a hearing in the matter of PFSL Investments Canada Ltd. (the “Respondent”). The first appearance and the hearing will be subject to Mutual Fund Dealer Rule 7, and the Mutual Fund Dealer Rules of Procedure (“Rules of Procedure”), as further referenced below, which govern the conduct of enforcement proceedings.

The first appearance will be held by way of videoconference on Friday, October 03, 2025 at 10:00 a.m. ET

The purpose of the hearing will be to determine whether the Respondent has contravened CIRO requirements. A summary of the facts alleged and intended to be relied upon by CIRO, the conclusions drawn by CIRO based on the alleged facts, and alleged contraventions are contained in the Statement of Allegations attached to this Notice of Hearing.

If the Hearing Panel finds that the Respondent has contravened CIRO requirements as alleged in the Statement of Allegations, the Hearing Panel may impose one or more of the following sanctions pursuant to Mutual Fund Dealer Rule 7.4.1.2:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$5,000,000 per offence, and
 - (ii) an amount equal to three times the profit obtained or loss avoided by the Member as a result of committing the violation;
- (c) suspension of the rights and privileges of the Member (and such suspension may include a direction to the Member to cease conducting securities related business) for such specific period and upon such terms as the Hearing Panel may determine, or if the rights and privileges have already been suspended under Mutual Fund Dealer Rule 7.4.3, the continuation of such suspension (including a prohibition on the Member conducting securities related business)

for such specified period and upon such terms as the Hearing Panel may determine;

- (d) termination of any and all of the rights and privileges of Membership;
- (e) expulsion of the Member from CIRO;
- (f) such terms and conditions on Membership of the Member as may be considered appropriate by the Hearing Panel;
- (g) appointment of a monitor in accordance with Mutual Fund Dealer Rule 7.4.7; and
- (h) directions for the orderly transfer of client accounts from the Member.

In addition, pursuant to Mutual Fund Dealer Rule 7.4.2, a Hearing Panel may require the Respondent to pay any costs incurred by or on behalf of CIRO in connection with the proceeding and any investigation related to the proceeding.

The Respondent must serve on Enforcement Staff a Reply to this Notice of Hearing in accordance with Rule of Procedure 8 and Mutual Fund Dealer Rule 7.3.2 within 20 days from the effective date of service of this Notice of Hearing. The Respondent must also file the Reply at the Hearing Office in accordance with Rule of Procedure 4.6.

The Reply may either:

- (a) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by CIRO in the Statement of Allegations; or
- (b) admits the facts alleged and conclusions drawn by CIRO in the Statement of Allegations and plead circumstances in mitigation of any penalty to be assessed.

Pursuant to Mutual Fund Dealer Rule 7.3.3 and Rule of Procedure 8.3, the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by CIRO in the Statement of Allegations that the Respondent does not specifically deny in the Reply.

Pursuant to Mutual Fund Dealer Rule 7.3.4 and Rules of Procedure 7.3 and 8.4, if the Respondent fails to:

- (a) serve and file a Reply; or
- (b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a Reply may have been served,

the Hearing Panel may, among other things, proceed with the hearing on the date and at the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without further notice to and in the absence of the Respondent, and the Hearing Panel may accept as proven the facts, conclusions, and contraventions alleged in the Statement of Allegations, and may impose sanctions and costs.

The Respondent is entitled to attend the hearing and to be heard, to be represented by counsel or an agent, to call, examine and cross-examine witnesses, to present evidence, and to make submissions to the Hearing Panel at the hearing.

DATED this 13th day of August 2025.

“National Hearing Officer”
NATIONAL HEARING OFFICER
Canadian Investment Regulatory Organization
40 Temperance Street, Suite 2600
Toronto, Ontario, M5H 0B4

¹ Where the rules, by-laws, and policies of the Mutual Fund Dealers Association of Canada (the “MFDA”) that were in force immediately prior to amalgamation of the Investment Industry Regulatory Organization of Canada and the MFDA have been incorporated into the Mutual Fund Dealer Rules, Enforcement Staff have referenced the relevant section of the Mutual Fund Dealer Rules.



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STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated August 13, 2025, Enforcement Staff make the following allegations:

PART I – REQUIREMENTS CONTRAVENED

Contravention 1: Beginning June 8, 2020, PFSL Investments Canada Ltd. (“**PFSL**”) failed to implement adequate policies and procedures, and internal controls to ensure the authenticity, integrity, and reliability of client signatures collected through its electronic signature platforms, contrary to Mutual Fund Dealer Rules 2.5.1, 2.1.1, 2.9, and 400 and MFDA Rule 5.1.¹

Contravention 2: In March 2023, PFSL failed to adequately query large and atypical redemptions processed in the accounts of a client, contrary to Mutual Fund Dealer Rules 2.5.1, 2.2.6, and 200.

