BRIEF

submitted to

the Canadian Investment Regulatory Organization

in response to the request for comments in Rules Bulletin 26-0150

"Rule amendments relating to the proposed adoption of an Incorporated Approved Person compensation option"

Advisor incorporation

A professional business in its own right, never a shield

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Addressees

Member Regulation Policy

Canadian Investment Regulatory Organization

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With copies to the Canadian Securities Administrators:

Market Oversight, Alberta Securities Commission, Calgary, Alberta;

Trading and Markets, Ontario Securities Commission, Toronto, Ontario.

Re: Comments on the proposed harmonized advisor compensation rules (Rules Bulletin 26-0150 of July 9, 2026).

I consent to this comment letter being made publicly available on CIRO's website, in accordance with the organization's practice.

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1. About the author

The author has practised financial advice to individuals since 1991. Holder of a bachelor's degree in economics from the Université de Sherbrooke, he first worked within a major Canadian bank before founding, in 1994, his independent financial services firm. He has since served his clientele as a mutual fund dealing representative attached to PEAK Investment Services inc., as well as a financial security advisor and a financial planner.

This firm is today a true business. Incorporated as a share corporation, it brings together some ten employees, occupies commercial premises, administers its own payroll service and assumes all the obligations incumbent on any business of this size: human resources management, leases, insurance, technology, compliance, accounting. Several hundred families entrust it with their investments, and some ten advisors have affiliated with it over the years, some having since retired. Without this organizational structure, it would be quite simply impossible to serve the firm's clientele with the level of quality, continuity and compliance it is entitled to demand, or to generate the revenues that fund those services. This concrete experience of practising through a corporation informs every position expressed in this brief.

The author's practice rests almost entirely on fee-based compensation. If one considers, as the author has publicly maintained for many years and as the treatment of “trailing commissions” increasingly recognizes, that these amounts are in reality recurring fees paid in consideration of a continuous service, the proportion of the firm's professional revenue earned in the form of fees approaches the whole. A marginal share of revenue comes from commissions on certain products, such as guaranteed investment certificates, bank-issued linked notes and insurance products.

A member of the Ordre des administrateurs agréés du Québec since 1994, the author has held numerous volunteer offices there, including that of chair of the professional inspection committee and then that of president of the Ordre in 2008. In 2014, the Conseil interprofessionnel du Québec awarded him the Médaille Mérite for his commitment to Quebec's professional system. He was a member of the Autorité des marchés financiers' advisory committee on investment products, from that committee's creation until December 2022, and he has been a member of the discipline committee of the Chambre de la sécurité financière (now the Chambre de l'assurance) since 2020. The author has also advocated publicly, notably before the Autorité des marchés financiers and in various forums, for the elimination of conflicts of interest in investment advice, including by challenging embedded commissions on mutual funds; his 2017 brief submitted to the CSA in Consultation 81-408 bears witness to this[1].

[1]Eric F. Gosselin, Plaidoyer en faveur d'un accès aux conseils financiers indépendants pour TOUS, pas seulement pour les plus nantis [A plea for access to independent financial advice for ALL, not only the wealthiest], brief

Notice: *the ideas, recommendations and opinions expressed in this document are those of the author alone, without association of any kind with any organization that is not a signatory to it. The author is not a lobbyist and does not act, directly or indirectly, on behalf of any group. The terms "advisor" and "client" refer to women and men alike and are used solely to lighten the text.*

submitted to the Canadian Securities Administrators in response to Consultation 81-408 on the option of discontinuing embedded commissions, June 2017.

2. Executive summary and recommendations

It is with conviction that I welcome the proposed rule amendments published on July 9, 2026[2]. The introduction of an incorporated advisor compensation option corrects an inequity the industry has documented for more than twenty-five years and recognizes, at last, what the Bulletin rightly states: the provision of investment advisory services is a profession, and for a great many advisors that profession is practised within a true business, distinct from that of the sponsoring dealer. I support the project and I commend CIRO for having retained, at the close of its 2024 consultation[3], the approach that drew the broadest support, namely the Incorporated Approved Person.

This support nonetheless comes with one fundamental condition, which runs through this entire brief: under no scenario must incorporation allow an advisor to escape his professional obligations and responsibilities, or to interpose a shield before them. Having pleaded throughout my career for the reduction of conflicts of interest in investment advice, I would not support a regime that weakened investor protection by one iota. I support this one precisely because it does not alter that protection, and I propose, in the pages that follow, ways to strengthen it further. My positions are summarized in the following eight recommendations.

Recommendation No. 1: Adopt the incorporated advisor compensation option, without an interim stage, that is, without an interim regime based on enhanced directed commissions, an option the 2024 consultation made it possible to set aside, and eliminate in due course the approach based on the payment of commissions to third parties, a chronic source of tax uncertainty.

