



Head Office/Siege Social  
6985 Financial Drive, Suite 400  
Mississauga, ON L5N 0G3

Mailing Address/Addressed Postage  
P.O Box 174/C.P. 174  
Streetsville, ON L5M 2B8

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**Member Regulation Policy**

Canadian Investment Regulatory Organization  
Suite 2600  
40 Temperance Street  
Toronto, Ontario M5H 0B4  
e-mail: [memberpolicymailbox@ciro.ca](mailto:memberpolicymailbox@ciro.ca)

**RE: Rule Amendments – Proposal to Harmonize CIRO Continuing Education Programs**

PFSL Investments Canada Ltd. (PFSL, we or our) is pleased to respond to the Canadian Investment Regulatory Organization’s (“CIRO”) consultation regarding the modernization of requirements for account transfers and bulk account movements.

**Overview**

We support CIRO’s goal to harmonize the account transfer system, facilitating automation and improved service for clients. The account transfer process can result in significant delays for clients due to segmentation, slow internal business processes, and a lack of clarity on responsibilities. To this end, we praise CIRO’s efforts to try and address these issues and create a more streamlined process for clients and firms. Below are PFSL’s comments on the proposed changes.

**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.

### **Transfer Process is Different Depending on the Type of Dealer**

One of our primary concerns about the proposed rules is that they assume an environment where investment dealers operate in the nominee account type. In nominee accounts, the client's assets and plan administration are controlled by the dealer. A nominee dealer can freely hold and then transfer funds to and from other dealers. Nominee dealers can also communicate important transfer information such as notional account balances on registered plans to a receiving dealer.

As a dealer that operates almost exclusively in Client Name accounts, we are not typically aware of the types of impediments that can occur on outbound transfers and have limited information about notional balances in registered plan types (e.g. grant information for RESPs, withdrawal requirements for RRIFs). Since we are not permitted to hold client funds in our bank accounts during the transfer process, we are not able to receive or send funds from and to another dealer or fund manager through our bank accounts. We rely exclusively on fund managers to complete this part in the transfer processes. In their current form, the proposed rules do not accommodate the conditions that client name dealers such as us operate in.

Technological solutions such as Fundserv have developed *some* functionality for client name transfers but have not yet come to terms with all types of client name transfers, particularly in cases where the dealer is not able to take possession of funds. Fundserv's N\$M money transfer process does not work for dealers that cannot hold client funds (type 1 or 2 Mutual Fund Dealers). PFSL, as a Type 2 Mutual Fund dealer, cannot hold client funds in our bank account, so any transfer of funds needs to take place between our fund manager partners and whomever the other dealer is working with. It's necessary to have these other parties involved in the transfer process, which is something that the proposed rules do not incorporate in their analysis.

We believe that the transfer process and any associated rules will need to adequately address the differences between client and nominee name account types. This will ensure that the obligations imposed on client name dealers are reasonable and can be complied with. It will be critical for mutual fund managers to be involved in the transfer workflows when client name account transfers are involved.

### **Delays in Account Transfer Process**

In our experience, we have found that the sources of delays are not entirely due to a lack of automation and technological solutions, but are also caused by "unofficial" business processes designed to delay transfers-out and conserve the client's business. We have noticed that many delays from firms are the result of branches misplacing paperwork, having sequential rejections for "not in good order" (NIGO) items rather than identifying all NIGOs the first time, clients who have been told that they must go to the branch to meet with their current firm or advisor in person before the money can be transferred out, and other unusual

practices that delay the process. These tactics all contribute to transfer delays and can even cause frustration with the client that they ultimately cancel their transfer altogether.

While we have seen improvements in transfer times in recent years, there are still many cases where dealers are causing long, drawn out delays. We applaud CRO for attempting to regulate the timeframes involved in the process. We recommend that the rules be simplified by regulating the execution time once a transfer request is deemed, "in good order", like the transaction processing rules. Assuming no further impediments to the transfer exist, a transferring entity should be compelled to execute the transfer on a timely basis.

### **Account Transfer Timelines**

PFSL believes that establishing clear regulatory timelines for the activities involved in the processing of transfers is a necessary step to improve efficiency and outcomes for consumers. We acknowledge that there are unnecessary delays in the industry and that efforts must be made so they are eliminated. We are concerned, however, that mandating timelines for activities that are beyond a dealer's control will result in compliance failures. It is not reasonable to hold a dealer accountable for delays due to customer unavailability or their desire to consider the information being given to them about a potential transfer impediment. The rules should only prescribe timeframes for the activities within the receiving or relinquishing dealer's control.

There are many factors that could delay an account transfer, such as:

- Information that is obtained from a relinquishing dealer about transfer impediments, an asset's tax position, or other essential information, it will need to be communicated to the client. The client may not be readily available, or they may want time to consider their options and/or consult outside counsel such as their accountant or tax advisor. The rule should stipulate that the dealer must *inform* their client of any issues on a timely basis, but once the client has been informed, there should not be a timeline to obtain an answer from the client to resolve the issue.
- In cases involving client name transfers, the dealer is often not in control of the movement of money from one party to another and should not be held accountable for any delays that are occurring at the relinquishing fund manager's end, or in processing of new purchases by the receiving fund manager.
- There are times of year when it may not be possible to meet the standards. For example, the latter half of February and early March (RSP season), and close to the year-end. The rules should be flexible enough to allow for a few extra days in times of extraordinary volumes, or alternatively the timelines to respond to or perform activities should be longer than are currently contemplated.

