

RPrice CIRO IA Proposed Compensation Option Commentary FINAL September 4-2026

Member Regulation Policy

Canadian Investment Regulatory Organization
Suite 2600
40 Temperance Street
Toronto, Ontario M5H 0B4
memberpolicymailbox@ciro.ca

Market Oversight

Alberta Securities Commission
Suite 600
250-5th Street SW,
Calgary, Alberta T2P 0R4
CIRO-Reporting@asc.ca

Trading and Markets

Ontario Securities Commission
22nd Floor
20 Queen Street West
Toronto, Ontario M5H 3S8
TradingandMarkets@osc.ca

csa-acvm-secretariat@acvm-csa.ca

francois-philippe.champagne@parl.gc.ca

RE:[CIRO Rule Amendment 26-0150-Proposed Adoption of Incorporated Approved Person Compensation Option](#)

Thank you for the opportunity to comment on this high-impact proposal. As I review all proposals I am assessing how any / all proposals also benefit main street investors by enhancing investor protections as all proposals should be balanced and designed to also include improved protections for main street investors in addition to benefiting direct industry participants. Unfortunately, I could not find any measurable main street investor benefits in this CIRO proposal. All I see is potential additional main street investor risks.

However, in reviewing the submissions to date on this proposal, it is apparent that the investment advisors are overwhelmingly supporting the proposal as many comments have been received and posted by CIRO at [Incorporated Approved Person Compensation Option Comments](#). Worth noting is that a quick review indicates that the responses received to date are also most probably based on a customizable form letter that suggests a lobbying campaign to ensure that the CIRO implements these proposals.

My assessment is that this Incorporated Advisor (“IA”) proposal covers far more than advisor compensation harmonization as it encompasses an entire restructuring of financial investor advice provision in Canada. Permitting investment advisors to incorporate and use a corporate entity is just one

subset. Consequently, I will communicate on the broader issues of restructuring financial advice as this proposal introduces a number of potential retail investor risks that need to be contemplated as part of the process to adopt the revised compensation option.

This proposal is designed to preserve the dealer's and individual advisor's existing obligations, while adding the advisor's corporation as an "Incorporated Approved Person." with potential material tax benefits being a key driver. However, the proposal also introduces a number of potential main street investor risks. In that regard, it would have been informative for the consultation paper to reveal:

- The fact that Alberta never approved directed commissions;
- What was the investor and CRA experience under directed commissions?
- Why did CIRO state that the current directed commission arrangement has tax compliance risks and regulatory uncertainty, as will not this arrangement have the same risks albeit characterized differently?

Incorporated Approved Person Compensation Option

The proposed rule changes at a very high level amongst other changes, will permit all dealer members to provide all investment advisors the option to be compensated in a manner similar to other professionals specifically to address a Canadian Securities Administrators (CSA) request for CIRO to harmonize its advisor compensation rules by preserving the dealer's and individual advisor's existing obligations, while adding the advisor's corporation as an "Incorporated Approved Person" with potential material tax benefits.

This proposal will allow all investment advisors ("IA") to incorporate and as part of the corporate structure IA will most probably be allowed as part of their respective corporate shareholding structure to add their respective partners, children, and other potentially related parties as shareholders of the corporate entity. Consequently, in that way IAs would potentially have the ability to pay dividend income to related parties, based on differing share ownership structures, of which potentially the related parties may not even be active in the aforementioned corporate entity providing investment advisory services. The income streams as paid to related parties potentially has the ability to lower the marginal tax rate of the IA, per se.

Whereas, there is no doubt that the corporate entity structure would assist IA running an active business and as such would allow the IA more control and management of their income streams, and more control over succession planning, I was surprised that there were no comments at all in the proposal with respect to ensuring that dealers / IAs will be required / would be expected to ensure ongoing accounting / tax / legal advice is obtained to ensure that the IAs structure their incorporated businesses and payment streams ensuring that the corporate and personal entities in the related group do not run afoul of the [CRA TOSI Rules](#) that Kim Moody recently wrote about on **August 11-2026** in the [Financial Post Mismatched Tax Rules Income Splitting](#).

Specifically, as to the above point, I trust that the Federal Department of Finance, who are accountable for Canadian tax legislation and in addition the Canada Revenue Agency ("CRA") who enforce tax legislation compliance are supportive of the CIRO IA incorporation proposals, as they relate to compensation structure that are being requested by the CSA. Given that the Federal Department of

Finance interacts with the CSA that are provincially appointed bodies, coupled with my understanding is that all provinces and territories are most probably all interested in maintaining tax revenue streams while ensuring compliance with all tax obligations specifically ensuring that in addition to all tax legislation, that the [CRA TOSI Rules](#) and all other CRA rules with respect to income splitting are fully respected.

