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August 20, 2026

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

We are pleased to provide comments in response to the Canadian Investment Regulatory Organization's ("CIRO") proposed rule amendments relating to the adoption of an Incorporated Approved Person compensation option (the "Proposal").

This letter is submitted by CI Financial Corp. on behalf of its Canadian wealth management subsidiaries registered as CIRO Dealer Members, including CI Assante Wealth Management Ltd., Aligned Capital Partners Inc., and CI Investment Services Inc. (collectively, "CI Wealth"). Together, these firms support approximately 1,600 registered advisors across Canada serving the wealth management needs of Canadian investors.

Executive Summary

CI Wealth supports CIRO's objective of harmonizing advisor compensation arrangements and providing all client-facing Approved Persons with access to an incorporated compensation structure. We believe the Proposal represents a significant modernization of the Canadian regulatory framework and addresses a long-standing inconsistency that has existed between mutual fund registrants and investment dealer registrants.

In particular, we support:

- The introduction of an Incorporated Approved Person compensation option for all eligible client-facing Approved Persons.
- The harmonization of compensation structures across dealer categories.

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- The increased tax certainty and business planning flexibility afforded to advisors.
- The preservation of appropriate investor protection safeguards and dealer supervision responsibilities.
- CIRO's efforts to align its rules with the realities of today's integrated wealth management businesses.

While supportive of the Proposal overall, we offer general comments and have also specifically addressed CIROs questions separately, in Appendix A.

CI Wealth's Perspective

Modernization of the Advisory Profession

CI Wealth believes the Proposal reflects an important evolution in the regulation of the financial advisory profession in Canada.

Many Canadian advisors operate sophisticated businesses that involve the delivery of financial planning, insurance, estate planning, tax planning, and wealth management services. In many respects, these businesses resemble other professional practices that commonly operate through corporate structures. The ability to utilize an incorporated compensation arrangement brings the securities industry closer to the treatment afforded to other regulated professions while maintaining appropriate regulatory oversight over Approved Persons without compromising public protection in any manner.

We agree with CIRO's observation that the current framework lacks consistency and flexibility and that harmonized compensation rules will help reduce unnecessary regulatory distinctions between individual registration categories.

Harmonization Benefits

The existing compensation framework creates differing outcomes for advisors performing substantially similar functions depending on their registration category.

The proposed incorporated advisor structure should eliminate many of these inconsistencies and provide advisors with greater flexibility in managing their businesses. It will also better support Dealer Members that operate integrated wealth management platforms where advisors may progress through various proficiency levels over the course of their careers.

From a competitive standpoint, the Proposal should assist Dealer Members in attracting and retaining entrepreneurial advisors while ensuring that investor protections remain intact through the continued requirement that it is ultimately the registered individual that remains accountable both to regulators and the general public.

Supporting Practice Growth and Access to Advice

CI Wealth also believes the Proposal can support broader access-to-advice objectives in Canada. Incorporated advisory practices are more likely to have the scale, capital flexibility, and business planning certainty needed to invest in additional client-facing advisors, associate advisors, and support personnel. This is particularly important as Canadian investors face a growing advice gap and as established practices seek to serve a broader range of households, including smaller accounts and clients in rural or underserved communities.

In this respect, the incorporated advisor option should be viewed not only as a compensation modernization initiative, but also as a practical business-enablement measure. More sustainable and profitable advisory practices are better positioned to hire, train, and supervise the next generation of advisors, expand service capacity, and maintain continuity of advice for clients over time. We encourage CIRO and the relevant securities and tax authorities to consider these investor access and public policy benefits when assessing the appropriate parameters for incorporated advisory practices.

Recommendations

1. Streamline the Transition from Existing Directed Commission Arrangements

CI Wealth supports the repeal of the current directed commission model and recognizes that the proposed incorporated advisor arrangement provides a more robust, harmonized and taxation-certain solution.

However, many mutual fund registrants have operated successfully under directed commission arrangements for years. CIRO should ensure any transition process is operationally efficient and minimizes administrative burden for both Dealer Members and Approved Persons.

