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Delivered by email

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

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Dear Sirs and Mesdames:

Introduction

Over the last 25 years, I have been actively engaged in efforts to reform the Canadian Investment Regulatory Organization and its predecessors' rules on advisor incorporation. I have served on the Boards of the Self Regulatory Organization(s), contributed to public consultation processes, I have attended industry meetings, delivered presentations to CIRO's predecessors, and helped to prepare detailed submissions to various regulators on the need to permit advisor incorporation.

From the outset of the Canadian Securities Administrators' self-imposed ban on advisor incorporation in 1999, it was clear that the CSA's proposed model was too restrictive and did not correspond with the business structures that were already in use at that time. It was also clear that other financial professionals were not subject to the same restrictions, but were free to capture the tax, business planning, and other efficiencies associated with incorporation. The widespread use of incorporation in other professions underscores the fact that this is not a novel or controversial model. However, despite this, I have personally witnessed the issue of advisor incorporation fall victim to a pattern of regulatory avoidance and obstruction, characterized by:

- The CSA's specious reliance on investor protection and tax concerns to avoid change without addressing core industry demands;
- A demonstrated reluctance by the CSA to take ownership of this issue, and a tendency to avoid addressing industry demand by foisting the "problem" of advisor incorporation onto CIRO's regulatory agenda;
- A clear lack of transparency within the CSA and among provincial/territorial securities regulators on their support for advisor incorporation and any opposition thereto; and
- A preference among Canada's securities regulators for incumbent business and compensation structures and an unwillingness to allow firms to adopt competing structures.

After decades of inaction, the issue of advisor incorporation gives rise to significant concerns of regulatory capture and the obligation of Canada's securities regulators to act in the public interest. The results of this inaction are unfair and anti-competitive for CIRO dealer members and their approved persons.

I am hopeful that CIRO's proposed amendments will finally help to answer the unresolved issue of advisor incorporation. I am partially encouraged by CIRO's long-overdue acknowledgment in its July 9, 2026 Bulletin (the Bulletin) that improving the health and competitiveness of the financial advisory profession is an investor protection concern.[1] In my experience, the monetary thresholds that firms have adopted are substantial and, as a result, financial advisory services are largely unavailable to many low-income and medium-income Canadians. This trend is bound to worsen as CIRO's membership continues to retract and fewer dealers are willing or able to provide advisor services to all retail investors, not just those of higher income and /or net worth. Although not a panacea for this problem, allowing financial advisors to incorporate could help to reverse this trend by providing advisors with flexibility and encouraging them to enter and stay in the advice profession.

However, in review of CIRO's notice, I am also concerned that CIRO's proposal leaves the question of whether and when its model will be legally operative under provincial/territorial securities law unanswered. In other words, CIRO appears content to address the impediments to incorporation that exist within its ruleset, while leaving the broader question of whether this model can operate for the CSA to answer. As such, after being tasked by the CSA to develop harmonized compensation rules, CIRO appears to be foisting the issue of advisor incorporation back onto the CSA agenda. This is problematic given that the CSA has remained ominously silent on the substance of CIRO's proposal and has shown a historical unwillingness to move this issue forward. Its only public statement says that changes to National Instrument 31-103 and to legislation in at least some jurisdictions would be needed, and that comments will inform any later policy work. It offers no position, no commitment and no timetable.[2] As a result, CIRO's dealer members and approved persons appear to be in largely the same position they were in when the CSA declared its unjustified ban on advisor incorporation in 1999. In the absence of any confirmation from the CSA, there is a significant risk that this issue will fall into another cycle of regulatory obstruction and inaction.

Summary of my position

1. **This matters to Canada, not just to advisors.** An aging population, an aging advisor force and a national productivity emergency all point the same way. Advisory practices are small businesses, and they should be allowed to organize as small businesses.
2. **The "legislation" obstacle is a false flag.** The unlevel playing field exists inside one rulebook. CIRO's own Bulletin confirms that directed commissions can be extended without changing securities legislation, and the CSA has the authority to see that done now. Even for full incorporation, no regulator has shown which statute must change, or why exemptions or national instrument the

[1] CIRO, Rules Bulletin 26-0150, Rule amendments relating to the proposed adoption of an Incorporated Approved Person compensation option (July 9, 2026) (the Bulletin), https://www.ciro.ca/node/33461.

