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Member Regulation Policy
Canadian Investment Regulatory Organization
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Copies to the Canadian Securities Administrators (CSA): Market Oversight,

Alberta Securities Commission (CIRO-Reporting@asc.ca);

Ontario Securities Commission (TradingandMarkets@osc.ca)

Re: Rule amendments relating to the proposed adoption of an Incorporated Approved Person compensation option
https://www.ciro.ca/newsroom/publications/rule-amendments-relating-proposed-adoption-incorporated-approved-person-compensation-option

Thank you for the opportunity to provide input on this important proposal.

The introduction of this advisor tax reduction initiative comes as Canada faces an existential threat, Governments bear huge deficits and Canadian food bank usage has increased 50% y/y.

As I see it, the proposal creates a whole new client- advisor relationship. This is well beyond the compensation harmonization mandated by the CSA

The resulting framework is certainly more complex and will add to investor confusion.

I do not see any positives for Main Street resulting from this proposal.

The big question - will the Canada Revenue Agency and Revenue Quebec agree that the incorporated advisor is an independent contractor given the rigid oversight and lack of freedom to set fees or define the primary product shelf. The tax implications need to be fully understood before the regulators propose their final model.

As recommended by BLG https://www.blg.com/en/insights/2026/07/one-step-closer-to-harmonization-ciro-proposed-incorporated-approved-person-compensation-model the proposed framework should be bullet-proofed by independent review by experts in tax law.

BLG also reasoned that there could be an increased risk of unpermitted outside activities. Firms will need enhanced supervisory oversight or investor harm will increase.

Another key issue is, can CIRO and the dealer have access – can they see through the corporation and can they have all rights to review the activities, the

remuneration that might flow through that company? Can they audit the company like they can an individual advisor?

Dealers will need to increase supervision over the corporation to ensure it remains onside with all applicable tax and corporate laws.

The use of AI by the corporation and incorporated advisor should be strictly controlled by CIRO.

The corporation should define how it will address the inherent conflict of interests between securities product sales and the distribution of insurance products.

Corporate structures have the potential to create unfair outcomes for investors seeking regulatory redress or financial compensation, and that these risks could grow over time.

If financial planning is offered as a service, the advisor should hold a CFP designation or be validated as a FP by a FSRA approved Credentialing Body.

FAIR Canada has questioned how well retail investors are protected once a limited liability corporation sits between them and their financial advisor

The legal liability of the firm needs to be explicit and unambiguous and explained to retail investors in plain language.

If segregated funds are sold as part of a portfolio, OBSI should be enabled to assess complaints directly without reference to OLHI.

CIRO complaint resolution rules will need to be modernized to address the increased structural complexity and range of services.

CIRO should take steps to buttress fine and disgorgement collection. Require IA liability insurance?

According to a 2020 CFA Institute report, investors trust financial advisors as much as they trust a mechanic *Earning Investors' Trust How the Desire for Information, Innovation, and Influence Is Shaping Client Relationships* https://rpc.cfainstitute.org/research/surveys/2020-earning-investors-trust Advisors ranked fourth out of 6 types of professionals when investors were asked which they considered the most trustworthy Will incorporation help improve trust in financial advisors?

I note from some of the published letters submitted by advisors that they compare themselves to other professions like doctors. Indeed. CIRO should require that incorporated advisors have a fiduciary duty. It would be demonstrably unfair to provide IAs the generous tax benefits of professional incorporation without the corresponding fiduciary duty.

In parallel with this proposal, it would be most appropriate to provide (a) OBSI a long-awaited binding decision mandate (b) increase its compensation limit to $550,000 as recently recommended in a recent external review and (c) ensure ALL complaints resulting from this structure can be investigated by OBSI.

I strongly suggest that investor protection and costs be at the center of decisions regarding the approval of this proposal.

For this proposal to be approved, the CSA, the Federal Minister of Finance and provincial governments will need to buy in ,with the public interest in mind.

As long as the firm is accountable for any harm done to clients, firms adhere to the new rules and CIRO oversight is robust, I personally am not adverse to the proposal. That being said , I question the policy's prioritization- CIRO should instead focus on closing existing regulatory gaps that directly elevate retail investor risks.

D. Fieldstone