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To:	Member Regulation Policy
Cc:	CIRO-Reporting; Suzanne Lasrado
Subject:	Comments on the Proposed harmonized Advisor Compensation Rules (ie Incorporation) - 10 Key Points
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[EXTERNAL EMAIL / COURRIEL EXTERNE]

Re: Rule Amendments Relating to the Proposed Adoption of an Incorporated Approved Person Compensation Option — Rules Bulletin 26-0150

To Members of CIRO

I appreciate the opportunity to comment on CIRO's proposed rule amendments relating to the adoption of an Incorporated Approved Person compensation option.

I strongly support the introduction of an incorporated advisor framework. I believe it represents an important step toward modernizing the advisory profession, harmonizing the treatment of advisors across CIRO's regulatory platforms and protecting the long-term continuity of advice for Canadian investors.

My principal recommendation is that the incorporated advisor option should be made reasonably and consistently available to eligible Approved Persons across all CIRO Dealer Members. Although individual arrangements should remain subject to appropriate Dealer Member approval and supervision, access to incorporation should not depend entirely on the commercial preference of each sponsoring firm.

CIRO's proposal states that Dealer Members would not be required to make the incorporated advisor option available. In my view, that approach risks replacing the present regulatory inconsistency with a new form of firm-level inconsistency. Advisors performing substantially similar activities under the same national self-regulatory organization could continue to face materially different compensation, ownership, succession and estate-planning opportunities based solely on the Dealer Member with which they are associated. (CIRO)

As a senior advisor with more than 30 years in the profession, I see incorporation as much more than a compensation or tax-planning mechanism.

Properly structured, it can provide the legal and economic framework needed to recruit the next generation of advisors, develop qualified successors and transition long-standing client relationships in a planned, transparent and well-supervised manner.

1. Canada's demographic reality requires greater attention to continuity of advice

Canada is aging rapidly. As of July 1, 2025, 19.5% of Canada's population was 65 or older—almost one Canadian in five. Statistics Canada projects that the proportion will continue to rise, and notes that all members of the baby-boom generation will have reached or passed age 65 by approximately 2030. (Statistics Canada)

The population aged 85 and older is expected to increase particularly rapidly between 2031 and 2050. Statistics Canada estimates that this group numbered approximately 952,000 in 2025 and could reach between 3.3 million and 4.2 million by 2075, depending on the projection scenario. (Statistics Canada)

This demographic shift will increase the number of clients dealing with retirement-income decisions, incapacity, cognitive decline, powers of attorney, estate administration, intergenerational wealth transfers and the financial consequences of long-term care. These clients will often require more advice and greater continuity precisely when changes to their established advisory relationships may be most difficult for them.

The demographics of the advisory profession create a related concern. FP Canada's 2025 Profile of the Profession reported that, among 17,443 CFP professionals:

- 64% were age 45 or older;
- 36% were age 55 or older; and
- only 9% were under age 35.

Investment Executive's 2026 Brokerage Report Card found that the average participating investment advisor was 51.8 years old and the average planned retirement age was 65.7. While 40.1% had a documented succession plan and another 20.4% were working on one, 39.5% still had no plan. More than two-thirds of those with documented plans were age 51 or older. (Investment Executive)

These statistics demonstrate that client aging and advisor aging are occurring at the same time. That combination creates a foreseeable continuity risk that should be addressed through regulatory policy before retirements, illnesses, disabilities or deaths force transitions to occur under difficult circumstances.

2. Prior regulatory research has identified the difficulty of attracting younger advisors

The challenge of attracting younger advisors is not merely anecdotal.