[2] Canadian Securities Administrators, CSA market update (July 9, 2026), https://www.bcsc.bc.ca/-/media/PWS/New-Resources/Industry/Marketplaces-SROs-and-Market-Infrastructure/SROs/2026/CSA-Market-Update-CIRO-July-9-2026.pdf.

regulators can grant themselves would not do the job. The alleged need for statutory amendment is highly overstated.

3. **Investor protection and tax are false flags too.** Directed commissions have operated on the mutual fund side for over two decades, and when the MFDA reviewed that experience it did not report of an inability to monitor or protect the public. Tax compliance belongs to the taxpayer and the tax authorities, and the CSA itself has said the incorporated model does not appear problematic from a tax perspective.
4. **I support the Incorporated Approved Person model, with conditions.** It needs an immediate bridge for investment dealer advisors, a single national exemption or instrument instead of a patchwork, room for teams, and no repeal of directed commissions until the replacement actually works in every jurisdiction.
5. **The CSA must now own this file in public.** Each member should state its position, name any perceived statutory barrier in its own jurisdiction, and commit to a timetable.

1. Why This Matters: Canada Cannot Afford Another Decade of Delay

The Bulletin treats incorporation largely as a harmonization project. It is more than that. It is a question of whether Canadians will have access to regulated advice as the country ages, and whether thousands of Canadian small businesses will be allowed to invest and transfer like any other small business .

Indicator	Latest figure
Canadians aged 65 and older, compared with those 14 and under[3]	20.0% versus 15.0% (July 1, 2026)
Annual population growth[4]	0.5%, median age 40.9
Full-service advisors over 55, and their share of assets[5]	Almost 40% of advisors, about 50% of assets
Average full-service advisor age[6]	Almost 53, up from about 50 in 2015
Advisors 50 and older with a completed formal succession plan[7]	17%
Canadians with no financial advisor[8]	48%
CIRO Dealer Members with 10 or fewer Approved Persons[9]	33% of 250 firms

[3]Statistics Canada population estimates for July 1, 2026, as reported in "Canada's Population is Growing, But It is Also Getting Older Again," TodoCanada, https://www.todocanada.ca/canadas-population-is-growing-but-it-is-also-getting-older-again/.

[4]Statistics Canada estimates, above.

[5]J. Schlesinger, "How firms are competing on the other great wealth transfer: advisor succession," The Globe and Mail (August 5, 2025), https://nesbittburns.bmo.com/delegate/services/file/739237/content.

[6]Schlesinger, above.

[7]Fidelity Wealth, 2026 Retiring Advisor Report (fielded by Environics Research, January 26 to February 19, 2026), https://www.wealth.fidelity.ca/content/dam/fidelitywealth/en/documents/fw-retiring-advisor-report-en.pdf.

[8]A. Hiyate, "Advisors risk being kept on the sidelines of the great wealth transfer: survey," Investment Executive (August 27, 2025), reporting on Leger, Financial Compass: The Great $1 Trillion Wealth Transfer, https://www.investmentexecutive.com/news/research-and-markets/advisors-risk-being-kept-on-the-sidelines-of-the-great-wealth-transfer-survey/.

[9]CIRO, Annual Report, Fiscal Year 2026 (figures as at March 31, 2026), https://www.ciro.ca/sites/default/files/2026-09/CIRO-Annual-Report-2025-2026-EN.pdf.

Indicator	Latest figure
Growth in the Canada–U.S. relative productivity gap since 2000[10]	26%

An aging population needs more advice, not less

One in five Canadians is now a senior. These Canadians face decumulation, longevity risk, cognitive decline, and what Leger calls a $1 trillion wealth transfer.[11] Yet nearly half of Canadians have no advisor, and only 27% of those planning to give would seek financial advice in a windfall.[12] CIRO itself says that access to regulated advice is an investor protection issue.[13] In 2021 the CSA adopted, as a guiding principle for the new SRO, that it must not impose barriers to advice for less affluent or rural investors.[14] A rule that makes advice harder to deliver economically fails that test on the CSA's own terms.

