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Member Regulation Policy
Canadian Investment Regulatory Organization
40 Temperance Street, Suite 2600
Toronto, ON M5H 0B4
E-mail: memberpolicymailbox@ciro.ca

cc: Canadian Securities Administrators
Market Oversight, Alberta Securities Commission (CIRO-Reporting@asc.ca)
Trading and Markets, Ontario Securities Commission (TradingandMarkets@osc.ca)

Re: CIRO Bulletin 26-0150 - Request for Comments - Rule amendments relating to the proposed adoption of an Incorporated Approved Person compensation option

Thank you for the opportunity to comment. I am a Registered Representative, CFP and CLU practising in British Columbia. I am also a licensed life insurance advisor.

I support the objective of allowing every client-facing Approved Person to incorporate. My concern is with the route.

1. The proposal re-creates a model Canada already has

The Incorporated Approved Person (IAP) framework reproduces, almost element for element, the professional corporation (PC) model that every province already uses for physicians, dentists, lawyers, accountants and other regulated professionals: voting control and the board reserved to the licensed professional; family members permitted as non-voting shareholders; no limitation of the professional's personal liability to clients; prior approval by the regulator; and a business scope restricted to the profession and incidental activities. These regimes have decades of case law, regulator guidance and CRA administrative practice behind them. Building a parallel, CIRO-specific structure discards that certainty and creates a second set of ownership rules that advisors, dealers, lawyers and tax practitioners will have to learn, and that CRA and Revenu Québec will have to test from scratch.

2. Recommendation: align with the provincial professional corporation rules

Over the longer term, I urge CIRO, through the CSA, to pursue the designation of registered dealing representatives and Approved Persons as an incorporable profession under each province's and territory's existing professional corporation framework, with CIRO acting as the governing body for the purposes of those statutes. Because that requires provincial legislation, I recommend the following interim approach, which is achievable within CIRO's own rules:

- **Home-province standard (Part B questions).** An IAP should be acceptable to CIRO if its share ownership, directors, trusts and holding-company structure comply with the professional corporation rules that apply to comparable professionals in the advisor's home province (see Appendix A).

  The process should be simple and practical. Every province already has a well-established working professional corporation structure, with legislation, regulator guidance and established CRA administrative practice behind it. CIRO should make use of those existing structures as they stand to expedite the process, rather than encouraging every province to adopt a single national model. Securing the agreement of thirteen provincial and territorial governments to one uniform structure would be close to impossible, would take years, and would be a major waste of regulatory and industry time and resources, all while advisors continue without a workable incorporation option. Deferring to the rules each province already applies achieves the same investor-protection outcome, mainly that the advisor is not relieved of their liability to clients, without the extra cost. As an advisory business differs from other professions, CIRO may impose regulatory rules and guidelines specific to our industry, as regulators of other professions do. However, CIRO should not impose ownership rules stricter than those provinces already consider adequate for accountants, physicians and lawyers.
- **Spouses, trusts and holding companies (Questions B1 and B2).** The rules should expressly allow an Approved Person's spouse or common-law partner to hold non-voting shares of the IAP, as most provinces already permit for physicians, dentists and other professionals. Although a spouse is a related person under the Income Tax Act, the rule should say so directly rather than leave it to be inferred from a tax definition. Family trusts and holding companies should likewise be permitted to hold non-voting shares where the home province allows them for other professionals (e.g., British Columbia and Quebec). At minimum, CIRO should clarify whether the Income Tax Act 'related person' test is intended to include corporations and trusts.
- **More than one Approved Person per corporation (Question B4).** Provincial PC regimes routinely allow several members of the same profession to share a corporation. This is particularly important for advisors sharing a book of business. This also matters for tax purposes: a team corporation with more than five full-time employees falls outside the personal services business rules. CIRO should permit two or more Approved Persons sponsored by the same Dealer to share an IAP.

3. Advisors registered in more than one province

Many Approved Persons serve clients in several provinces. They should be permitted, at their option, either (a) to operate through a single IAP incorporated in their home province (or federally) and extra-provincially registered where they carry on business, or (b) to establish a

separate IAP in each province. Requiring a separate corporation per province - as some PC regimes effectively do - would add cost without any investor-protection benefit. The allocation of taxable income among provinces would continue to follow the Income Tax Regulations (Part IV for corporations, Part XXVI for individuals) under either option.