Qualitative research conducted among MFDA-licensed advisors identified a perceived decline in the number of new advisors entering the industry. Participants observed that advisors were getting older, that the profession was having difficulty attracting new entrants and that fee compression and regulatory burden made it more difficult for younger advisors to establish economically viable practices. Advisors participating in that research specifically connected the shortage of new entrants with greater difficulty completing succession plans for advisors approaching retirement. (CIRO)

That research also found that incorporation was highly valued by participating advisors. (CIRO)

CIRO itself has recognized that maintaining a vibrant advisory profession is connected to investor protection and continued access to advice. In the present consultation, CIRO states that the incorporated option could make it more financially viable for Approved Persons to enter or remain in the investment-advice profession. (CIRO)

I agree with that assessment. However, the benefits will be greater if incorporation is designed not only for the current advisor's compensation, but also as a structure through which a younger advisor can join, develop within and ultimately acquire an established practice.

3. Incorporation can make the profession more attractive to younger advisors

One of the greatest barriers facing a young advisor is the difficulty of building a viable practice from the ground up.

A new advisor may have limited recurring revenue, no established client base and little opportunity to acquire practical experience working with complex client situations. At the same time, the individual must satisfy increasing proficiency, compliance, technology and service expectations.

Joining an established advisor or advisory team can provide a more viable route into the profession. It can give the younger advisor:

- a stable employment or compensation structure while developing;
- practical mentorship from an experienced advisor;
- exposure to established planning and investment processes;
- meaningful involvement in client meetings;
- time to earn the confidence of clients and their families;
- a defined career path;
- an opportunity to acquire an ownership interest gradually; and
- a clear understanding of how and when responsibilities will transfer.

This arrangement also benefits the established advisor. It provides time to assess the successor's judgment, technical competence, client-service skills and compatibility with the practice before control is transferred.

Most importantly, it benefits clients. Rather than being introduced to a replacement advisor after a sudden illness, disability, death or retirement, clients can get to know the successor over several years. The transition becomes a process rather than an event.

In my opinion, the opportunity to participate in the future ownership and value of an established practice can make the profession materially more attractive to younger advisors. It provides a genuine entrepreneurial opportunity without requiring the younger advisor to create an entire practice from nothing.

4. The proposed ownership restrictions may impede succession planning

The present proposal would generally limit the voting shareholder of the corporation to a single client-facing Approved Person. Non-voting ownership would be limited to that Approved Person and qualifying family members. CIRO is specifically asking whether other client-facing Approved Persons sponsored by the same Dealer Member should be permitted to conduct business through and own shares in the same corporation. (CIRO)

My response to that question is yes.

An approved successor who is not related to the founding advisor should be permitted to acquire voting or non-voting shares gradually, provided that:

- the successor is an Approved Person sponsored by the same Dealer Member;

- the Dealer Member approves the ownership arrangement;
- CIRO is notified of material ownership changes;
- all shareholders remain subject to applicable CIRO requirements;
- the Dealer Member retains full supervisory authority;
- the ownership arrangement is disclosed appropriately;
- the successor satisfies applicable proficiency and conduct standards; and
- no transfer of client responsibility occurs without the required approvals.

CIRO's advisory committees have already identified the importance of allowing advisor team members to participate in ownership and of enabling a smooth transition from one group of advisor owners to another. The consultation nevertheless initially proposes a single-advisor model while requesting further comments on broader ownership options. (CIRO)

In my view, limiting ownership to one advisor and members of that advisor's family would unduly favour family succession over succession to a qualified colleague. Many advisors do not have a child or family member who is qualified, interested or suitable to take over the practice. A rule that accommodates family ownership but prevents a carefully selected younger advisor from acquiring an interest could make non-family succession unnecessarily difficult.

CIRO should therefore permit a phased ownership model. For example, an established advisor could initially retain voting control while an approved successor acquires non-voting equity. Voting ownership could then be transferred gradually as the successor assumes greater responsibility and receives the necessary Dealer Member and regulatory approvals.

This would align the successor's economic interests with those of the practice, improve retention and provide greater certainty regarding the transition.