The advisors serving them are aging too

Advisors over 55 manage about half of full-service assets, and only 17% of advisors aged 50 and older have a completed formal succession plan.[15] [16] Incorporation is not a side issue here. A practice held in a corporation can be structured, transferred and built around a successor far more readily than a book of business attached to one individual's personal income. Provincial officials identified succession planning, business transfer and staff recruitment and retention as benefits of alternative structures in 2010.[17] Commenters told them in 2011 that the capital gains exemption available on the sale of a business would be an important source of retirement funding.[18] Every year of delay is a year in which experienced advisors leave with no orderly path for their clients.

Productivity starts with small firms that can reinvest

The Bank of Canada's Senior Deputy Governor called weak productivity an emergency in 2024.[19] Statistics Canada has since reported that Canada's relative productivity decline compounded to 26% against the United States after 2000, and C.D. Howe's president has pointed to the failure of small firms to scale.[20] One-third of CIRO's Dealer Members have 10 or fewer Approved Persons, and behind every

[10]"Canada's productivity gap with U.S. has widened by 26 percent since 2000: Statistics Canada report," The Hub (March 30, 2026), https://thehub.ca/2026/03/30/canadas-productivity-gap-with-u-s-has-widened-by-26-percent-since-2000-statistics-canada-report/.

[11]Hiyate, above.

[12]Hiyate, above.

[13]Bulletin, above.

[14]CSA Position Paper 25-404, New Self-Regulatory Organization Framework (August 3, 2021), section 4(g) and Appendix A, https://www.fcnb.ca/sites/default/files/2021-10/25-404-CSAPP-2021-08-03-E.pdf.

[15]Schlesinger, above.

[16]Fidelity Wealth, above.

[17]Working group of provincial/territorial government officials, Consultation on Possible Options for the Incorporation of Individual Representatives of Registered Dealers and Advisers in Canada (December 20, 2010), https://fcaa.gov.sk.ca/public/CKeditorUpload/Securities/2011/August/Incorporation_of_Sales_Representatives/2010-1220-consultation-incorporation-dealers.pdf.

[18]Working group of provincial/territorial government officials, Summary of Consultation Responses (June 2011), https://fcaa.gov.sk.ca/public/CKeditorUpload/Securities/2011/August/Incorporation_of_Sales_Representatives/2011-0728-consultation-incorporation-dealers-summary-of-responses.pdf.

[19]K. Carmichael, "Bank of Canada calls weak productivity a 'break the glass' moment," The Logic (March 26, 2024), https://thelogic.co/briefing/bank-of-canada-calls-weak-productivity-a-break-the-glass-moment/.

[20]The Hub, above.

larger dealer sits a network of owner-operated practices.[21]Those practices pay staff, lease offices and buy technology from after-tax personal income.

BLG reports that Ontario services income earned personally is taxed at up to 53.53%, while a corporation may pay 12.2% or 26.5% on active business income.[22] This is deferral, not a tax holiday, since further tax applies when the income is paid out as dividends.[23] But deferred dollars left in the business are precisely the dollars that fund a compliance tool or a new office in a smaller community. I do not claim this reform will solve Canadian productivity. I do say that a regulator should not be blocking ordinary small-business reinvestment without a demonstrated reason.

Competitiveness: the rules are picking winners

Doctors, dentists, lawyers and accountants can use corporations in most jurisdictions, and insurance agents are not prohibited from doing so in many.[24] Ontario real estate professionals joined them in 2020.[25] Australia allows bodies corporate to act as authorised representatives of a licensee.[26] Within Canada's own financial sector, the same individual can sell an insurance product through a corporation and may be barred from doing so for a security. Commenters to the CSA have described a slow migration from mutual funds to segregated funds.[27] Regulation should not steer an advisor's choice of product or platform through a compensation rule.

