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Member Regulation Policy
Canadian Investment Regulatory Organization
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Toronto, Ontario M5H 0B4
Delivered by email: memberpolicymailbox@ciro.ca

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

Dear CIRO Member Regulation Policy staff:

Thank you for the opportunity to comment on the proposed harmonized advisor compensation rules. I strongly support the introduction of an Incorporated Approved Person ("IAP") compensation option. My comments focus on the permitted-activities, ownership, governance and implementation questions raised in the Bulletin, viewed through the practical experience of a family advisory practice.

Executive summary

I support CIRO's proposed Incorporated Approved Person compensation option and believe it is the right long-term framework for advisor incorporation. The proposal would provide advisors with a clear model subject to proper dealer supervision, reduce reliance on arrangements that create tax uncertainty, and preserve the investor-protection objectives of the existing regulatory framework.

My principal recommendation is that the final rules provide modest additional flexibility for established advisory practices that operate as integrated teams. In particular, CIRO should permit multiple Approved Persons sponsored by the same Dealer Member to own and operate through a single corporation, allow non-voting ownership by key employees and qualified financial services advisors, and provide more flexible governance rules for family-owned practices. CIRO should also preserve the broad permitted-activities framework so that investment advice, insurance advice and financial planning can continue to be delivered through one integrated corporation where appropriately supervised.

These refinements would not dilute accountability. The sponsoring Dealer Member would continue to supervise the Approved Persons and the corporation, CIRO's rules would continue to apply to individual registrants, and the proposed tri-party agreement would preserve a clear regulatory nexus. With these adjustments, the IAP framework can better reflect how modern advisory practices serve clients while maintaining effective dealer supervision and investor protection.

Key recommendations

- Adopt the IAP framework as the long-term solution for advisor incorporation, rather than relying on interim directed-commission structures.

- Preserve the broad permitted-activities framework so investment advice, insurance advice and financial planning can continue to be delivered through one integrated corporation where properly supervised.
- Permit multiple Approved Persons sponsored by the same Dealer Member to own and operate through one corporation, especially in succession or team-practice situations.
- Allow progressive succession ownership, including equity participation by a next-generation Approved Person of the same Dealer Member.
- Do not limit shared ownership flexibility only to family members, because succession and practice continuity often involve non-family advisors within the same dealer-supervised team.
- Permit non-voting ownership by key employees and qualified financial services advisors.
- Allow holding corporations or family trusts for non-voting shares, provided ownership is limited to permitted related persons on a look-through basis.
- Replace the sole-director requirement with a control requirement, allowing the client-facing Approved Person to retain board control while permitting limited governance participation by permitted shareholders.
- Provide a practical implementation and transition period, including flexibility for existing corporations to continue as the IAP where possible.

About our practice

I have worked in financial services for more than 34 years and am the principal of Christianson Financial Limited, our incorporated financial planning practice in Halifax, Nova Scotia. I am also an Approved Person with Aligned Capital Partners Inc., our sponsoring Dealer Member. Our corporation carries on an insurance business under a corporate insurance licence, provides fee-based financial planning, and operates as an integrated family advisory practice.

- My spouse has been a shareholder of our corporation since inception and has worked actively in the business for the entirety of that period.
- My daughter, an Associate Portfolio Manager and client-facing Approved Person registered with the same sponsoring Dealer Member, works full-time within our practice and is in the process of buying into the business as my intended successor.
- We anticipate that at least one further client-facing Approved Person will acquire an equity interest in the practice in the coming years as part of our long-term continuity planning. Our team also includes several registered and non-registered operations and client-service staff.

This fact pattern — an established advisor, an actively involved spouse shareholder, a next-generation registered advisor acquiring equity as part of a planned succession, and the expected addition of another client-facing Approved Person — is the practical situation contemplated by several of the Part B questions. I hope our experience is useful as CIRO finalizes rules intended to support advisor incorporation while preserving effective dealer supervision and investor protection.

General support for the proposals

I support the IAP option as the right long-term framework. It would give advisors compensation flexibility comparable to that available to other professionals, replace structures that carry genuine tax uncertainty with a clear model subject to proper dealer supervision, and preserve, and in several respects extend, the investor protections in the existing rules. I also support CIRO's decision to pursue a single permanent solution rather than an interim directed-commission variant. The remainder of this letter addresses the specific questions on which CIRO has requested input.