Recommendation No. 2: Enshrine expressly, in the consequential amendments, whether regulatory or legislative, and in CIRO's rules to the extent of its jurisdiction, the full and solidary (joint and several) liability of the Dealer Member, the individual Approved Person and his corporation toward the client for the activities conducted on the dealer's behalf, without extending the dealer's obligations beyond the current framework,, so that neither the dissolution, nor the insolvency, nor the restructuring of the corporation can extinguish or dilute the advisor's personal professional liability.

Recommendation No. 3: Recognize the team model: allow several client-facing Approved Persons, sponsored by the same Dealer Member or by affiliated Dealer Members of the same group, as well as qualified financial services advisors, to practise within the same corporation

[2]CIRO, Rules Bulletin 26-0150, Rule amendments relating to the proposed adoption of an Incorporated Approved Person compensation option, request for comments published on July 9, 2026.
[3]CIRO, position paper Policy options for leveling the advisor compensation playing field, January 2024.

and to hold shares in it, with control of the voting rights remaining at all times in the hands of the Approved Persons.

Recommendation No. 4: Make full cost transparency for all products and services offered within the corporation, at least equivalent to the Total Cost Reporting required since January 1, 2026, a condition of the dealer's approval of the other activities, in coordination with the sectoral regulators, so that the new regime never becomes a vehicle for regulatory arbitrage, notably toward segregated funds or bank-issued linked notes.

Recommendation No. 5: Permit the holding of shares by a holding corporation or a family trust whose shareholders or beneficiaries are limited to the advisor and his related persons, such vehicles holding only non-voting shares, and replace the sole-director requirement with the requirement that Approved Persons hold at all times a majority of the votes on the board of directors, where necessary by means of a casting vote.

Recommendation No. 6: Trigger, as the Bulletin provides, the phase-out of the payment of commissions to third parties only from the moment the new option becomes effectively available in the advisor's jurisdiction, provide for a transition period of at least 24 months, distinct from the implementation period addressed in response C1,, and intervene with the Canada Revenue Agency and, for Quebec, with Revenu Québec, to obtain tax confirmations and the suspension of new retroactive assessments targeting compensation sharing.

Recommendation No. 7: Anchor the regime in substance: the legitimacy of incorporation rests on services genuinely rendered by the corporation, whatever its size, and not on the mere pursuit of tax advantages; the project's requirements to that effect must be maintained in the final rules.

Recommendation No. 8: Modernize the terminology: substitute, wherever the context allows, the terms “advisor revenue” or “advisor compensation” for the word “commission”, which describes inaccurately the nature of the revenues at issue and carries a transactional connotation foreign to a relationship of continuous service.

3. General observations

3.1 A long-overdue recognition of the entrepreneurial reality of advice

The independent financial advisor is not a mere collector of revenue: he is an employer, a tenant, an investor in technology, a trainer, a compliance manager and, often, the economic mainstay of a small professional services business rooted in its community. My firm is one illustration among thousands: some ten jobs, commercial premises, a payroll service, document management and compliance systems, professional liability coverage, a continuity plan in the event of incapacity. None of this would exist without a corporate structure able to contract, hire, borrow and endure beyond the person of the advisor. Denying the advisor the legal form that matches the economic reality of his business, while lawyers, accountants, physicians, architects and, within the financial sector itself, financial security advisors have access to it, was a historical anomaly that this project corrects.

For the client, this structure is anything but abstract. It is what guarantees that his file is known to several people rather than carried by a single memory, that service continues through an illness or a vacation, that investments in compliance and information security beyond the reach of a sole practitioner are made, and that an orderly succession will spare him becoming an advice orphan. It is this structure, finally, that makes it possible to keep serving households with modest portfolios, whom the economics of a solo practice would condemn to abandonment. To recognize the advisor's business is, first and foremost, to protect the continuity of service to the client.

I note that this correction forms part of a broader movement sought by the CSA themselves since Position Paper 25-404[4], and that it echoes long-standing foreign models. In Australia, the authorised representative of a financial services licensee may be a corporation that provides the regulated services on the licensee's behalf[5]; in the United Kingdom, the “appointed representatives” regime has allowed corporations since 1986 to carry on regulated activities under the umbrella and responsibility of an authorised firm[6]. In both regimes, what makes the structure acceptable is not the corporate form itself: it is the unfailing anchoring of responsibility with the principal. CIRO's project adopts exactly that architecture, keeping the Dealer Member at the centre of the oversight and responsibility framework. That is, in my view, the right architecture. The British experience teaches, however, that this anchoring is only as good as the rigour of the

[4]CSA, Position Paper 25-404, New Self-Regulatory Organization Framework, August 3, 2021.

[5]Corporations Act 2001 (Cth), notably section 916A: in Australia, the authorised representative of a financial services licensee may be a corporation, which provides the regulated services under the licensee's responsibility.

