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The Financial Planning Association of Canada

Official Commentary Submitted to

The Canadian Investment Regulatory Organization

Regarding

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

November 2, 2026

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About this Submission

This commentary is submitted to the Canadian Investment Regulatory Organization in response to its request for comments on CIRO Bulletin 26-0150, Rule amendments relating to the proposed adoption of an Incorporated Approved Person compensation option, published July 9, 2026.

We at the Financial Planning Association of Canada welcome the opportunity to participate in this process and lend our perspective on this important change within the Canadian financial industry regulatory landscape. This submission builds on our earlier commentary on CIRO's position paper, Policy options for levelling the advisor compensation playing field.

About the Financial Planning Association of Canada

The Financial Planning Association of Canada (FPAC) was founded in 2019, dedicated to the professionalization of the financial planning industry and currently represents over 600 members. Our mission is to make financial planning a profession with the highest standards of fiduciary responsibility, competency, and practice standards possible. It is our core belief that Financial Planners are uniquely positioned to help improve the lives of Canadians through comprehensive financial planning.

Our General Position

We would like to thank CIRO for continuing its work on this matter, which is important to many of our members. We are encouraged that CIRO has moved forward with the Incorporated Approved Person approach, and we support the direction of the proposed amendments. We wish to raise several points that we believe would make the final framework clearer, better suited to how independent practices actually operate, and stronger from an investor-protection perspective.

Start from where the option can actually apply

First and foremost, we encourage CIRO to consider which advisors this option can apply to under current Canadian tax law. In our view, the lack of a clear starting point has caused confusion in the public discussion about who the option is for, when it applies and what it is meant to achieve.

As we noted in our previous submission, CIRO oversees many business models within the industry, and the proposed framework should recognize them.

At one end of the spectrum is the employer–employee model. This covers the largest share of CIRO-registered advisors, including those at bank-owned dealers. These advisors receive T4 employment income and participate in employer benefit plans such as health and dental coverage, pensions and share participation plans. If an employee in this position provided services through a corporation, that corporation would generally be treated as carrying on a personal services business under the Income Tax Act (subsection 125(7)). It would lose access

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to the small business deduction and would be limited in the expenses it could deduct (paragraph 18(1)(p)). For these advisors, incorporation offers no benefit, and the option was never meant for them.

At the other end of the spectrum, the dealer acts as what is best described as an outsourced dealership platform. The dealer provides securities infrastructure and regulatory oversight of the advisor. The advisor maintains an office separate from the dealer's head office and is responsible for everything else in the business: the premises, infrastructure, staff, payroll and every other business liability. We recognize that "outsourced" is not technically accurate, since regulatory oversight cannot be outsourced and the dealer remains fully responsible for supervising the advisor. It is nonetheless how these relationships work in practice under the regulatory framework. These practices are independent businesses and should be treated as such, including by allowing their revenue to be paid to the advisor's corporation.

Between these two ends of the spectrum are many hybrid arrangements. For these, whether incorporation is appropriate will depend on the fact pattern of the relationship between the advisor and the dealer. We recommend that dealers be required to make that determination using the factors the Canada Revenue Agency applies, as set out in CRA Guide RC4110, Employee or Self-Employed?, and in the case law it reflects (Wiebe Door Services Ltd. v. M.N.R. and 671122 Ontario Ltd. v. Sagaz Industries Canada Inc.):

- the intent of the parties;
- the level of control the dealer has over how the advisor works;
- who provides the tools, equipment and premises;
- whether the advisor can subcontract work or hire assistants;
- the degree of financial risk the advisor takes on;
- the advisor's responsibility for investment and management; and
- the advisor's opportunity for profit.

CIRO has already said it intends the option to be "in substance a self-employed worker arrangement" (Bulletin 26-0150, s.3.2, p.8), and acknowledged that the option moves the risk of profit and loss from the dealer to the advisor (s.5.1, footnote 13, p.20). That shift is real only where the advisor–dealer relationship is genuinely independent, as described above, and in those relationships the advisor already bears that risk today; the option does not create it.