Questions A1, A2 and A7 — Permitted activities within the corporation

Our corporation has, for many years, carried on an insurance business under a corporate insurance agency licence, together with fee-based financial planning. The proposed permitted-activities framework allowing activities that are ancillary to the dealer-side business, and regulated Canadian financial services sector activities performed by a qualified individual financial services advisor is well designed and, in response to Question A1, I support it. Financial planning and insurance advice are not adjacent to the investment advisory relationship; for our clients they are one integrated engagement, and the ability to conduct all of it within a single corporation is one of the most valuable features of the proposal.

In response to Question A2, I would caution against narrowing the permitted activities in the final rules. Established mixed practices like ours already hold, within the existing corporation, the corporate insurance agency licence, carrier contracts and advisor codes, in-force policy servicing obligations and long-running planning engagements. A framework that required insurance or planning business to be removed from the corporation or conducted through a separate entity would impose substantial re-papering, licensing and client-disruption costs on the practices most likely to adopt the IAP option, without producing an investor-protection benefit relative to conducting those activities within a CIRO-approved and dealer-supervised corporation. Rather than levelling the field with other professionals, a requirement for additional corporations would materially disadvantage advisors who provide integrated advice and service to clients.

In response to Question A7, and consistent with my comments on Question B4 below, I support permitting an advisor-owned corporation to employ multiple client-facing Approved Persons sponsored by the same Dealer Member, and one or more qualified individual financial services advisors providing other financial services. Team-based delivery of investment, insurance and planning advice is how modern practices competently serve clients; requiring each licensed team member to operate through a separate corporate structure would fragment a single practice into parallel entities without improving oversight. On Questions A5 and A6, the sponsoring Dealer Member's existing outside-activity and conflict-of-interest supervision regimes provide a proven template for overseeing the non-dealer activities within the corporation, and the conflicts that arise in offering multiple financial services are the same conflicts advisors already identify, disclose and manage today under the client focused reforms.

Question B4 — Same-dealer Approved Persons should be permitted to own and operate through a single corporation

This is, respectfully, the most important issue in the consultation for practices like ours, and I urge CIRO to revise the proposal to permit multiple client-facing Approved Persons sponsored by the same Dealer Member to conduct business through, and own shares in, a single advisor-owned corporation — at minimum where those Approved Persons are related-person family members working within the same practice.

As drafted, the single “Approved Person” restriction produces an awkward result for a generational succession that is already underway. During the transition years in which my daughter and I are both registered and both serving clients, the draft would require us to maintain two separate IAP corporations plus a management structure to share the overhead of what is, operationally, one practice serving one client base under one Dealer Member’s supervision. That duplication adds legal, accounting, approval and compliance cost without any corresponding investor-protection benefit: both advisors are supervised by the same Dealer Member, subject to the same rules, and covered by the same tri-party contractual framework the proposal already requires.

The Bulletin itself acknowledges the objective of enabling "the smooth transition of corporation ownership from one family generation or advisor voting owner to the next." A smooth generational transition is rarely a single moment; it is a period of years during which both generations are registered, producing, and jointly invested in the business. A structure that cannot accommodate that overlap period does not, in practice, accommodate succession. Permitting same-dealer Approved Persons, or at minimum related-person family members who are Approved Persons of the same Dealer Member, to share ownership and operate within one corporation would resolve this cleanly and would do so within CIRO’s existing jurisdiction over every individual involved.

I would also encourage CIRO not to limit this flexibility to family members. Succession in our industry frequently involves a non-family advisor. In our case, we anticipate that a further client-facing Approved Person will acquire an equity interest in the practice in the coming years. The Dealer Member’s supervisory reach, the tri-party agreement framework and CIRO’s jurisdiction over each individual Approved Person apply identically whether the co-owning advisor is a family member or not. Restricting shared ownership to family would create an equity participation double standard within advisor teams, a concern CIRO’s own advisory committee members raised during the development of these proposals.