The competitive harm also runs between dealers. CIRO itself expects that firms not offering the option will be at a disadvantage in recruiting and retaining advisors.[28] MFDA membership fell from 220 dealers in 2002 to about 90 by 2020, and CIRO now reports 90 mutual fund dealers and 12 dual-registered dealers.[29] A shrinking field of firms and a closed set of permitted structures is not a healthy market for retail advice.

2. The False Flag

For 27 years, the public has been told that advisor incorporation is too complex, too risky or dependent on someone else's decision. The record shows otherwise. Three justifications are repeatedly raised: legislation, investor protection and tax. None of them explains why one group of advisors can do today what another group cannot.

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[21]CIRO Annual Report FY2026, above.

[22]Borden Ladner Gervais LLP, "One step closer to harmonization: CIRO's proposed Incorporated Approved Person Compensation model" (July 2026), https://www.blg.com/en/insights/2026/07/one-step-closer-to-harmonization-ciro-proposed-incorporated-approved-person-compensation-model.

[23]BLG, above.

[24]2010 consultation paper, above.

[25]Miller Thomson LLP, "Ontario realtors can now use personal real estate corporations," https://www.millerthomson.com/en/insights/real-estate/ontario-realtors-can-now-use-personal-real-estate-corporations-miller-thomson-assists-orea-in-crafting-regulatory-scheme/; O. Reg. 536/20.

[26]Australian Securities and Investments Commission, "Who can be an authorised representative of an AFS licensee," https://asic.gov.au/for-finance-professionals/afs-licensees/appointing-and-ceasing-an-afs-authorised-representative/who-can-be-an-authorised-representative-of-an-afs-licensee/.

[27]CSA Position Paper 25-404, above.

[28]Bulletin, above.

[29]Commenter data summarized in CSA Position Paper 25-404, Appendix A (220 MFDA dealer members in 2002, 90 by the time of the comment); CIRO Annual Report FY2026.

2.1 Same regulator, same rulebook, opposite answers

The uneven treatment is not created by provincial statute. It sits in CIRO's own rules, as the Bulletin's rule-by-rule list makes plain.[30]

	Mutual fund rep, mutual fund dealer	Mutual fund rep, dual-registered firm	Registered Rep, investment dealer
Governing rule	MFD Rule 2.4.1(b), (c)	IDPC Rule 2551(8), (9)	IDPC Rules 2302(2), (3) and 2551(7)
Compensation to advisor's corporation?	Yes, except Alberta	Yes, except Alberta	**No**
Regulator	CIRO	CIRO	CIRO
Oversight of CIRO	CSA	CSA	CSA
Individual registered and supervised by dealer?	Yes	Yes	Yes

A dual-registered firm can direct one advisor's compensation to a corporation and must refuse the advisor at the next desk. Both are overseen by the same regulator under the same IDPC Rules. No investor protection theory explains that outcome. It is a leftover of two merged SROs, and it has outlived the merger by nearly four years.

2.2 Levelling the field needs a rule change, not a statute change

The CSA already has the power to remove the prohibition on one side of the CIRO house that it permits on the other. The evidence comes from the regulators themselves:

- **CIRO says so.** Section 6.2 of the Bulletin acknowledges that the existing and enhanced directed commission approaches could be adopted on an interim basis because they would not require securities legislation changes.[31]
- **The CSA said so.** In 2021 its working group offered the preliminary view that a rule could permit directed commissions for individuals sponsored by "any type of dealer member of the New SRO," at least as an interim step.[32]
- **Provincial officials said so.** The 2010 consultation paper observed that a more level field could be achieved if IIROC modified its rules.[33]
- **IIROC proposed it.** Its 2015 white paper contemplated allowing all firms and individuals under its oversight to use directed commissions, before IIROC stood down.[34]

[30] Bulletin, above.

[31] Bulletin, above.

[32] CSA Position Paper 25-404, above.

[33] 2010 consultation paper, above.

[34] Lavery, de Billy LLP, "IIROC White Paper: Proposed changes to the current structure for distributing mutual funds in Canada" (February 15, 2016), https://www.lavery.ca/en/publications/our-publications/1924-.html; "IIROC stands down on major changes proposed in white paper," Investment Executive, https://www.investmentexecutive.com/?p=71792.