We encourage CIRO to:

- Provide detailed transition guidance.
- Allow sufficient implementation periods but also the ability for early adoption.
- Minimize unnecessary documentation requirements where existing arrangements can be leveraged.
- Facilitate grandfathering approaches and/or exemptions where appropriate.

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2. Provide Flexible Ownership and Governance Parameters

To maximize industry adoption, CIRO should ensure that ownership and governance requirements for incorporated Approved Person entities remain practical and principles-based.

The rules should allow Approved Persons flexibility to structure their corporations in a manner that accommodates common business succession, estate planning, and family ownership arrangements, subject to appropriate safeguards and dealer oversight.

Excessively prescriptive ownership requirements may reduce many of the benefits the Proposal seeks to achieve.

3. Maintain Dealer Flexibility

We appreciate CIRO's recognition that Dealer Members should not be required to offer the incorporated advisor option and should be permitted to determine whether the arrangement aligns with their supervisory model and business strategy.

Different firms serve different markets and operate under varying business models. Dealer Members should retain discretion to determine:

- Whether incorporated arrangements are offered.
- Which individual registration categories may participate.
- Additional contractual or supervisory requirements that may be appropriate.

This flexibility supports innovation while preserving accountability.

4. Pursue Broader Regulatory Harmonization

While the Proposal addresses advisor compensation, we encourage CIRO and the CSA to continue pursuing broader harmonization initiatives To maximize the benefits of this initiative, we encourage CIRO to work closely with the CSA to secure early alignment and support for the Proposal.

As CI Wealth has noted in previous consultations, the industry and investors ultimately benefit from simplified regulatory frameworks that reduce unnecessary distinctions between dealer categories while maintaining consistent investor protection standards.

The introduction of a harmonized incorporated advisor model is another positive step toward a more integrated and efficient regulatory environment.

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Investor Protection Considerations

CI Wealth agrees that any incorporated advisor framework must preserve the guarantee of the fundamental regulatory principle that the Approved Person remains responsible for securities-related conduct and subject to CIRO oversight.

Provided these safeguards remain in place, CI Wealth does not believe the proposed compensation structure introduces material investor protection concerns.

Investors interact with and receive advice from the Approved Person and sponsoring Dealer Member. The compensation vehicle itself should not diminish supervisory obligations, complaint handling responsibilities, or the regulatory accountability of either the Approved Person or the Dealer Member.

Conclusion

CI Wealth supports CIRO's proposed adoption of an Incorporated Approved Person compensation option and commends CIRO for advancing an initiative that has been sought by industry participants for many years. The Proposal represents a practical and balanced approach that improves flexibility, promotes harmonization, and maintains strong investor protection standards.

We encourage CIRO to proceed swiftly with the Proposal while considering the recommendations outlined in this letter. Thank you for the opportunity to comment on this important initiative. We would be pleased to discuss our comments or provide additional information if helpful.

Sincerely,

Robert Moher
Senior Vice President & Head of Compliance, Canadian Wealth
CI Financial

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Appendix A

Part A – Questions relating to allowable other business activities within an advisor-owned corporation

A1. Should the proposals restrict the financial services that may be offered from within an advisor-owned corporation to the above detailed financial services?

CI Wealth Response: We generally support some restrictions on the activities that may be offered. This approach appropriately balances investor protection, regulatory clarity, and operational efficiency. It also aligns with the stated objective of permitting incorporation without creating structures that become broad commercial enterprises outside the regulatory expertise of CIRO and sponsoring Dealer Members.

We recommend CIRO retain a principle-based approach while providing authority for CIRO staff to approve additional regulated financial services activities where they are closely connected and do not materially increase conflicts or supervisory complexity.

A2. Please detail any impact of prohibiting the client-facing Approved Person from providing services other than those detailed above within their corporation on existing activities or legal structures currently used by dealing representatives.

CI Wealth Response: The impact should be modest but not insignificant. Some existing structures may currently combine insurance services, estate planning, tax services, financial planning and other consulting activities.

Limiting unrelated business activities may require corporate reorganizations, the creation of new entities and the movement of non-financial revenue streams. While this may increase legal and administrative costs, the benefits of enhancing regulatory clarity and reducing investor confusion may outweigh these burdens.