Question B3 — Related-person ownership

The use of the Income Tax Act "related person" definition to determine eligible family shareholders is appropriate and workable, and I support family members being permitted to hold non-voting shares. I would ask CIRO to consider one refinement: where a related person is also a client-facing Approved Person of the same sponsoring Dealer Member (as in our case), that person should be eligible to hold voting shares, at least up to a non-controlling position, so that equity can be transferred progressively over a multi-year buy-in rather than in a single event at the incumbent’s exit. Progressive transfers de-risk succession for clients, for the acquiring advisor, and for the Dealer Member alike.

Questions B5 and broader employee ownership — Licensed and non-registered employees

In response to Question B5, I support permitting qualified individual financial services advisors who conduct business within the corporation, for example, insurance-licensed team members, to hold shares in the corporation, at minimum on a non-voting basis, provided the client-facing Approved Person retains voting control.

I would also ask CIRO to go one step further than the questions posed and consider permitting non-voting ownership by key employees of the corporation more generally, whether licensed or not. Modern advisory practices are team businesses: senior operations, compliance-support and client-service professionals are integral to the client experience and to the continuity of the practice, and equity participation is the standard tool other professions and businesses use to retain and reward them. In our own practice, our head of client and investment operations has more than a decade of tenure, and the ability to offer a modest non-voting equity stake would be a meaningful retention and succession-stability tool.

Further, a properly established corporation that permits equity ownership could help us bring additional client-facing advisors into the practice as shareholders. That structure would support succession and growth, and could also help us serve smaller clients who might otherwise have difficulty accessing an advisor, both in our current areas of operation and in more remote communities in our region.

The investor-protection framework the proposal already establishes accommodates this readily. The proposed rules extend CIRO's conduct requirements, personal financial dealing prohibitions and supervisory reach to the employees and shareholders of an Incorporated Approved Person, and prohibit sanctioned persons and other-dealer Approved Persons from holding shares. With those safeguards in place, together with requirements that employee ownership be non-voting, that the client-facing Approved Person retain voting control, and that the sponsoring Dealer Member approve the arrangement, permitting key-employee ownership would strengthen practices without diluting accountability.

Question B1 — Holding corporations and family trusts

I encourage CIRO to permit non-voting shares to be held through a holding corporation or family trust whose shareholders or beneficiaries are limited to the client-facing Approved Person and their related-person family members. These vehicles are standard, well-understood tools for estate planning, creditor protection and orderly intergenerational transfer, and restricting look-through ownership to the same permitted persons preserves the full substance of the proposed ownership restrictions.

Question B6 — Sole director requirement

The requirement that the client-facing Approved Person be the sole director is more restrictive than necessary. In a family practice, a spouse who works actively in the business and holds a substantial equity interest, or a successor advisor acquiring equity, has a legitimate governance interest in the corporation. I would suggest requiring instead that the client-facing Approved Person control the board (for example, holding a majority of directorships or a casting vote), with additional directorships limited to permitted shareholders. This preserves CIRO's policy objective for the registered advisor to remain in control of, and accountable for, the corporation while respecting ordinary corporate governance for family-owned businesses.

Questions C1 and C2 — Implementation and transition

A 12-to-18-month implementation period following the necessary legislative amendments is reasonable. I would highlight two transition matters:

- Many long-standing advisor corporations have share structures that predate these proposals, including, in our case, voting shares held by an active spouse shareholder. Reorganizing share capital is straightforward but requires legal and tax work that should not be compressed. I would ask that the final rules include a defined conformity period, with 12 months being adequate, during which an existing corporation may obtain IAP approval conditional on completing any required share-structure reorganization.

- Clear guidance, published early, on whether and how an existing corporation may be continued as the IAP (rather than requiring a newly incorporated entity) would materially reduce transition cost. This is particularly important for mixed practices: our existing corporation holds our corporate insurance agency licence, carrier contracts, banking and payroll arrangements, and requiring a new entity would mean re-establishing all of these.

Closing

Thank you for considering these comments. I support CIRO’s proposed IAP framework and believe it represents the right long-term solution for advisor incorporation. With modest additional flexibility on same-dealer ownership, key-employee participation, family governance and transition mechanics, the final rules can better reflect how modern advisory practices operate while preserving clear dealer supervision and investor protection.

I would be pleased to discuss these comments with CIRO staff if helpful.

Yours truly,

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