Contravention 3: In April 2023, PFSL failed to adequately query large and atypical investments made by two of its Approved Persons, contrary to Mutual Fund Dealer Rules 2.5.1 and 200.

¹ On December 31, 2021, amendments to MFDA Rule 5.1 came into effect. As the misconduct that is the subject of Contravention 1 commenced prior to these amendments, the version of MFDA Rule 5.1 in effect prior to December 31, 2021 applies to Contravention 1.

Contravention 4: Beginning December 31, 2021, PFSL failed to implement adequate policies and procedures, and internal controls with respect to the naming of Trusted Contact Persons, contrary to Mutual Fund Dealer Rules 2.5.1 and 2.2.1.

Contravention 5: Between at least 2019 and 2025, PFSL failed to have policies and procedures with respect to Approved Persons accepting appointments as powers of attorney and executors by clients that ensured compliance with the Mutual Fund Dealer Rules (formerly MFDA Rules), contrary to Mutual Fund Dealer Rules 2.5.1, 2.10, and 2.3.1.

PART II – RELEVANT FACTS AND CONCLUSIONS

Overview

1. Beginning in June 2017, PFSL implemented certain electronic signature platforms to permit its Approved Persons to have clients sign account forms electronically. The use of electronic signatures rendered traditional means of detecting Approved Persons signing client names, such as the visual inspection of account forms by compliance staff and branch managers, ineffective. While PFSL continued to maintain its policies, guidance, and training that prohibited its Approved Persons from signing clients' names, it failed to undertake any head office reporting or analysis that would detect Approved Persons using the electronic signature platforms to sign the names of clients. PFSL also failed to implement any additional robust controls to prevent its Approved Persons from electronically signing the names of clients. Accordingly, notwithstanding the enhanced risks arising from the use of electronic signatures, PFSL failed to implement adequate supervisory policies, procedures, or internal controls to ensure the authenticity, integrity, and reliability of electronic client signatures.

2. Between 2021 and 2024, PFSL failed to prevent, detect, or query multiple occasions of Approved Persons using the electronic signature platforms to sign the names of clients. PFSL only became aware of such events passively, as a result of client complaints, chance discoveries, and voluntary admissions by its Approved Persons.

3. In March 2023, PFSL failed to adequately query unusual redemptions in a client's accounts, which substantially redeemed the entirety of the client's investments. PFSL further failed to query when its Approved Person, who serviced that client's accounts, opened new accounts with his spouse at PFSL and deposited a large sum of money. PFSL learned only afterwards, owing to a complaint, that the Approved Persons had obtained proceeds of redemption from the client and deposited a substantial portion of those proceeds in the new accounts.

4. Beginning in March 2019, PFSL began to have its Approved Persons obtain trusted contact person ("TCP") designations from its clients. PFSL implemented no internal controls over such designations and did not require that such designations be reviewed by supervisors or submitted to its head office.

5. Between at least 2019 and 2025, PFSL's policies and procedures permitted its Approved Persons to accept appointments as a power of attorney and executor for a client, and did not require that such appointments be reported to PFSL unless and until they became active. PFSL's policies and procedures were inconsistent with Mutual Fund Dealer Rule 2.3.1(a), which prohibited, with very limited exceptions, Approved Persons from accepting appointments as a power of attorney and executor for a client.

Background

6. PFSL is a Dealer Member registered as a mutual fund dealer and is registered under securities legislation in all Canadian provinces and territories. PFSL has been a Dealer Member of CIRO (formerly, a Member of the MFDA) since January 11, 2002. PFSL is a wholly owned subsidiary of Primerica Finance Corporation, which is a wholly owned subsidiary of Primerica, Inc.

Contravention 1: Failure to Ensure the Authenticity, Integrity, and Reliability of Electronic Signatures

TurboApps

7. Beginning June 22, 2017, PFSL adopted the use of Turbo Applications (“**TurboApps**”), computer software developed by PFSL’s U.S. parent, to allow its Approved Persons to obtain clients’ signatures electronically when meeting with clients in person or virtually.² Clients could sign electronic account forms by either electronically drawing their signature or typing their signature using a keyboard. Following the electronic signing by the client, Approved Persons would be required to apply their electronic signature. In addition to the signed account form, TurboApps would capture the date and time that the client and the Approved Person electronically signed the account form.

8. TurboApps documents contained an acknowledgment by the Approved Person that they had personally seen the client sign the account form. In addition, PFSL’s policies and procedures, the annual attestations Approved Persons were required to complete, and bulletins provided to Approved Persons prohibited Approved Persons from signing clients’ names.