There could potentially be a CIRO / CSA public relations nightmare if IA 's were ever reported in significant numbers, to be using a CIRO / CSA sanctioned corporate entity structure to breach the aforementioned CRA rules and / or to direct income, by way of corporate shareholding, to related parties who were not actively employed in the provision of investment advice, especially recognizing that CIRO / CSA were the architects of the policy change.

Specifically, in that regard, I trust that CIRO / CSA will ensure that the appropriate safeguards are in place to prevent the foregoing from ever happening.

Reduced Clarity About Ultimate Responsibility

Main street investors could potentially have difficulty understanding whether they are dealing with:

- the individual IA;
- the IA's corporation;
- the sponsoring investment dealer; or
- another financial-services business operated through the same / related corporation.

That could create confusion about where main street investors are to complain, whom to sue if required, and which entity / individual is ultimately responsible for compensation. CIRO proposes mandatory disclosure of the incorporated relationship and continues to make the dealer responsible for supervising the IA and the corporation, but in reality, disclosure alone may not fully eliminate this confusion. My assessment is that supervising a corporate structure could potentially be very problematic and would potentially require significant financial resource and time commitments. In fiscal **2026** roughly **81.25%** enforcement decisions were against individual IAs rather than firms.

The proposal risks aggravating existing CIRO licensees' obfuscation in defences to civil actions where advisors recommend and/or facilitate off- book sales activities.

Potential Greater Difficulty Recovering Investor Losses

A corporation can legally separate business liabilities from an IAs personal assets. If wrongdoing is attributed to the corporation, as opposed to an IA main street investors could face additional difficulties as noted below, not a complete list and not prioritized:

- an undercapitalized or dissolved corporation;
- assets transferred through salaries, dividends to related entities which makes traceability and assignment potentially harder;
- disputes over whether the dealer, IA or corporation or each of them is legally liable and if so the percentage of liability; and

- additional parties, legal costs and procedural complexity as more entities are involved that will potentially need to be sued which will potentially increase complexity and litigation costs.

A number of consumer advocacy groups have previously warned that widespread incorporation could potentially facilitate more / better asset protection strategies from IAs and potentially produce unfair outcomes for main street investors seeking redress.

CIRO's proposed dealer-responsibility rule is therefore crucial insofar as it states dealers remain responsible for the acts and omissions of their employees and Approved Persons. CIRO MUST make it clear that this produces direct, enforceable dealer liability to clients—not merely a regulatory obligation enforceable by CIRO.

More Complicated Dealer Supervision

A dealer would be supervising activities carried on inside a legally separate incorporated business that potentially may have its own:

- staff;
- accounting systems, including potentially many different software platforms that should be standardized, books and records;
- bank accounts;
- compensation arrangements;
- insurance or financial-planning operations; and
- non-voting family shareholders.

CIRO proposes advance dealer approval of other activities and requires dealer supervision of activities performed on its behalf. I do not see how dealers are going to supervise / manage corporate shareholding to ensure that CRA tax rules are respected or for that matter that dealers are even accountable for any supervision of that tax aspects, which should be considered. Any additional organizational layer(s) increases the probability / possibility of incomplete records, poor surveillance, unreported outside business (off-book) activities, or unclear responsibility between the dealer and the corporation.

Potential increased conflicts-of-interest from combining other ancillary activities, and other regulated Canadian financial-services activities, such as but not limited to insurance, albeit remaining subject to conditions and dealer approval. This could make integrated investment advice easier, but also potentially increases, not a complete list and not prioritized:

- cross-selling pressures / incentives;
- referral and commission conflicts;
- off-book sales
- pressure to recommend products outside the dealer's product shelf;
- confusion about which activities CIRO regulates; and if not, what body is accountable for regulation
- inconsistent complaint and compensation rights across any / all products.

A main street investor may believe to their detriment, that all advice received from the corporation has the same regulatory protection when, for example, securities, insurance and financial-planning activities may potentially fall under different regimes.

Potential Insurance Coverage Gaps

CIRO's proposal indicates that the rule for calculating a mutual fund dealer's minimum insurance coverage would not apply to Incorporated Approved Persons. The dealer's insurance obligations may continue, but the important main street investor question is whether policies will unambiguously cover:

- the corporation;
- its employees;
- mixed securities and non-securities activities;
- cyber and privacy events; and
- claims made after the corporation is dissolved or the advisor changes dealers.

CIRO MUST require explicit insurance coverage rather than leaving this principally to dealer contracting and policy interpretation. Uneven insurance protection across Canada could be the end result with main street investors most at risk.