The indicators CIRO relies on are, in substance, the same factors the CRA examines. We recommend that CIRO:

1. State expressly, in the rules and in the required tri-party agreement, that the option is available only where the advisor–dealer relationship is one of self-employment rather than employment;
2. Require the dealer to document the basis for that determination before entering into an Incorporated Approved Person arrangement; and

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3. Say plainly in its guidance that advisors in an employer–employee relationship with their dealer cannot use the option.

Doing so would resolve much of the current confusion and protect advisors and dealers from adopting structures that do not withstand CRA review.

This is a revision of a long-standing arrangement

Much of the public commentary has treated this proposal as a novel framework that would introduce new risks to consumers. It is not. Advisors registered with the former Mutual Fund Dealers Association have been able to direct compensation to their own corporations for approximately two decades. This was first permitted under exemptive relief and later codified in MFDA Rule 2.4.1. The current proposal is a revision of that arrangement. It expands the arrangement to allow registrable activity to be carried on within the corporation, and makes it available to all client-facing Approved Persons.

We should therefore start by asking what has and has not worked under the existing arrangement. The existing arrangement already required a written agreement among the dealer, the advisor and the corporation. That agreement preserved the dealer's and the advisor's liability to clients and gave the dealer and regulators access to the corporation's books and records. It did not restrict who could own the corporation. We are not aware of evidence that ownership flexibility under that arrangement caused harm to clients. Yet the proposal would impose considerably tighter ownership restrictions than the arrangement it replaces.

CIRO has identified inconsistent tax treatment as a weakness of the existing arrangement (s.3.2, p.9; s.6.2, p.23), and we agree. We would add a second weakness: these corporations are disclosed and monitored at the dealer level, but the information is not aggregated at the CIRO level. This proposal is an opportunity to fix that.

Transparency in exchange for flexibility

We understand that CIRO limited voting control to a single advisor so it would have clear line of sight into who controls these corporations. We believe mandatory reporting achieves that objective more effectively, without forcing practices into structures that do not reflect how they operate. We note that, as proposed, the national registration database requirements would not apply to Incorporated Approved Persons (s.4.2.3, footnote 11, p.18), which leaves no central record of these entities. We recommend that the framework include:

- A centralized CIRO registry of all Incorporated Approved Persons, with ongoing reporting of their regulatory compliance and any issues relating to them;
- Annual disclosure of all shareholders, including the persons who control any holding company or trust shareholder;
- Annual submission of the corporation's financial statements to the dealer, available to CIRO on request. These need not be audited, and they would include revenue from non-dealer activities, consistent with existing outside activity disclosure requirements;
- The corporation being subject to periodic and random review by the dealer or CIRO; and

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- An annual attestation by each licensed advisor that the information provided is accurate, together with an acknowledgement that they remain fully liable for all registrable activity.

These measures would help ensure that the corporations are used only for their intended purpose, and not to pay undisclosed outside compensation or referral fees, move transactions off the dealer's books, or launder money.

Liability must never be reduced

We recognize that it is important that any such structure does not limit the registrant's liability or shelter their assets from potential regulatory penalties. To be clear, the framework must not create any corporate shield that protects the advisor from liability for business carried out through the dealer. Every advisor should remain fully and personally liable for their own actions in relation to clients, and the corporate veil should not apply to registrable activity. The dealer's liability must also remain unchanged. We support the CSA's stated intention that the dealer, the individual Approved Person and the Incorporated Approved Person all remain liable to clients (s.4.3, p.19). Put simply, the corporation should add a liable party, never remove one. Nothing adopted under this proposal should increase risk to clients.

Areas of Requested Feedback & Commentary

The following are our comments regarding the specific questions posed in this consultation.

Question A1

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

We support allowing regulated financial services and related ancillary activities within the corporation, subject to dealer approval and supervision. We would go further than the proposal. We recommend that all of an advisor's financial services-related outside activities be required to be carried on through the Incorporated Approved Person, rather than allowing advisors to keep those activities in separate corporations. A single corporation gives the dealer and CIRO full line of sight into the advisor's financial services business, which is the investor-protection objective CIRO is pursuing. Allowing multiple corporations divides that view. The one exception should be subsidiaries of the Incorporated Approved Person, which we do not oppose, provided the same reporting standards, oversight and liability apply to them as to the parent corporation.