9. Notwithstanding the information recorded by TurboApps and the prohibitions placed on Approved Persons, PFSL failed to have adequate supervisory controls to ensure the authenticity, integrity, and reliability of clients’ electronic signatures. As described below, PFSL failed to prevent, detect, or query multiple instances of Approved Persons using TurboApps to sign the names of clients on account forms.

DocuSign

10. Beginning March 9, 2018, PFSL adopted the use of DocuSign (in addition to TurboApps), a software platform that PFSL’s Approved Persons could use for the collection

² TurboApps could be used in connection with certain transactions and only for certain mutual funds, which was expanded from time to time.

of client electronic signatures.³ Unlike with TurboApps, DocuSign required Approved Persons to first electronically sign an account form and to input a client's email address. The client would then access their email, review the account form, and sign the account form by using a pre-existing scan of their signature, electronically drawing their signature, or typing their signature using a keyboard. In addition to recording the client's and Approved Person's signatures, DocuSign recorded the date and time the account form was sent, viewed, and signed, the email addresses used in connection with the electronic signatures, and the Internet Protocol ("IP") Addresses of the electronic devices used to complete the electronic signatures.

11. Notwithstanding the additional information recorded by DocuSign, PFSL did not implement any policies, procedures, or internal controls to review the additional information to identify red flags that a client's signature may not be authentic or reliable. PFSL would only review the additional information if it were otherwise informed, such as from a client complaint, that an Approved Person may have signed the name of a client.

PFSL Fails to Detect Approved Persons Signing Clients' Names

12. On June 8, 2020, the MFDA issued an update to MFDA Staff Notice MSN-0016, which provided guidance to the industry in respect of Dealer Members' use of electronic signatures. The updated Staff Notice stated, among other things, that:

Members should exercise due diligence, and obtain technical and legal advice, when selecting and implementing electronic signature technologies and record retention system, so that:

...

- the resulting electronically signed documents and related artifacts (e.g. emails and audit trails) provide acceptable assurances of authenticity, integrity and reliability to help mitigate risks of fraud and repudiation; ...

³ DocuSign could be used in connection with certain transactions and only for certain mutual funds, which was expanded from time to time.

13. MFDA Staff Notice MSN-0016 also guided Dealer Member to consider the *Fund Industry Guidelines for Electronic Signatures* issued by Fundserv. Among other requirements, the Fundserv *Guidelines* stated that “[t]he electronic signature must include satisfactory evidence that the signer is the true signer and not someone else.”

14. At all material times, section 11.1 of National Instrument 31-103 required that PFSL establish, maintain and apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices.

15. Prior to PFSL’s adoption of the electronic signature platforms and thereafter, PFSL Approved Persons were subject to multiple prosecutions by CIRO (previously, the Mutual Fund Dealers Association of Canada) in connection with various misconduct affecting the authenticity, integrity, and reliability of clients’ signatures and executed account forms.

16. Nonetheless, PFSL did not update or adopt any new policies, procedures, or internal controls in response to the update to the MFDA Staff Notice MSN-0016.

17. Between September 2021 and February 2024, four Approved Persons signed the names of 95 clients on 190 account forms using TurboApps. The four Approved Persons submitted those account forms to PFSL to, among other things, open accounts, update Know-Your-Client information, and process transactions. PFSL did not detect or query any of these instances of its Approved Persons signing the names of clients.

18. PFSL learned of the Approved Persons’ conduct by chance and the Approved Persons’ own admissions. In one instance, a branch manager learned that an Approved Person may have signed the names of certain clients electronically from the clients who the branch manager was assisting while the Approved Person was on vacation. In the three other cases, PFSL learned of the Approved Persons’ conduct following receipt of client complaints. All four Approved Persons later admitted the full scope of their conduct to PFSL or to Enforcement Staff during their respective investigations.

19. In March 2023, one Approved Person, Approved Person PE, processed 9 redemption account forms that had been executed using DocuSign, which redeemed almost the entirety of the client's investments. In each case, the redemption account forms were executed in the client's name, Client PK, using a different email address than that previously recorded with PFSL. In one instance, the IP Address recorded by DocuSign in connection with Client PK's signature was associated with a city that was not the location of Client PK's home as recorded with PFSL. PFSL did not detect any of the foregoing issues concerning the authenticity, integrity, and reliability of Client PK's electronic signature on the 9 redemption account forms.

20. PFSL later learned of the above issues concerning Client PK's signature following its receipt of a complaint.

21. Beginning May 26, 2024, electronic account forms completed with TurboApps used DocuSign for the collection of client electronic signatures. At this time, PFSL implemented an additional measure, such that when clients clicked on the link received in their email to sign an account form, the clients would have to input the last four digits of their social insurance number to electronically sign the account form. Approved Persons would be aware of their clients' social insurance numbers and were required by PFSL's policies and procedures to communicate the last four digits to the clients when sending a document for signature. This additional measure therefore did not adequately increase the authenticity, reliability, and integrity of electronic signatures collected by PFSL.