[6]Financial Services and Markets Act 2000 (United Kingdom), section 39: the "appointed representatives" regime, in force in one form or another since 1986, allows a corporation to carry on regulated activities under the umbrella and responsibility of an authorised firm ("principal"). See also Financial Conduct Authority, Policy Statement PS22/11, Improving the Appointed Representatives Regime, August 2022.

principal's oversight: following harm suffered by consumers, the UK authority strengthened in 2022 the obligations of principal firms, which must in particular review each year the activities and the financial situation of their representatives. The Canadian regime will do well to draw that lesson from the outset.

3.2 Professional responsibility is not negotiable

My support for the project rests on a premise from which I will never depart: incorporation is a way of organizing the advisor's business, never a way of organizing his irresponsibility. There are sectors of the economy where the corporate person too often serves as a screen, where one observes convenient bankruptcies followed by rebirths under a new business number, leaving clients without recourse. Nothing comparable must be possible, or even conceivable, in the distribution of financial products and services.

In that regard, I note with satisfaction that the project applies to Incorporated Approved Persons, as well as to their employees and shareholders, the full set of investor protection measures provided in the rules: the general standard of conduct, the treatment of conflicts of interest, complaint-handling obligations, supervision, prohibitions on personal financial dealings, and the performance of all securities related functions in the name of the Dealer Member and under its supervision. Section 4.2.2 of the Bulletin reflects rigorous work to ensure that none of these protections can be circumvented through the interposition of the corporation, its employees or its shareholders. I commend CIRO staff for it.

I ask, however, that the logic be carried through in the consequential amendments described in section 4.3 of the Bulletin, whatever their vehicle, regulatory or legislative. The Bulletin states that these amendments are intended to ensure that the Dealer Member, the client-facing Approved Person and the Incorporated Approved Person “remain responsible to clients”. I recommend that this responsibility be expressly characterized as solidary (joint and several). Let us be precise about what this solidarity adds and, above all, what it does not add. Today, an aggrieved client faces two respondents, the dealer and its representative; the new option interposes a third, the corporation. Without express solidarity, that interposition invites two drifts: finger-pointing, where each of the three entities pleads that the fault belongs to the other two, and the shield, where the dissolution or insolvency of the corporation leaves the client without an effective recourse. Solidarity closes both doors: the client exercises a single recourse against the three respondents together for the activities conducted on the dealer's behalf, and the advisor's personal professional liability survives the dissolution, insolvency or restructuring of his corporation. It creates, on the other hand, no new obligation for the dealer: its perimeter remains that of the activities conducted on its behalf, to the exclusion of the corporation's other activities, which fall under their own regimes, and broader liability would moreover deter dealers, who are free to offer this compensation option or not, from

making it available to their advisors. In a word, the arrival of the corporation must take nothing away from the client's existing recourses; that is what solidarity guarantees. Since only legislation can fix civil liability toward the client, it is first and foremost in the consequential legislative amendments that this clarification must find its place. Quebec professional law offers here a functional and proven model: practice through a corporation, as authorized by the professional orders, in no way limits the member's personal professional liability[7]. CIRO's regime should be no less demanding. This requirement is no burden for serious advisors: it is the condition of public confidence and, hence, of the very durability of the regime.

3.3 Substance before taxation

I am incorporated and I consider that corporate taxation is a legitimate part of the rules of the game for any business. I am keen, however, to dissociate myself from any presentation of the proposed regime as a mere vehicle for tax savings. Purely tax-driven incorporation, with no employees, no establishment, no services genuinely rendered, for the sole purpose of splitting income with a spouse or deferring it over time, weakens the legitimacy of the profession and invites the criticism other professions have known. That is not the model I defend, nor the one the project proposes. The project requires a tripartite agreement among the dealer, the corporation and the advisor, the actual performance of the functions within the corporation, the dealer's supervision, and the limitation of the corporation's compensation to the activities carried on within it; existing tax rules, notably the tax on split income and the rules applicable to personal services businesses, do the rest[8]. In other words, the tax certainty the industry seeks will flow from the substance of the business, and that is as it should be.

I welcome the fact that CIRO staff have already submitted elements of the project to the Canada Revenue Agency, and I invite them to pursue those exchanges until published administrative positions are obtained, and to extend them formally to Revenu Québec, whose interpretation has been, in recent years, the main source of insecurity for Quebec advisors. An impeccable regulatory regime that left the tax ambiguity standing would miss its target.

3.4 Conflicts of interest and transparency: the conditions of legitimacy

I have devoted a significant part of my public engagement to the elimination of conflicts of interest and appearances of conflicts of interest in investment advice, notably in my aforementioned 2017 brief on embedded commissions. It would be paradoxical for me to support today a regime liable

[7]See notably the Professional Code, CQLR, c. C-26, and the regulations respecting practice through a corporation adopted by Quebec's professional orders, which reserve control of the corporation's voting rights to members of the order and fully maintain the professional's personal professional liability.