Outside activities that are unrelated to financial services, such as employment with another organization, rental property or community board roles, should remain outside the corporation and continue to be disclosed under the existing outside activity rules. Bringing them into the corporation would create tax problems and add no regulatory benefit.

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Question 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?

As we noted in our previous submission, the financial services industry is an evolving one, and the definition of what is permissible must be able to evolve with it. Financial planning is the clearest example of a service that was once peripheral to securities advice and is now central to it. Future services that benefit clients should be able to fit within the framework without a rule amendment each time. We do, however, believe that any such service permissible through these corporations should also be under the purview of CIRO's oversight in order to ensure consumer protection.

Question A7

Should the proposals be revised to permit an advisor-owned corporation to employ multiple client-facing Approved Persons sponsored by the same Dealer Member?

Yes. The rules should allow multiple client-facing Approved Persons sponsored by the same Dealer Member to carry on business through, and own, a single corporation. Please see our response to Question B4.

Question 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?

Yes. We agree that control of the corporation should rest with the licensed advisors whose registration gives the corporation its entitlement to compensation. However, the rules should regulate control, not the legal form through which it is held. We recommend that the test be de jure control, a concept well established in Canadian tax law: holding sufficient voting rights to elect a majority of the board of directors. That control may be held directly, through a holding company that the advisor controls, or through a trust of which the advisor is the sole or controlling trustee. What matters is that the licensed advisor controls the corporation, not the structure through which they do so. To ensure that family members and holding structures cannot be used to avoid recourse, shareholders who are not registered should be liable for the actions of the licensed advisors and the corporation, up to the amount they have received from the corporation.

Advisors should be able to organize their corporations to meet legitimate tax and estate planning objectives, as other business owners can. Prohibiting these structures would also limit succession planning options that benefit the advisor, the advisor’s family and, importantly, continuity of service to clients.

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Questions B2 and B3

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? Should "related persons" who are not themselves a client-facing Approved Person be allowed to own shares in the corporation?

We support allowing related persons to hold non-voting shares. We also suggest that unlicensed employees of the corporation be permitted to hold non-voting shares while they are employed by it. As we stated in our previous submission, offering equity to employees is a standard way for a business to recruit, reward and retain staff, and it is often the foundation of an internal succession plan.

In a corporation with more than one licensed advisor (which we recommend be permitted; see Question B4), an advisor whose licence lapses or is surrendered would, if unlicensed persons cannot hold voting shares, be forced to dispose of their shares to keep the corporation compliant. We recommend a defined grace period during which that person may continue to hold voting shares. Before the period expires, the shareholder and the corporation could reorganize the shares, for example by exchanging voting shares for non-voting shares on a tax-deferred basis under section 51, 85 or 86 of the Income Tax Act.

Question 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?

Yes. Limiting each corporation to a single advisor does not reflect the partnerships and ensemble teams that are common in the industry, particularly among independent practices. Multiple client-facing Approved Persons sponsored by the same Dealer Member should be able to carry on business through, and share ownership of, a single corporation, with voting control held collectively by those licensed advisors. Each advisor should remain personally liable for their own conduct. Where advisors practise together through a shared corporation, we would also support extending that liability to the conduct of their licensed partners and to the corporation's operations as a whole.

As noted in our response to Questions B2 and B3, a reasonable transition period should apply to temporary changes in licensing status, including those caused by illness, disability or a move between dealers.

Question B6

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

Yes, for multi-advisor corporations. We agree that directors should be licensed, but a sole-director requirement does not work where more than one advisor owns the corporation. We

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recommend that the number of directors equal the number of licensed advisors who own shares in the corporation, so that every licensed advisor shareholder sits on the board.

Questions C1 and C2

Do you agree there is a need for an implementation period for these proposals? 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.

We support an implementation period and urge the CSA and CIRO to move the related legislative amendments forward promptly, given how long advisors have waited for this change. Advisors currently using directed commission arrangements should be given a transition period long enough to restructure without disruption to clients or to their businesses.

Closing Summary

In closing, we at the Financial Planning Association of Canada thank you for the opportunity to provide commentary regarding this important issue. We believe our recommendations are consistent with CIRO's investor-protection objectives and with our goal of professionalizing financial planning, and we urge CIRO to adopt them. We remain available for further consultation and look forward to reviewing the final framework.

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