Lastly, CIRO should allow grandfathering, exemptive relief options and reasonable transition periods for existing structures.

A3. What types of financial services other than those listed above should be permitted to be conducted within a corporation by its client-facing Approved Person owner?

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CIRO should consider expressly permitting activities led by three principles, (i) is regulated (ii) may be commonly delivered alongside investment advice and (iii) may be effectively supervised and disclosed, where required.

These may include but are not limited to:

- Insurance distribution activities;
- Financial planning;
- Estate planning;
- Retirement planning;
- Tax planning services provided within applicable licensing rules;
- Other provincially regulated financial advisory services.

A4. Should there be any restrictions on the other financial services that may be offered through a corporation owned by a client-facing Approved Person owner that are performed by the same client-facing Approved Person?

CI Wealth Response: Yes. However, Dealer Members should retain the authority to impose more restrictive standards than CIRO minimum requirements.

A5. What level of supervision or oversight over the other financial services related activities conducted by the client-facing Approved Person within their corporation should be performed by the sponsoring Dealer Member?

CI Wealth Response: A risk-based approach may be appropriate. Dealer Members should not be expected to perform direct regulatory supervision over activities outside their registration category. Primary regulatory supervision should remain with the regulator responsible for the activity.

A6. Are there conflicts of interest that can arise by allowing the client-facing Approved Person to conduct other regulated financial services within their corporation? If there are conflicts, can they be managed in the best interests of their clients?

CI Wealth Response: Yes, conflicts may arise, but they must be managed or avoided. Generally, conflicts already exist in many integrated financial services models and are managed through, enhanced disclosure, client consent, supervision and other Dealer Member controls.

Accordingly, potential conflicts should not preclude allowing regulated financial services within the corporation.

A7. Should the proposals be revised to permit an advisor-owned corporation to employ:

(a) Multiple client-facing Approved Persons sponsored by the same Dealer Member?

CI Wealth Response: Yes. Allowing multiple advisors in a single corporation reflects common professional corporation structures already in use today. In addition, it can improve succession planning, reduce costs, increase operational efficiency and is conducive to team-based advice models. This flexibility may also help address the growing advice gap in Canada by allowing successful incorporated practices to hire and develop additional client-facing advisors within the practice. A more sustainable advisory business can expand service capacity and may be better positioned to serve smaller clients and investors in rural or underserved areas, while maintaining Dealer Member supervision and accountability for securities-related activities.

(b) One or more qualified financial services advisors?

CI Wealth Response: Yes. Permitting qualified insurance, financial planning, or related professionals would better reflect how Canadian advisory practices actually operate and would support an integrated client service model.

A8. If the proposals are revised to permit an advisor-owned corporation to employ one of more qualified individual financial services advisors to provide other financial services to clients, are there any conflicts, or risks to clients arising from employees being subject to different statutory duty of care standards within the advisor-owned corporation?

CI Wealth Response: Different regulatory regimes may impose different standards of care. However, clear disclosure both written and verbal of the qualified individual's role, capacity and regulatory status should alleviate any conflicts or risks. In addition, written engagement documentation can clearly outline the qualified individual's duty of care to the client so there is mutual understanding.

These risks are not unique to incorporated advisor structures and already exist throughout the financial services industry today.

Part B – Questions relating to ownership and control of an advisor-owned corporation

B1. Should a corporation or family trust be allowed to hold shares of the corporation, if the shareholders/beneficiaries are the client-facing Approved Person or their family members? Should the family trust or holding corporation be allowed to hold only non-voting shares or also voting shares, and if voting shares, to hold sufficient voting shares to control the corporation?

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CI Wealth Response: Yes. Holding companies and family trusts are widely used for legitimate purposes such as tax planning, estate planning and succession planning. CI Wealth recommends that voting control ultimately remains with the client facing Approved Person, as long as family trusts and/or holding companies are permitted to hold voting or non-voting shares.

CIRO should prioritize beneficial ownership transparency rather than prohibit common planning structures.