CIRO should also reconsider the proposal that the client-facing Approved

Person be the corporation's sole director. An approved successor or other qualified Approved Person from the same Dealer Member should be permitted to serve as a director, subject to Dealer Member approval. This would support governance continuity during incapacity, retirement and phased succession.

5. Benefits for clients

The most important benefit of an incorporated advisor structure is its ability to support a planned and orderly client transition.

Advisory relationships are often developed over decades. An advisor and the advisor's team may possess detailed knowledge of the client's family, financial history, tax circumstances, retirement objectives, estate plan and personal preferences.

An unexpected illness, incapacity or death can create significant uncertainty. Clients may not know who will service their accounts, whether staff will remain, whether planning records will be preserved or whether the replacement advisor understands their circumstances.

A properly structured corporation can support:

- early identification of a successor;
- gradual introduction of the successor to clients;
- retention of experienced team members;
- preservation of business records and institutional knowledge;
- continuity of financial and investment planning;
- documented procedures for illness, incapacity, death or retirement;
- transparent communication with clients; and
- Dealer Member supervision throughout the transition.

This is particularly important for elderly and vulnerable clients, who may be disproportionately affected by an abrupt change in their advisory relationship.

Incorporation should therefore be recognized expressly as a client-continuity and client-protection mechanism, rather than being viewed principally as a method of receiving compensation.

6. Benefits for Dealer Members

Dealer Members also benefit when succession is addressed through a transparent and regulated corporate structure.

An unplanned advisor departure can result in service gaps, client confusion, competing claims over the practice, staff departures and uncertainty over responsibility for ongoing client service. It can also expose the Dealer Member to operational, regulatory and reputational risk.

A properly governed incorporated arrangement can allow Dealer Members to:

- require written succession and continuity plans;
- review proposed successors well before a transition;
- establish objective qualification and conduct requirements;
- approve changes in ownership and control;
- monitor financial obligations associated with a transition;
- clarify the responsibilities of the advisor, corporation and Dealer Member;
- preserve client and staff relationships;
- reduce the risk of a distressed or disputed transfer; and
- retain assets that might otherwise leave the firm.

This is consistent with recent industry findings that succession planning is both a client risk and a firm risk, and that Dealer Members are increasingly providing tools to help advisors build teams and prepare successors. (Investment Executive)

7. Estate and incapacity planning

An advisory practice may represent the product of decades of professional work. Without an appropriate legal structure, the advisor’s death or incapacity can make the orderly transfer and realization of the practice’s value significantly more difficult.

An incorporated structure can facilitate:

- shareholder agreements;
- buy-sell arrangements;
- disability and incapacity provisions;
- life and disability insurance funding;
- estate freezes and other legitimate estate-planning arrangements;
- gradual transfers of ownership;
- financing arrangements for successors;
- continuity of the advisory team; and
- clearer instructions to executors and family members.

These mechanisms can reduce the likelihood that an advisor’s estate will be forced into a rushed or distressed transaction. They also provide the Dealer Member with greater visibility into the proposed transition and an opportunity to ensure that any successor is qualified and that clients remain properly protected.

CIRO should expressly recognize succession, incapacity and estate planning as policy benefits of the incorporated advisor framework.

8. Consistency across CIRO Dealer Members

CIRO was established to provide a more consistent national regulatory framework. The incorporated advisor initiative provides an important opportunity to advance that objective.

If every Dealer Member may decline to offer the option for purely commercial or administrative reasons, eligible advisors will continue to receive materially different treatment across CIRO-regulated firms. This could:

- undermine the objective of harmonization;
- create competitive disparities among Dealer Members;
- influence advisor mobility for reasons unrelated to client service;
- disadvantage advisors at firms that decline to participate;
- impede legitimate succession and estate planning; and
- deny some clients the continuity benefits available at other firms.

I recommend that CIRO establish a uniform expectation that all Dealer Members make the incorporated option available to eligible Approved Persons, subject to reasonable and transparent conditions.