Contravention #2 – Failure to Query Large and Atypical Redemptions

22. As described above, between March 24 and March 30, 2023, Approved Person PE processed 9 redemptions from Client PK's mutual fund accounts, which totalled \$987,562.04, representing substantially all of Client PK's investments with PFSL. Each of the redemptions contained the instructions: "redeem all funds and close account". At the time, Client PK was 85 years old, living in a retirement home, and had been PFSL's client for approximately 12 years.

23. PFSL was responsible for both Tier 1 and Tier 2 supervision of the redemptions, as Approved Person PE was a branch manager. Seven of the 9 redemptions exceeded the thresholds for Tier 1 and Tier 2 review.

24. Notwithstanding the unusual size and nature of the redemptions, PFSL failed to query the redemptions to determine why Client PK was closing his accounts and failed to contact Client PK directly to ensure the redemptions were in accordance with his instructions. PFSL only requested a signature guarantee from Approved Person PE and queried one of the redemptions because of its impact on the investment objective of the particular account.⁴

Contravention #3 – Failure to Query Large and Atypical Investments by Two Approved Persons

25. In April 2023, approximately two weeks following the large redemptions processed by Approved Person PE from Client PK's accounts described above, Approved Person PE and his spouse, Approved Person SE (also an Approved Person with PFSL), opened new accounts with PFSL and collectively deposited \$800,000. On the new account application forms, Approved Persons PE and SE indicated that the source of the money was "personal savings".

26. Prior to the deposits in April 2023, Approved Person PE and SE's investments with PFSL totalled approximately \$3,500 and \$5,300, respectively. Approved Person PE's income from PFSL had not exceeded \$50,000 annually in any of the previous five years and Approved Person SE did not service any clients. In addition, as PFSL was aware, in 2018, Approved Person PE had been subject to a consumer proposal.

27. Notwithstanding the unusual size and nature of the deposits by Approved Persons PE and SE and that the deposits were made shortly after the large redemptions processed

⁴ Approved Person PE responded by advising that the balance of the account would be redeemed, which satisfied PFSL.

by Approved Person PE in the Client PK's accounts, PFSL made no inquiries with Approved Persons PE and SE to determine the source of the money deposited with PFSL.

28. Unbeknown by PFSL at the time, Approved Person PE had obtained the proceeds of redemption from Client PK described above. The \$800,000 deposited by Approved Persons PE and SE was a portion of those proceeds of redemption.

Contravention #4 – Failure to Adequately Supervise the Naming of Trusted Contact Persons

29. Beginning March 21, 2019, PFSL made available to its Approved Persons a trusted contact form, which Approved Persons could use to have a client designate a TCP.

30. PFSL's policies and procedures required only that Approved Persons keep a copy of a completed trusted contact form in the client's file. The completed form did not have to be reviewed by a supervisor, sent to PFSL's head office, or inputted into PFSL's system. Accordingly, PFSL had no oversight over who a client named as their TCP.

31. On February 8, 2023, a trusted contact form was completed for Client PK naming Approved Person SE as his TCP. As described above, Approved Person SE was the spouse of Approved Person PE, who was the servicing Approved Person for Client PK's accounts.

32. For the reasons described above, PFSL had no knowledge and made no queries about a client naming a PFSL Approved Person, who was also the spouse of the servicing Approved Person, as the client's TCP.

Contravention #5 – Failure to Have Adequate Policies and Procedures

33. From at least 2019, PFSL's policies and procedures expressly permitted Approved Persons to accept appointments as a power of attorney or an executor for a client without informing PFSL. Approved Persons were required to inform PFSL only once such an appointment became active.

34. At all material times, Mutual Fund Dealer Rule 2.3.1(a) prohibited Approved Persons from accepting appointments as a power of attorney or an executor for a client. Mutual Fund Dealer Rule 2.3.1(c) provided for an exception only where: (i) the client is a Related Person, as defined by the Income Tax Act (Canada), of the Approved Person; (ii) the Approved Person notifies the Member of the appointment; and (iii) the Approved Person obtains written Member approval *prior to* accepting or acting upon the control or authority.

35. PFSL's policies and procedures expressly permitted conduct that was prohibited by the Mutual Fund Dealer Rules.

36. Client PK named Approved Person SE as his power of attorney and executor jointly with another individual in 2018 and solely in 2023. In accordance with PFSL's policies and procedures, Approved Person SE did not inform PFSL of these appointments.

DATED at Toronto, Ontario this 13th day of August 2025.