4. Tax certainty - the stated objective - depends on the details

The Bulletin cites tax certainty as a key goal. Three points bear on whether the draft achieves it:

- Under the proposals, the Dealer Member is responsible for supervising the activities that the Approved Person and the IAP conduct for it, and CIRO's general supervision requirements are extended from "individual" to "person" so that they apply to the IAP itself. Supervision and control by a single payer are the facts CRA relies on to find a personal services business (ITA 125(7)) or to attribute income to the individual. The rules should describe supervision as a regulatory obligation of the Dealer, distinct from control of the IAP's business, and the prescribed agreement terms should be drafted with that distinction in mind. The Dealer's supervisory obligation should apply to its core securities business. The Dealer cannot be expected to have the expertise or resources to supervise the IAP's other approved activities, such as insurance (which has its own regulator) or tax preparation. For those activities, the Dealer's role should be limited to the conflict-of-interest and outside-activity review it already performs for every Approved Person (Questions A1 to A4).
- **Independent IAPs are businesses, not incorporated employees.** CIRO should make clear to CRA and Revenu Québec, in its final rules, its guidance and its engagement with both agencies, that an independent IAP (one that hires and pays its own assistants and staff, pays its own rent, technology and marketing costs, and, where it receives mutual fund trailing commissions, will be registered for and charge GST/HST to the Dealer on them from January 1, 2028 under CRA GST/HST Notice 344) earns income from more than one source, bears the financial risk of the business and is carrying on a business on its own account. CRA's own position that such an advisor provides taxable services to the Dealer is inconsistent with treating the advisor as the Dealer's employee. Such an IAP should not be treated as a personal services business with its negative tax consequences on the advisor. The Dealer's supervision of that IAP exists because securities regulation requires it, not because the Dealer directs or controls the IAP's business.
- Before the rules are finalized, CIRO should seek published technical interpretations or an advance-ruling-style confirmation from CRA and Revenu Québec on the model agreement, so that the new option does not repeat the audit experience of the directed-commission model in Quebec.

5. Transition

Existing directed-commission corporations should be grandfathered for a reasonable period and allowed to reorganize on a tax-deferred basis (e.g., ITA 85 / 86 reorganizations) without being forced into share structures that trigger dispositions. CIRO proposes an implementation period of 12 to 18 months. Because existing directed-commission corporations must restructure, a transition period of 18 to 24 months after the related securities-law amendments take effect is recommended for them (Question C1).

Summary

The goal is right. The fastest route to a durable, well-understood result is to use the professional corporation model Canada already has - adopting provincial PC standards now, and seeking formal PC designation for advisors over time - rather than designing a new one. I would be pleased to discuss these comments. *The views expressed in this letter are my own and not necessarily those of Peak Securities Inc.*

Respectfully submitted,



Anthony (Safwat) Tadros, MBA, CFP, CLU
Registered Representative, Peak Securities Inc.
110 - 6758 188th Street, Surrey, BC, V4N 6K2
Tel: 604.579.0223 | Fax: 604.579.0224
atadros@peakgroup.com

Appendix A - Permitted Shareholders, Directors, Trusts and Holding Companies by Jurisdiction

Summary of the general position for the major incorporable professions (accounting, medicine, dentistry, law) by province. Rules vary by profession and change periodically; confirm against the governing statute or regulator bylaw.

Jurisdiction	Voting shareholders	Non-voting shareholders	Directors / officers	Trusts	Holding companies	Investment advisors eligible today?
CIRO IAP (proposed)	One client-facing Approved Person only *Multiple Approved Persons should be permitted (see Section 2)*	The Approved Person plus persons 'related' to them under the Income Tax Act. APs of other Dealers and sanctioned persons barred	Approved Person must be sole director	Not provided for; CIRO asks whether family trusts should be allowed (Question B1)	Not provided for; CIRO asks whether holding corporations should be allowed (Question B1)	n/a - this is the proposal
British Columbia	Members of the profession	Relatives of the member (law, health professions, CPA)	Members	Permitted where beneficiaries are the member and/or relatives (law, health, CPA)	Permitted for non-voting shares if owned by member/relatives (law, health, CPA)	No
Alberta	Members	Spouse / adult interdependent partner, children, parents (health, law, CPA since 2009-10 amendments)	Members	Trust for minor children	Generally not permitted	No (directed commissions also barred in AB)
Saskatchewan	Members	Family members for several professions (medicine, dentistry, law, CPA) - varies	Members	Minor-children trusts in some professions - varies	Generally not permitted	No
Manitoba	Members	Family members for several professions - varies	Members	Varies by profession	Generally not permitted	No
Ontario (OBCA s. 3.1-3.4)	Members of the same profession	Only physicians and dentists (O. Reg. 665/05): spouse, child, parent. All other professions: members only	Members only	Only for minor children of a physician/dentist	Not permitted	No
Quebec (Professional Code + order regulations)	Members must hold majority of voting rights (directly or via member-controlled entity)	Non-members (including non-family) may hold a minority - varies by order	Majority of directors must be members	Permitted in several orders where trustees are members	Permitted if controlled by members	No under the Professional Code; note the AMF 'firm' regime under the Distribution Act for insurance/financial planning
New Brunswick	Members	Family for some health professions; varies	Members	Varies	Generally not permitted	No
Nova Scotia	Members	Family for physicians/dentists; others varies	Members	Minor-children trust (physicians/dentists)	Generally not permitted	No
PEI	Members	Limited; varies by profession	Members	Varies	Generally not permitted	No
Newfoundland & Labrador	Members	Family for several professions (e.g., medicine) - varies	Members	Minor-children trust in some professions	Generally not permitted	No
Yukon / NWT / Nunavut	Members	Limited regimes; generally members only	Members	Rare	Generally not permitted	No