[8]Income Tax Act, R.S.C. 1985, c. 1 (5th Supp.), notably section 120.4 (tax on split income) and the rules applicable to personal services businesses.

to weaken that protection. Yet the proposed compensation option changes nothing in the nature or the amount of what the client pays: the advisor's compensation becomes neither more nor less conflicted because it flows through a corporation he controls. What matters for the client remains the total cost of management and advice, and the complete disclosure of that cost.

Two safeguards are nonetheless required. First, every product or service offered within the advisor's corporation should be subject to cost transparency at least equivalent to the Total Cost Reporting required since January 1, 2026[9], whatever sectoral framework it falls under. The regime must never become the refuge of opaque products nor the vehicle of regulatory arbitrage, for example toward segregated funds, whose fees remain higher and whose disclosure, though markedly improved in 2026, falls under another framework. Second, the Dealer Member's conflict of interest policies should extend expressly to the other activities carried on within the corporation, which the structure of the project already allows. These two safeguards are developed in the responses to questions A4 and A6.

3.5 The particular case of Quebec

Although I also practise in New Brunswick and Ontario, I practise mainly in Quebec, and I invite CIRO to pay particular attention to the Quebec situation, which illustrates better than any other the urgency of the project. As early as 1998, section 100 of the Act respecting the distribution of financial products and services allowed the sharing of a commission between a firm and a mutual fund representative[10]. The transfer of the regulation of mutual fund distribution to the Securities Act, in 2009, broke that balance; section 160.1.1 of that Act, introduced in 2018, sought to restore it by referring the terms of sharing to a regulation of the Autorité, without the shareable portion ever being specified[11]. The result, since then, has been divergent interpretations by Revenu Québec, retroactive tax assessments against many representatives who believed they were acting in accordance with the law, and litigation still pending before the courts. Seventeen years of ambiguity have worn down careers and eroded confidence in regulators.

CIRO's project is the opportunity to close this chapter. The moment is all the more propitious as the oversight of mutual fund dealer representatives in Quebec was transferred to CIRO on July 4, 2026. I recommend formal coordination among CIRO, the Autorité des marchés financiers, the Québec Ministère des Finances and Revenu Québec, so that the consequential legislative

[9] Canadian Securities Administrators and Canadian Council of Insurance Regulators, joint announcement of April 20, 2023 on Total Cost Reporting: the new requirements apply as of January 1, 2026 to investment funds and, through guidance of the insurance regulators, to segregated fund contracts.

[10] An Act respecting the distribution of financial products and services, CQLR, c. D-9.2, section 100.

[11] Securities Act, CQLR, c. V-1.1, section 160.1.1, introduced in 2018 in the wake of the adoption of Bill 141 (An Act mainly to improve the regulation of the financial sector, the protection of deposits of money and the operation of financial institutions).

amendments are adopted in Quebec at the same time as in the other jurisdictions, and so that the tax authorities confirm the applicable treatment, both for the future and for the transition period. Recommendation No. 6 and the responses to questions C1 and C2, together with response A2 on the alignment of the new status with the Quebec firm regime, set out this request in greater detail.

3.6 A matter of terminology: advisor revenue, not commissions

I invite CIRO, finally, to seize the opportunity of this overhaul to modernize its vocabulary. The word "commission" evokes the one-time conclusion of a sale; yet the compensation contemplated by the project is, for the most part, recurring revenue paid in consideration of a continuous service of advice and follow-up. I have maintained this distinction since the beginning of my practice and developed it in my 2017 brief: what common usage calls a "trailing commission" is in reality an ongoing service fee, which endures for as long as the client is satisfied with the services rendered, and which the CRA now moreover regards as consideration for continuous services rendered to the investor, taxable for GST/HST purposes, the application of that position, which Revenu Québec has adopted for QST purposes, having been deferred to January 1, 2028[12]. To perpetuate the word "commission" in a regime designed precisely to recognize the advisor's service business would be an anachronism. I recommend substituting "advisor revenue" or "advisor compensation" for it in the French and English versions of the rules, forms and communications that will flow from the project.

[12]Canada Revenue Agency, GST/HST Notice 344, Application of the GST/HST to Mutual Fund Trailing Commissions, revised version of May 2026; Revenu Québec, update on the application of the GST/HST and the QST to mutual fund trailing commissions, June 12, 2026.

4. Responses to the consultation questions

I respond below to each of the sixteen questions posed in section 9 of the Bulletin. Each question is restated succinctly, in italics, before the response; the reader is invited to refer to the Bulletin for the full wording.