A Dealer Member should retain the right to refuse a particular arrangement based on legitimate regulatory, supervisory, financial, operational or conduct concerns. However, a blanket prohibition should not be permitted merely because a firm prefers not to establish the necessary procedures.

At a minimum, every Dealer Member should be required to adopt and disclose a written policy setting out:

- eligibility requirements;
- the application and approval process;
- expected processing timelines;
- permissible ownership structures;
- succession and continuity requirements;
- ongoing reporting obligations;
- objective grounds for refusal or termination; and
- an internal process for reviewing a refusal.

9. Recommended succession-planning requirements

To reinforce the client-protection purpose of the framework, I recommend that every Incorporated Approved Person be required to maintain a written succession and business-continuity plan approved by the Dealer Member.

The plan should address:

- temporary coverage during an absence;
- illness and incapacity;
- the advisor’s death;
- planned retirement;
- identification and development of a proposed successor;
- staff continuity;
- preservation and transfer of records;
- client communication;
- supervision during the transition;
- financing and ownership changes; and
- the Dealer Member’s right to reject a successor who does not satisfy its requirements.

The plan should be reviewed periodically and after any material change in ownership, staffing, health, succession arrangements or anticipated retirement timing.
CIRO could support consistent implementation by developing minimum standards and a model succession-planning template that Dealer Members could adapt to their business models.

10. Transparency and client disclosure

I support clear disclosure to clients regarding the relationship among the individual advisor, the advisor’s corporation and the Dealer Member.

The disclosure should explain in plain language that:
- the Dealer Member remains responsible for supervising securities-related activities conducted on its behalf;
- incorporation does not reduce the advisor’s regulatory obligations;
- the corporation does not replace the Dealer Member as the client’s dealer;
- clients retain access to the Dealer Member’s complaint-handling process;
- applicable CIRO requirements continue to apply; and
- the arrangement does not diminish existing investor protections.

The proposal already contemplates a written agreement among the Dealer Member, the corporation and the individual agent, together with disclosure to affected clients. I support these requirements and recommend that CIRO prescribe standardized core disclosure language. (CIRO)

Conclusion

I strongly support CIRO's proposed Incorporated Approved Person framework.

Canada's client population is aging, and the advisory profession is facing the same demographic pressure. At the same time, prior regulatory and industry research has identified challenges attracting younger advisors and completing effective succession plans.

A well-designed incorporated advisor structure can help address these issues by:

- making the profession more economically attractive to younger advisors;
- creating a defined path from employment or association to ownership;
- allowing experienced advisors to mentor and evaluate successors;
- facilitating gradual, supervised ownership transfers;
- improving estate and incapacity planning;
- protecting the continuity of advice;
- reducing turmoil following an unexpected departure; and
- providing Dealer Members with a transparent framework for managing transitions.

To fully achieve these benefits, I recommend that CIRO:

1. establish a uniform expectation that all Dealer Members make the incorporated advisor option available to eligible Approved Persons;
2. permit refusals only on objective regulatory, supervisory, financial,

operational or conduct grounds;

3. require transparent written Dealer Member policies governing eligibility, approval and refusal;
4. permit multiple Approved Persons sponsored by the same Dealer Member to participate in an incorporated advisory practice;
5. permit approved successors to acquire voting or non-voting shares gradually as part of a documented succession plan;
6. permit more than one qualified director where approved by the Dealer Member;
7. require Incorporated Approved Persons to maintain approved succession and business-continuity plans;
8. expressly recognize estate, incapacity and non-family succession planning as policy benefits of the framework;
9. prescribe standardized plain-language client disclosure; and
10. provide model agreements, regulatory guidance and an appropriate implementation period.

The framework should not merely allow an advisor to receive compensation through a corporation. It should enable the creation of enduring, multigenerational advisory businesses that can attract new professionals, develop qualified successors and provide clients with stable, well-supervised and uninterrupted advice.

Sincerely,

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