B2. Is the proposed use of the "related person" definition to determine those family members that are allowed to hold non-voting shares of the corporation too restrictive or not restrictive enough? Please provide your rationale

CI Wealth Response: It may be generally appropriate but potentially too restrictive. The framework should focus on transparency and control rather than technical ownership structures which may be more unique.

B3. Should "related persons" of the client-facing Approved Person, who are not themselves a client-facing Approved Person of the same sponsoring Dealer Member, be allowed to own shares in the corporation? Should they be allowed to hold only non-voting shares or also voting shares, and if voting shares, to hold sufficient voting shares to control the corporation?

CI Wealth Response: Yes. Related persons should be permitted to own non-voting shares without restriction and voting shares provided the Approved Person retains ultimate effective control.

Investor protection concerns arise primarily when external parties may influence securities-related decision-making, which we should avoid.

B4. Should other client-facing Approved Persons, sponsored by the same Dealer Member, be allowed to do business through, and own shares in the same corporation? Does your answer change if the other client-facing Approved Persons are "related person" family members operating within the corporation?

CI Wealth Response: Yes. CI Wealth supports allowing multiple Approved Persons which may consist of team or family advisory practices. This reflects modern advisory business models and improves succession planning.

B5. Should individuals who qualify as a "qualified individual financial services advisor" (as defined within the proposals), who are not themselves a client-facing Approved Person, be allowed to conduct business within and own shares in the same corporation? Should they be allowed to hold only non-voting shares or also voting shares, and if voting shares, to hold sufficient voting shares to control the corporation? Does your answer change if the "qualified individual financial services advisors" are "related persons" of the client-facing Approved Person operating within the corporation?

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CI Wealth Response: Yes. Qualified individuals who may be licensed insurance advisors, financial planners or other qualified regulated financial services providers should be allowed ownership participation. We'd caveat that securities-related control should remain with client-facing Approved Persons and CIRO should require disclosure and transparency regarding ownership interests. In addition, we would encourage CIRO to consider permitting non-voting ownership by others, whether they are an Approved Person or not, to accommodate ownership by stakeholders such as employees of the corporation as well as investors who may want finance a corporation or integrate it into a larger organization. Advisory practices today are often composed of large teams covering operations, client-service, compliance and are integral to the practice. Allowing for ownership in the corporation helps attract and retain strong talent to help support the business and its clients and allowing investors will provide a level playing field with all other types registered firms (where ownership is not restricted) to facilitate growth as well as succession.

B6. Is the proposed requirement that the client-facing Approved Person must be the sole director of the corporation too restrictive? Please provide your rationale.

CI Wealth Response: Yes. The requirement is unnecessarily restrictive.

Many existing professional corporations operate successfully with multiple directors and professional management structures. We may recommend that the Approved Person retain effective control and/or a majority of directors be individuals approved by CIRO or otherwise acceptable to the Dealer Member, but it should not be a prescriptive requirement.

This would preserve accountability while enabling practical business governance.

Part C – Questions relating to implementation of proposed amendments

C1. Do you agree there is a need for an implementation period for these proposals and, if so, what do you think would be an appropriate implementation period and why?

CI Wealth Response: Yes. An implementation period is essential as Dealer Members will require time to analyze and operationalize the changes through policy, process and training specifically those mutual fund dealing representatives. However, Dealer Members should be permitted early adoption prior to the close of the implementation period.

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C2. Please describe any issues for mutual fund dealing representatives that currently direct commissions to their corporations to transition to the proposed incorporated advisor compensation option. What would be a reasonable transition period to address those issues?

CI Wealth Response: Several transition issues should be anticipated specifically related to current mutual fund dealing representatives. Both Dealer Members and mutual fund dealing representatives may need to restructure corporations, amend shareholder agreements, change compensation arrangements, register entities, revise tax structures, obtain legal and accounting advice and repaper dealer agreements.

CI Wealth recommends:

- A transition period of at least 24-36 months for existing directed commission structures.
- Grandfathering and/or exemptions of certain legacy ownership arrangements where investor protection concerns do not arise.
- Clear guidance jointly developed with securities regulators and tax authorities to minimize uncertainty.