Part A. Other permissible business activities within the corporation

> *A1. Should the proposed amendments limit the financial services that may be offered within an advisor-owned corporation to those described in the project (ancillary activities and activities within the regulated Canadian financial services sector)?*

Response. Yes, in principle. Limiting the corporation to ancillary activities and to activities within the regulated Canadian financial services sector is a reasonable compromise between the flexibility firms need and the oversight that protection of the public demands: it matches the reality of multidisciplinary firms while excluding activities foreign to financial advice, which are harder to supervise and more likely to discredit the sector. I ask, however, for two clarifications. First, the definition of "regulated Canadian financial services sector" should be broad and explicit enough to cover, at a minimum, insurance of persons and group insurance of persons, financial planning, whose practice is regulated in Quebec, mortgage brokerage and annuities. Second, it should be confirmed that "ancillary" activities include the support functions of the business itself: hiring and managing staff, leasing and operating premises, technology, training, recordkeeping and billing. These functions are precisely the business substance that justifies the regime; it would be incoherent to exclude them.

> *A2. What would be the impact of prohibiting the client-facing Approved Person from providing, within his corporation, services other than those indicated, on existing activities or on the legal structures currently used?*

Response. The impact would be significant, particularly in Quebec, where the multidisciplinary firm has been the dominant model since the 1998 Act respecting the distribution of financial products and services. Thousands of advisors there offer, within a single corporation registered as a firm, insurance of persons and financial planning, and several already direct part of their mutual fund compensation to it. Prohibiting these services within the advisor's corporation would force the maintenance of parallel legal structures: duplication of corporations, leases, liability insurance coverage, payroll services and professional fees; fragmentation of the client relationship between two entities; added complexity in sales taxes between related entities. It would be a step backward from the current situation and a negation of the objective of uniformity the Bulletin states in its section 3.1. My firm, which brings these services together under one roof, illustrates what the regime must allow: the orderly migration of existing firms to Incorporated Approved Person status,

without dismantling the business or interrupting service to clients. I add two concrete requests. First, existing corporations that already meet the criteria should be recognized as Incorporated Approved Persons without any need to create a new entity; any contrary requirement would impose reorganization costs with no protective benefit whatsoever, and this point, still ambiguous in the consultation text, deserves clarification. This recognition raises the most concrete Quebec question of the entire project: will a single legal entity be able to combine the status of Incorporated Approved Person for its securities activities with that of a firm registered with the Autorité des marchés financiers for insurance and financial planning? I submit that the answer must be affirmative, failing which the dominant model in Quebec would be excluded from the regime at its birth. This presupposes harmonizing the governance requirements of the two statuses, notably the responsible officer function provided for in the Act respecting the distribution of financial products and services and the shareholding and directorship rules of the project, and providing for a coordinated registration process between the Autorité and CIRO. Second, the regime must allow the integration of services under one roof without ever imposing it: legitimate considerations, including the proportionality rule applicable to input tax credits where exempt insurance revenues and taxable revenues coexist within the same entity, may justify maintaining two distinct corporations. The choice of structure must remain the advisor's, informed by his tax advisors.

> *A3. What types of financial services, other than those listed, should the owner, a client-facing Approved Person, be able to offer within the corporation?*

Response. I propose a simple guiding criterion: any financial services activity carried on by the advisor himself under a licence, certificate or registration issued by a Canadian regulator should be eligible. Concretely, besides the distribution of securities on the dealer's behalf, the corporation should be able to house insurance of persons, group insurance of persons, individual and group annuities, financial planning, mortgage brokerage and advisory services relating to group retirement plans. On an ancillary basis, financial education activities, such as conferences and financial literacy training, as well as the preparation of simple tax returns where it forms part of the client's financial planning, should also be permitted. This perimeter corresponds to the bundle of services that a retail clientele expects from an independent firm and already finds there.

> *A4. Are there restrictions to impose on the other financial services that may be offered through the corporation, where they are offered by the same client-facing Approved Person?*

Response. Yes, three restrictions, the first of which is in my eyes essential. First, every product or service offered within the corporation should be subject to full cost transparency, at a minimum to the Total Cost Reporting standard, whatever the applicable sectoral framework. Since CIRO has no jurisdiction over insurance products, this requirement should take the form of a condition of the dealer's prior approval, supported by coordination with the sectoral regulators. I documented as

early as 2017 the risk of regulatory arbitrage toward less transparent and more costly products, first and foremost segregated funds; it would be unacceptable for the advisor's corporation to become the refuge of that opacity. The client of an Incorporated Approved Person should receive, for all of the firm's services, cost disclosure at least as complete as what he receives for his mutual funds. Second, the prior, documented and revocable approval of the Dealer Member, which the project already provides, should be accompanied by an annual inventory of activities and licences. Third, no activity under a registration exemption and no activity falling under a foreign jurisdiction should be carried on within the corporation without express authorization. Finally, the capacity in which the advisor acts for each service should be clearly disclosed to the client, in writing.