The corporation would have to be registered where provincial legislation requires it and exempt where it does not. The CSA has confirmed that the proposal requires changes to NI 31-103 and, in some jurisdictions, securities legislation. This creates risks of different legal treatment, liability, and remedies depending on where the main street investors reside.

Stronger Commercial Incentives

CIRO says investment dealers may benefit by transferring profit-and-loss risk to incorporated IAs. Once an IA bears more operating expenses directly, there may be greater pressure to:

- favour higher-revenue products;
- avoid small/ complicated accounts;
- retain profitable clients- shun marginal clients;
- reduce administrative and / or compliance spending; or
- maximize revenue from associated /related financial services.

Whereas existing conflict-of-interest and best interests' rules still apply, the new economic incentives must be specifically assessed and closely monitored if the IA proposal moves forward.

Enforcement + Fine-Collection Complications

Adding a corporation creates another regulated party, but also another potential enforcement target. CIRO may have to pursue the IA, the corporation, and potentially the dealer separately. A corporation could become insolvent, cease operating or be dissolved, or transfer its assets out at any time. How would the dealer and / or CIRO possibly know if the corporate entity has transferred assets or to who the assets were transferred to until such time as an investigation was launched. In that regard, CIRO should

establish strong joint liability for sanctions and prevent all corporate asset distributions, restructuring, or dissolutions from frustrating restitution, disgorgement, or fine collection.

CIRO's fine collection rate currently stands at the **18%** level for individuals and potentially will get worse under the proposal. A reduced collection rate will further reduce CIRO's deterrence credibility and investor trust in regulation.

Uncertain Investor Benefits (If Any)

CIRO argues that incorporation may make the profession more financially viable and thereby increase access to regulated advice. Dealers would not be required to offer incorporation. In fact, there is no objective evidence that suggest IAs would be motivated to:

- serve smaller investors;
- lower fees;
- accept underserved clients; or
- expand into communities with limited access to advice.

This proposal therefore gives IAs a concrete tax and business-structure benefit, while the main street investor-access benefit, if any, is indirect, unproven, and currently unmeasured and as such is not quantifiable.

Overall Assessment

My assessment is that the proposal does not inherently remove the dealer or IA from CIRO oversight. Specifically, CIRO has included meaningful safeguards covering supervision, complaints, client disclosure, personal financial dealings, and dealer responsibility. The central risk is that incorporation could make accountability and recovery of funds more complicated for main street investors without delivering a demonstrable investor benefit. The most important protections would be, not a complete list and not prioritized:

- explicit joint-and-several liability of the dealer, IA and corporation;
- mandatory insurance covering all three;
- clear client-facing disclosure of responsibility and complaint routes;
- restrictions against asset stripping or dissolution of corporations during claims;
- detailed tracking disclosures of all corporate asset distributions to all parties;
- consistent provincial investor remedies; and
- published measurements showing whether access to advice actually improves with positive outcomes.

Numerous attempts at harmonization have been taken over the years with no concrete results. In that regard:

- How many registrants would adopt this proposal?
- How many dealers will support it?
- Will bank branch registrants be allowed to incorporate?

- Is there good reason to believe that the Department of Finance, the CRA, and the Federal and provincial governments support the proposal? If not national, will CSA approve the proposal?

This proposal will most probably require significant CIRO resources and time to bring IA incorporation to a conclusion while adding complexity and risk to the client- IA relationship. As a main street retail investor, I would much prefer CIRO prioritize the following, **existing high-priority issues** that really are in the public interest, not a complete list and also not prioritized:

- Making CFR work as intended Increase enforcement intensity on Member firms;
- Ramp up fraud prevention strategies that is a huge risk facing all investors especially with Artificial Intelligence (“AI”);
- Improve fine collection efficacy;
- Resolve bank branch mis-selling practices;
- Bring complaint handling rules up to contemporary standards;
- Constrain or transfer prediction markets, which is not investing per se, to gaming commissions;
- Constrain use of broad-based NDAs that capture everything in settlement agreements;
- Resolve underlying issues surrounding low- ball settlements at OBSI;
- Make changes necessary to reduce likelihood of a repeat of a CIRO data breach;
- Improve governance to include more investor representation on Board of Directors;
- Enhance the role and transparency of the IAP and Investor Office;
- Continue building up capability of discount brokers to provide non personalized advice;
- Build up capability to anticipate and resolve issues resulting from AI applications
- Improve senior and vulnerable investor protection;
- Improve investor education e.g. crypto, complex ETFs;
- Effect empirical research on retail investor needs and behaviour;
- Improve productivity and cycle time of core processes using technology and AI;
- Increase CIRO enforcement intensity on Member firms;
- Incorporate feedback from OBSI as integral to continuous improvement initiatives.

Permission is granted to post this letter on CIRO and other regulator websites in its entirety only.

Rick Price