- **The commissions have done it before.** Securities regulators suspended MFDA Rule 2.4.1 as a term of the MFDA's recognition, then repeatedly extended that suspension.[35]
- **The recognition orders preserve the power.** The orders recite that the recognizing commissions may make any decision about a CIRO rule where it is in the public interest.[36] In Position Paper 25-404, the CSA listed clarifying its authority to direct the new SRO to enact, amend or repeal any rule as a governance solution.[37]

The CSA created this rule architecture in 1999, relaxed it for one channel, approved its survival through the merger, and retains authority over every CIRO rule. To suggest now that nothing can happen until legislation passes is to raise a false flag.

2.3 The supposed need to amend the Securities Acts has never been demonstrated

The claim that provincial securities statutes must be amended before an advisor can incorporate is the most convenient reason for delay in this file, and the least examined. It has been repeated for decades. It has not been shown and cannot be substantiated

CIRO says amendments will be needed in "some or all" CSA jurisdictions.[38] The CSA says "at least some."[39] Neither the Bulletin nor the CSA update identifies which jurisdictions, or which statutory words would have to change. CIRO's proposal has been in development since 2023, and this project has been before regulators since 1999. If an Act truly stands in the way, the regulators should be able to point to the section.

The argument also defeats itself. CIRO tells us there are two routes: a new registration category, or an exemption from registration.[40] Its proposal expressly contemplates corporations that are "exempt from registration" in some provinces.[41] If an exemption is an acceptable outcome, the next question is who can grant one. The answer is the securities regulators themselves.

- **In Ontario, the Commission can exempt a class from the Act itself.** Subsection 143.11(2) allows an order exempting a class of persons or companies from "any requirement of Ontario securities law" where that would not be prejudicial to the public interest.[42]

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[35] MFDA, Proposed Amendments to MFDA Rule 2.4.1 (Payment of Commissions to Unregistered Corporation) (June 2009), (2009) 32 OSCB 5140, https://osc.gov.on.ca/en/Marketplaces_srr-mfda_20090619_pro-amd-rule241.jsp.

[36] See the recitals to the CIRO recognition orders effective June 1, 2023, including Ontario Securities Commission, (2023) 46 OSCB 4437, https://www.osc.ca/sites/default/files/2023-06/ord_20230601_recognition-order.pdf; Alberta Securities Commission, 2023 ABASC 65, https://www.asc.ca/-/media/ASC-Documents-part-2/Market-Reg/2023-SRO/CIRO-Recognition-Order.pdf; and British Columbia Securities Commission, 2023 BCSECCOM 259, https://www.bcsc.bc.ca/-/media/PWS/New-Resources/Industry/Marketplaces-SROs-and-Market-Infrastructure/SROs/CIRO-Variation-Order-June-1-2023.pdf.

[37] CSA Position Paper 25-404, above.

[38] Bulletin, above.

[39] CSA market update, above.

[40] Bulletin, above.

[41] Bulletin, above.

[42] Securities Act, R.S.O. 1990, c. S.5, ss. 74(1) and 143.11(2). For a recent use of s. 143.11(2), see OSC Coordinated Blanket Order 45-935, https://www.osc.ca/en/securities-law/instruments-rules-policies/4/45-935/ontario-securities-commission-coordinated-blanket-order-45-935.

- **It has already used that power on the dealer registration requirement.** Ontario Instrument 32-509 exempted a class from subsection 25(1) of the Act, the very provision at issue, by order and without any amendment to the statute.[43]
- **Exemptions are already how this problem has been handled.** British Columbia, Manitoba, New Brunswick and Newfoundland and Labrador have local registration exemptions supporting directed commissions, and Manitoba's extends to any type of dealer.[44] [45]
- **CIRO's own footnote concedes the point.** It says the limit on securities-related activities in an unregistered corporation applies "without obtaining exemptive relief."[46] Relief is, on CIRO's own words, an available route.
- **The CSA has sketched the amendment, and it is to a CSA rule.** Position Paper 25-404 raised an amendment to Part 8 of NI 31-103, modelled on the local exemptions, that could cover individuals at any type of registrant firm.[47]
- **NI 31-103 belongs to the CSA.** Outside Ontario, the non-individual registration categories sit there, not in a statute.[48] When the CSA wanted exempt market dealers in selling groups, coordinated blanket orders provided relief from section 7.1(2)(d) of that same instrument.[49]