A5. What level of supervision or control over the other financial services activities conducted within the corporation should be exercised by the sponsoring Dealer Member?

Response. Two planes must be distinguished. For securities and derivatives related functions, the dealer's supervision must remain full and unchanged, as the project provides: these functions are performed in the dealer's name and under its responsibility. For the other regulated activities, substantive oversight belongs to the competent sectoral regulator, for example, in Quebec, the Autorité des marchés financiers and the Chambre de l'assurance for insurance of persons; requiring the dealer to supervise the substance of those activities in parallel would duplicate the regimes, create conflicts of standards and generate costs without any gain in protection. The dealer should instead exercise perimeter oversight: prior approval of each activity, an annual inventory of activities and licences, compliance attestations, a right of access to the corporation's records in the event of a complaint or investigation, and information-sharing mechanisms with the sectoral regulators. As for the corporation's financial statements, I recommend a risk-based approach: a review triggered by a complaint, a report or a reasonable ground for suspicion, supplemented by a simple annual attestation of financial condition, rather than an in-depth annual examination, burdensome for small firms. This is, mutatis mutandis, the balance struck by the Australian and British regimes discussed in section 3.1, where the principal answers for the perimeter it has authorized without substituting itself for the sectoral regulators.

A6. Are there conflicts of interest that could arise from allowing the Approved Person to carry on other regulated financial activities within his corporation, and can they be managed in the best interest of clients?

Response. Yes, such conflicts can exist, and, having campaigned against conflicts of interest since the beginning of my practice, I refuse to minimize them: compensation differentials between product categories, the temptation to steer the client toward the best-paying or least transparent product, unsolicited cross-selling. It must be observed, however, that these conflicts already exist, today, for every multidisciplinary advisor, outside any corporation and outside CIRO's field of

vision. Incorporation does not create them; on the contrary, it offers the opportunity to frame them better, since the corporation, its employees and its shareholders will henceforth be subject to the conflict of interest obligations of CIRO's rules and to the dealer's supervision. These conflicts can be managed in the best interest of clients on three conditions: complete disclosure of the compensation attached to each service; the express extension of the dealer's conflict policies to the corporation's activities; and, ideally, the standardization of ongoing service compensation across fund categories, which I have recommended since 2017 and which eliminates at the source the main intra-portfolio conflict. A visible, disclosed and supervised conflict is infinitely preferable to a conflict scattered across structures no one sees.

> *A7. Should the proposed amendments be revised to allow the corporation to employ several client-facing Approved Persons sponsored by the same Dealer Member, as well as one or more qualified financial services advisors offering other financial services?*

Response. Yes to both, emphatically: this is, in my view, one of the most important improvements to make to the project before its final adoption. The modern delivery of financial advice is a team endeavour. My firm employs some ten people and has welcomed some ten affiliated advisors over the years; it is this team, not an isolated individual, that ensures continuity of service in the event of illness or vacation, depth of expertise and succession. Limiting the corporation to a single client-facing Approved Person would have three perverse effects. First, it would deny the reality of existing teams and force the artificial multiplication of corporations where one would suffice, with no gain in protection. Second, it would needlessly complicate succession and client transition, whereas the orderly transfer of a book of business from a retiring advisor to a younger one, within the same corporation, is one of the most protective mechanisms for the client. Third, it would break the parity sought with the other professions, where practice through a corporation with several members is the norm. Since the sponsoring dealer is one and remains responsible, supervising a corporation grouping several of its Approved Persons is no more complex than supervising a branch. As for qualified financial services advisors, their employment within the corporation is the very condition of the integrated service offering that the Bulletin recognizes, in its section 7.3, as a common and desirable practice. The team model, finally, elegantly resolves the case of the death or sudden departure of an advisor: the book of business remains within the corporation and continuity of service to clients is assured, whereas under a strictly individual regime, the clientele and goodwill housed in the deceased advisor's corporation would have to be transferred to a successor's corporation, with the friction, delays and insecurity that entails. The same reasoning holds in the event of an advisor's temporary suspension: the team ensures continuity of service under the dealer's supervision, where a solo advisor would leave his clientele without an interlocutor. And where a serious sanction touching integrity requires the divestiture of shares, as the project provides, the team model prevents clients from paying the price of another's fault. I

note that CIRO's advisory committees have made the same request, and I support them without reservation.

> *A8. If the corporation may employ qualified financial services advisors, are there conflicts or risks for clients arising from employees being subject to different standards of care within the same corporation?*

Response. The risk is real, but it is known and manageable: it is exactly that of every current multidisciplinary firm, where the standards applicable to securities, insurance and financial planning already coexist. Three measures suffice to contain it. First, clear identification, in every mandate and every communication, of the capacity in which the person is acting, the applicable protection regime and the relevant compensation fund; the client information document used in Australia, which specifies for each service the provider's capacity and compensation, offers a useful model. Second, mandatory training of employees on the boundaries between the regimes. Third, a simple rule of precedence: as soon as a service touches securities, the dealer's and CIRO's standards apply without exception or attenuation. Over the longer term, I plead for the convergence of conduct standards across all financial services toward the primacy of the client's interest; but that gap in standards is a public policy issue that goes beyond this project and cannot serve as a pretext for prohibiting the team model, which already exists and works.