We believe that the rules should establish prescribed timelines for activities that are within the dealer's control and should have flexibility for situations where volume constraints insert a few extra days into the process. Dealers must be compelled to promptly engage clients, fund managers (when applicable), and respond to dealers, however the prescribed timelines must account for the realities of the account transfer process.

## **In Good Order Provision**

We propose that the rule be amended to establish an ‘in good order’ structure for account transfers, which would have all parties resolve any possible issues with the transfer before the prescriptive timelines begin. There is precedent in securities legislation for establishing ‘in good order’ for processing transactions. The *Ontario Securities Transfer Act, 2006*, prescribes that a pre-condition check of any possible issues for a transfer of securities be resolved (in good order) before the transaction is processed. Additionally, there are no prescriptive timelines for resolving any possible issues before establishing good order for a transaction. Establishing good order before a transaction goes forward ensures that all parties have resolved any issues, and that there is no harm done to firms or clients. CISO should build on this structure established in securities for other dealer types when legislating account transfers.

Transfer issues are most often found when firms must engage with the client to resolve an issue, which makes it difficult for a firm to be able to adhere to a strict timeline if a client is non-responsive. We believe that CISO can take steps to ensure firms are not delaying a transfer without assigning a timeline on receiving dealers. However, firms cannot be held accountable for the inaction or inactivity of their clients if best efforts to engage the client have been made. We support the recommendations from SIMA, that carve outs must be made for transfer scenarios that cannot fit into the tight timelines, and there must be added nuance to give dealers the flexibility to address impediments, engage with clients, and resolve any issues before transfers are processed.

CISO should hold dealers accountable so that they are promptly responding to dealers and engaging their clients to resolve any issues. To do so, the rules should be amended such that a response to an inquiry from a dealer is made under a prescribed timeline, rather than a resolution be found under a prescribed timeline. This would ensure that dealers are making their best efforts to promptly resolve issues without setting timelines that dealers will be unable to reach. Further, we support CISO implementing a trigger for the proposed timelines in the rule to process transfers once “in good order” has been established. If all impediments and issues have been resolved, then dealers must complete the transfer within the *10 clearing days* period.

## **Concerns with Technological Solutions**

PFSL agrees with CISO that a universal technology solution for the account transfer process would dramatically improve efficiency in the account transfer process. However, we share the concerns that our industry partners have raised that there is no ready-made technological solution available that can address the account transfer process. Additionally, the costs to develop and operate a new platform (or platforms) are not yet known. Existing platforms such as those operated by Fundserv and ATON are used in the industry, though many dealers have not adopted them due to the limitations in functionality or the costs of adopting these platforms to facilitate transfer automation.

We are concerned about the costs and complexities involved in developing, implementing, and operating a new technology solution that does not yet exist, but will become mandatory. We are particularly concerned that the mandatory use of an as-yet-undefined solution would serve as another barrier to entry for smaller firms, adding significant compliance and operating costs. Smaller firms already face an increasing regulatory burden to enter the

marketplace, and a costly technological solution will add another layer of burden that will further deter competition.

PFSL agrees with our industry partners that a technological solution which automates the process must be developed alongside industry partners, rather than imposing a system which may prove costly without the desired outcomes. Additionally, we believe that CIRO must carefully and comprehensively consider what new technological requirements will do to the industry. We request that CIRO undertake a comprehensive cost/benefit analysis on the value of building and adopt new technological solutions against the costs of building and operating such a system. Any solution that is required should be cost effective, so as not to disadvantage dealers that serve certain market segments. For firms that operate with smaller account sizes, the cost structure will have a significant impact on the viability of serving small accounts. Smaller accounts, often held by low and middle-income households, are already at a disadvantage in the market, and further costs to serve these types of accounts will reduce the products available to consumers.

### **Harmonization with the AMF**

PFSL would like to see the AMF and CIRO harmonize their account transfer guidelines. The AMF consultation being conducted at the same time as CIRO's consultation highlights the challenges that industry faces complying with multiple regulators regulating the same processes. Harmonizing account transfers across all jurisdictions will provide necessary regulatory relief as firms implement the changes to account transfers.

### **Conclusion**

PFSL appreciates that CIRO has begun the undertaking of modernizing and harmonizing the account transfer process. We view this process as a significant undertaking and encourage CIRO to take a measured approach to implementing a new system. The internal business processes that are the source of account transfer delays are complex, and we would be happy to work with CIRO to get these rules right. We echo the sentiment among our industry colleagues at SIMA that implementing a new account transfer system should be a multi-phased approach that works alongside the CSA as well as industry to develop a technological solution. The implementation of the automation that CIRO is striving for does not yet exist, and collaborations with industry on developing this solution should be the priority. We encourage CIRO to develop account transfer rules that do not impart immense costs to firms.

Sincerely,

*[Original Signed By]*

John A. Adams CPA, CA  
Chief Executive Officer

**CC:**

#### **Trading and Markets**

Ontario Securities Commission  
Suite 1903, Box 55  
20 Queen Street West Toronto, Ontario  
M5H 3S8  
[marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

#### **Capital Markets Regulation**

B.C. Securities Commission  
P.O. Box 10142, Pacific Centre  
701 West Georgia Street, Vancouver, British  
Columbia, V7Y 1L2  
[CMRdistributionofSROdocuments@bcsc.bc.ca](mailto:CMRdistributionofSROdocuments@bcsc.bc.ca)