CIRO offers two reasons for legislation. Neither carries the weight placed on it. First, it says the current registration categories do not fit an advisor-owned corporation.[50] That is a reason not to force these corporations into those categories. It is an argument for an exemption, not for a statute. Second, it says amendments are required to ensure that the dealer, the individual and the corporation remain liable to clients.[51] Yet MFD Rule 2.4.1 has required a tri-party agreement under which the dealer and the Approved Person remain liable to clients since 2010.[52] CIRO's proposal adds a tri-party agreement, makes the corporation an Approved Person under CIRO's jurisdiction, and extends its rules to the corporation.[53] An exemption order can also carry conditions. If CIRO believes a specific gap remains after all that, it should explain what the gap is and why an order, a rule or a contract cannot close it.

I recognize what can be said on the other side. The 2010 and 2011 provincial papers described representatives as prohibited from using a corporation under securities laws, and the CSA said in 2021

[43] Ontario Securities Commission, Ontario Instrument 32-509 (Interim Class Order) (May 9, 2024), (2024) 47 OSCB 3939, made under s. 143.11(2) of the Securities Act and exempting from s. 25(1), effective until October 25, 2025 unless extended, https://www.osc.ca/sites/default/files/2024-05/20240509_32-509_interim-class-order.pdf.

[44] CSA Position Paper 25-404, above.

[45] New Brunswick Securities Commission, Notice of Adoption, Blanket Order 31-518 (May 25, 2011), https://fcnb.ca/sites/default/files/2020-03/31-518-BO-NofA-2011-05-25-E.pdf.

[46] Bulletin, above.

[47] CSA Position Paper 25-404, above.

[48] Bulletin, above.

[49] CSA Notice Regarding Coordinated Blanket Order 31-930 Exemption to allow Exempt Market Dealer Participation in Selling Groups in Offerings of Securities under a Prospectus (June 20, 2024), (2024) 47 OSCB 5105, https://osc.ca/sites/default/files/2024-06/csa_20240620_31-930_blanket-order.pdf.

[50] Bulletin, above.

[51] Bulletin, above.

[52] MFDA 2009 notice, above.

[53] Bulletin, above.

that an incorporated salesperson model would require legislative amendments.[54] [55] [56] But that 2021 statement described a corporation that "itself is registered," which is not the only model now on the table.[57] A contestable statement repeated from one paper to the next is not legal analysis. An exemption may not be the ideal permanent home, since blanket relief is typically time-limited, as Ontario Instrument 32-509 was.[58] Advisors would want a lasting solution, and NI 31-103 can provide it. If a definition in a particular Act must then be tidied, in 2011 it was best described as slight modifications.[59] A targeted amendment should follow the solution. It should not be the precondition that holds the solution hostage.

Legislation has also been no guarantee of action. Where a province did legislate, nothing followed. As the CSA acknowledged in 2021, Alberta and Saskatchewan had made amendments allowing incorporated salespersons, but they had not been proclaimed.[60] Saskatchewan's changes date to 2012 and Alberta's Bill 5 received Royal Assent on December 17, 2014.[61] [62] The Council of Ministers of Securities Regulation declared itself committed to the project in 2013.[63] A law that is passed and then left unproclaimed for years is not a drafting problem. It is a decision not to act.

The burden belongs with those asserting the barrier. Before this file is parked for another legislative cycle, I ask each CSA member to publish a short legal analysis stating whether its statute actually prevents a CIRO-approved corporation from operating under an exemption, identifying the exact provision if so, and explaining why its existing exemption and rule-making powers cannot solve the problem. If the answer is that no such provision exists, the legislative requirement should be dropped. If it does exist, it should be amended promptly. What cannot continue is an unexplained assertion that serves to postpone change indefinitely – unless there are additional underlying goals to serve incumbents.