Part B. Ownership and control of the advisor-owned corporation

B1. Should a holding corporation or a family trust be allowed to hold shares of the corporation and, if so, voting or non-voting shares, or even control?

Response. Yes. The holding corporation and the family trust are ordinary and legitimate wealth-planning tools, used for asset protection, succession planning and estate freezes; they are not, in themselves, artifices, and prohibiting them would penalize advisors relative to every other entrepreneur and professional in the country. Two safeguards are nonetheless required. First, the shareholders or beneficiaries of the holding corporation or trust should be limited to the advisor and his related persons, and the complete structure should be disclosed to the dealer and to CIRO. Second, as to voting rights: it is important to distinguish control of the corporation from mere participation in its economic benefits. The holding corporation and the family trust alike should be limited to non-voting shares, which allows the family's economic participation and estate planning while keeping control of the regulated activities in the hands of the Approved Persons, and the identity of the shareholders and beneficial owners of these vehicles should be communicated to the Dealer Member. In all cases, the cardinal principle remains: ultimate control must belong to the Approved Person or Persons, without which professional responsibility would lose its anchor.

B2. Is the use of the Income Tax Act definition of "related person" to determine eligible family members too restrictive or not restrictive enough?

Response. It is adequate, neither too restrictive nor insufficiently so, and I approve of the choice. It is a proven concept, familiar to advisors and their tax specialists, endowed with abundant case law and administrative positions, and perfectly consistent with the objective of tax certainty at the heart of the project. Creating a definition specific to CIRO would inevitably produce situations where a holding would be permitted under the rules but problematic for tax purposes, or the reverse, which would reproduce precisely the insecurity the project seeks to eliminate.

B3. Should "related persons" of the Approved Person, who are not themselves Approved Persons of the same dealer, be able to hold shares, voting or non-voting, or even control?

Response. Non-voting shares only. The holding of voting shares, and a fortiori of control, by persons who are not Approved Persons is incompatible with the anchoring of professional responsibility on which the entire regime rests: the one who controls the advisory business must be the one who answers for professional conduct. The parallel with the practice of regulated professions through corporations in Quebec is instructive: control of the voting rights there is reserved to members of the order, precisely for this reason, without that ever having prevented the economic participation of families through non-voting shares. CIRO's regime should be no less demanding than ordinary professional law.

B4. Should other client-facing Approved Persons, sponsored by the same Dealer Member, be able to carry on their activities through the same corporation and hold shares in it? Does the answer change if these persons are family members?

Response. Yes, resolutely, and regardless of family ties. The detailed response to question A7 applies in full: the team model is the reality on the ground and the key to succession. Several Approved Persons sponsored by the same dealer should be able to practise within the same corporation and hold shares in it, including voting shares, with collective control remaining in the hands of the Approved Persons. The structuring condition is clearly assigned and coordinated supervision, not the number of dealers involved. The default rule should remain sponsorship by a single Dealer Member, but it should extend to Approved Persons sponsored by distinct Dealer Members belonging to the same financial group, as is the case for the mutual fund and investment dealer platforms of a single group. This opening should be reserved to affiliated Dealer Members and accompanied by appropriate coordination and oversight mechanisms, each dealer remaining responsible for supervising the regulated activities conducted on its behalf, and the framework should specify the conditions for distinguishing compensation tied to regulated activities from the economic rights flowing from shareholding, so that no registration or compensation requirement can be circumvented. Family ties between the Approved Persons add nothing to and subtract nothing from the analysis: it is the status of Approved Person of the same dealer or of an affiliated dealer, and that status alone, that matters.

B5. Should persons eligible as "qualified financial services advisors who are individuals", without being Approved Persons, be able to practise within the corporation and hold shares in it, voting or non-voting, or even control? Does the answer change if they are related persons?

Response. Yes to practising within the corporation, as set out in questions A7 and A8. Yes also to holding shares, including voting shares, but with a firm safeguard: the Approved Persons of the dealer or of affiliated dealers as a whole should retain at all times a majority of the voting rights and control of the board of directors. This solution reflects the reality of multidisciplinary firms, where a partner practising exclusively in insurance can be a legitimate co-owner of the business, while guaranteeing that control of the corporation performing securities related functions remains with those who fall within CIRO's jurisdiction. The answer is unchanged if those concerned are related persons: professional qualification and control, not family ties, are the relevant criteria.