2.4 Investor protection: the argument the evidence does not support

Investor protection is the regulators' duty and I do not dismiss it. But it has to be demonstrated, not recited. The CSA's 1999 test asked whether the dealer stays legally responsible, whether it supervises, whether conflicts are disclosed and whether regulators can do their job.[64] The proposal meets every limb:

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[54] 2010 consultation paper, above.

[55] 2011 summary of responses, above.

[56] CSA Position Paper 25-404, above.

[57] CSA Position Paper 25-404, above.

[58] Ontario Instrument 32-509, above.

[59] Advocis, submission on the incorporation consultation (February 25, 2011), https://www.advocis.ca/wp-content/uploads/2022/09/sub-Advisor-Incorp-feb25-11.pdf.

[60] CSA Position Paper 25-404, above.

[61] D. Carroll, "Can advisors incorporate?", Advisor.ca (October 28, 2016), https://www.advisor.ca/tax/tax-news/can-advisors-incorporate/.

[62] Summary of Alberta's Bill 5, the Securities Amendment Act, 2014 (Royal Assent December 17, 2014), https://webiis05.mondaq.com/canada/securities/363450/albertas-bill-5-the-securities-amendment-act-2014-receives-royal-assent.

[63] "Ministers committed to moving forward on advisor incorporation," Investment Executive (2013), https://www.investmentexecutive.com/?p=310848; Carroll, above.

[64] 2010 consultation paper, above.

- The Dealer Member remains responsible for supervision, and investor protection obligations remain with the Dealer Member and individual and extend to the corporation.[65]
- CIRO itself assesses the impact on clients as neutral, and positive if access to advice improves.[66]
- When the MFDA reviewed years of suspended operation, with an estimated 40,000 non-bank Approved Persons and a high proportion likely relying on it, it identified no regulatory concerns and reported "no cases where clients have been at risk" based on who received the commissions.[67]
- Kenmar Associates, an investor advocate, told CIRO in 2024 that it saw no material investor protection benefit or risk in the approach described, and that it knew of no direct investor protection issues reported from MFDA experience.[68]

FAIR Canada takes a different view. In 2024 it raised concerns about gaps in directed commission arrangements and suggested that repeal could be considered.[69] Those concerns deserve an answer, and the proposal supplies one by bringing the corporation directly under CIRO's jurisdiction. Levelling down, by taking an option away from tens of thousands of advisors, would impose real costs without any evidence of client harm.

Others ask whether a corporation could shield an advisor from a penalty or a judgment.[70] That is a fair question, and it has a simple answer: it must not. CIRO's FY2026 collection rate on individuals was 18%, and only 0.2% on sanctions with a permanent bar.[71] Weak recovery from barred individuals is a problem today, before any Incorporated Approved Person exists. A CIRO-approved corporation that is liable alongside the individual should add a target for recovery, not remove one. I would support explicit personal and corporate liability, and errors and omissions coverage, as conditions of the model.

2.5 Tax: not the securities regulator's reason to refuse

Tax has become the second all-purpose reason for delay. It should not be:

- The CSA has stated that because a registered corporation could engage in the activities that earn the commissions, the incorporated model "would not seem problematic from a tax perspective."[72] Tax cannot be a reason to delay the very model that addresses it.
- The MFDA said in 2009 that it did not monitor tax compliance, that this was for the taxing authorities, and that it lacked the expertise to assess it.[73] Nothing about that division of labour has changed.

[65] Bulletin, above.

[66] Bulletin, above.

[67] MFDA 2009 notice, above.

[68] Kenmar Associates, comment letter to CIRO (March 21, 2024), https://ciro.ca/media/7696/download.

[69] FAIR Canada, comment letter to CIRO (March 25, 2024), https://ciro.ca/media/7746/download.

[70] K. Press, "Getting advisor incorporation right," Advisor.ca (July 31, 2026), https://www.advisor.ca/industry-news/industry/getting-advisor-incorporation-right/.

[71] CIRO Annual Report FY2026, above.