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

Response. Yes, it is too restrictive, for three reasons. First, it is logically incompatible with the team model I recommend in questions A7, B4 and B5: if several Approved Persons can own the

corporation, several must be able to sit on its board. Second, even in a corporation owned by a single advisor, the sole director is a governance risk: sudden incapacity, death, a conflict of interest between the director and the corporation, all situations in which the absence of any other director paralyzes the business to the detriment of clients and employees. Third, it departs without justification from the proven model of professional law. I recommend replacing the sole-director requirement with the requirement that client-facing Approved Persons, sponsored by the Dealer Member or by an affiliated Dealer Member, hold at all times a majority of the votes on the board of directors, and that the chairmanship of the board, with a casting vote, be reserved to such an Approved Person. This formula allows a solo advisor to add a second director, for example to ensure continuity in the event of incapacity, without ever losing control of the board.

Part C. Implementation of the proposed amendments

C1. Do you agree with the need for an implementation period and, if so, what would be an appropriate period?

Response. Yes, an implementation period is necessary, and the 12 to 18 month range contemplated by the Bulletin is reasonable, on one essential condition, which footnote 15 of the Bulletin recognizes in part: the period must begin to run only once all the preconditions are met, namely the approval of CIRO's rules and the coming into force, in each jurisdiction, of the necessary amendments, starting with National Instrument 31-103. The regulatory route, which is faster, should be favoured wherever it suffices, and legislative intervention reserved for the cases where it is genuinely required. For Quebec, the harmonization of the Securities Act and the clarification of the tax authorities' position nonetheless remain indispensable prerequisites. A regime available in Ontario but not in Quebec would create a new interprovincial inequity, adding to the one Alberta still embodies with respect to directed commissions. The period should moreover remain flexible: dealers that already pay their advisors' compensation to corporations may need more than 12 to 18 months to adapt their structures, agreements and systems, while those ready earlier should be able to proceed as soon as the regulatory requirements and necessary approvals are in place. I further recommend a pre-authorization process allowing applications to be filed before the coming-into-force date, to avoid the foreseeable bottleneck, together with the maintenance of the expedited approval process for wholly owned corporations, extended to corporations owned exclusively by Approved Persons of the same dealer or of affiliated Dealer Members of the same group if Recommendation No. 3 is adopted.

C2. What problems will mutual fund dealer representatives who currently direct commissions to their corporation encounter in moving to the new option, and what would be a reasonable transition period?

Response. The difficulties will be of four kinds. First, tax uncertainty, particularly acute in Quebec, where retroactive assessments have been issued against representatives who shared their compensation with their firm and where litigation is pending; it is imperative that the switch to the new option not be interpreted by the tax authorities as an admission that the former one was improper, and I ask CIRO to intervene with the tax authorities so that new retroactive assessments targeting compensation sharing are suspended, as other advisor groups have already asked of the Quebec Minister of Finance. Second, substantial reorganization operations: transfer or consolidation of client lists and goodwill, tax-deferred rollovers, sales tax implications, business valuation, updating of shareholder agreements and wills. Third, the renegotiation of the tripartite agreements with the dealer and the upgrading of liability insurance coverage. Fourth, significant professional, legal and accounting costs, which will weigh proportionately more heavily on small

firms. For these reasons, the transition period between the former and the new option should be at least 24 months, ideally 36 (this transition period follows the implementation period of response C1 and must not be confused with it), from the effective availability of the new option in the advisor's jurisdiction, with the payment of advisor revenues to third parties maintained in full during that period. A hasty elimination of the former option would penalize precisely the advisors the project is meant to help and, by extension, their clients.

5. Conclusion

CIRO's project at last recognizes what thousands of advisors live every day: financial advice is a profession practised within true businesses, with employees, premises, systems and responsibilities. I firmly support the chosen direction and I ask CIRO to perfect it on five fronts: the express enshrinement of a solidary liability impervious to any shield, the opening of the regime to the team model that is the reality on the ground, full cost transparency for all services offered within the corporation, a transition that leaves no one in tax insecurity, in Quebec least of all, and the modernization of a vocabulary that must henceforth speak of advisor revenue rather than commissions.

Incorporation is not a tax privilege: it is the normal legal form of a professional business that hires, invests and endures. Properly framed, it will strengthen the vitality of the profession, the succession of independent advisors and, in consequence, Canadian investors' access to regulated advice. For that is indeed our shared responsibility.

I have also read the comment letter of the PEAK Financial Group, the group to which my sponsoring dealer belongs, in response to this request for comments, and I subscribe to it fully. This brief, written in a strictly personal capacity, is intended to complement those observations: it adds in particular the perspective of the advisor entrepreneur, considerations specific to Quebec and the requests relating to provincial tax certainty.

I thank CIRO for the opportunity to contribute to this reflection and remain entirely at the disposal of Member Regulation Policy for any discussion, clarification or further collaboration.

Respectfully submitted,



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