[72] CSA Position Paper 25-404, above.

[73] MFDA 2009 notice, above.

- In 2025 CIRO said it was awaiting CRA feedback, while the CRA told *Investment Executive* the matter fell outside its responsibilities. The CSA, asked about delay, referred the reporter to CIRO.[74] The Bulletin now describes the CRA staff feedback as generally neutral.[75]
- Provincial officials recognized in 2010 that the personal services business risk falls on the individual taxpayer.[76]

I do not deny that tax risks are always real. A shell corporation will not hold up.[77] BLG reports that Revenu Québec has audited mutual fund advisors using directed commissions.[78] Those are reasons to build a sound model and to let informed firms and advisors obtain their own tax advice. They are not reasons for a securities regulator to deny an optional structure to one class of registrant while allowing it to another, which is what CIRO's rules have done since 2010.

2.6 The hot potato: a 27-year record

Year	What happened
1999	A CSA committee position paper declares incorporating to conduct registerable activity unacceptable. Recognizing regulators tell the MFDA its rules must conform.[79] [80]
2000s	Regulators in several provinces suspend the resulting rule rather than enforce it, and keep extending the suspension.[81]
2006	Provincial regulators decline to approve the IDA's by-law proposal for incorporated representatives.[82]
2008	The CSA says it expects industry and the SROs to "take the lead" on a solution.[83]
2010	Amended MFDA Rule 2.4.1 is approved, except in Alberta. Provincial officials report that securities regulators have "in principle no objection" if concerns are met.[84]
2011	59 of 63 commenters support a statutory incorporation model and urge governments to act. Officials plan draft legislation.[85]
2012–14	Saskatchewan and Alberta pass amendments. Neither had been proclaimed by 2021. Ministers state their commitment, and other jurisdictions do not follow.[86] [87]
2015	IIROC floats directed commissions in a white paper, then stands down.[88]

[74] N. Ziafati, "Advisor incorporation 'a hot potato'," Investment Executive (November 3, 2025), https://www.investmentexecutive.com/from-the-regulators/advisor-incorporation-a-hot-potato/.

[75] Bulletin, above.

[76] 2010 consultation paper, above.

[77] Boutilier v. The Queen, 2007 TCC 96 (Tax Court of Canada), https://www.canlii.org/en/ca/tcc/doc/2007/2007tcc96/2007tcc96.html

[78] BLG, above.

[79] MFDA 2009 notice, above.

[80] 2010 consultation paper, above.

[81] MFDA 2009 notice, above.

[82] 2011 summary of responses, above.

[83] CSA, Joint Notice of Approval, Mutual Fund Dealers Association of Canada, Application to Amend Recognition Order (December 19, 2008), https://www.bcsc.bc.ca/uploadedFiles/Marketplaces/SRO/Joint%20Notice%20of%20Approval.pdf.

[84] 2010 consultation paper, above.

[85] 2011 summary of responses, above.

[86] Carroll, above.

[87] CSA Position Paper 25-404, above.

[88] Lavery and Investment Executive, above.

Year	What happened
2021	CSA Position Paper 25-404 calls the matter complex and refers it to a working group.[89]
2023–25	CIRO is asked to take primary responsibility, subject to CSA oversight, and the CSA says it is monitoring.[90] [91] [92]
2026	CIRO publishes rules that depend on CSA action. The CSA says comments will inform any subsequent policy work.[93] [94]

This is what I mean by foisting. The CSA tells the SROs to lead, the SROs refer to the CSA and the tax authorities, the tax authorities refer back, and ministers pass laws that never come into force. The Bulletin adds one more example. CIRO says it developed team ownership and multi-service proposals, discussed them extensively with CSA staff, and then decided not to propose certain elements at this time.[95] Stakeholders are not told what objection was raised, or by whom. The CSA named preventing regulatory capture as an objective of the new SRO framework.[96] When the same outcome that favours incumbent structures keeps recurring without a published rationale, the public is entitled to ask why.

3. Comments on The Proposal

3.1 I support the Incorporated Approved Person model

Of the commenters who supported a final approach in 2024, 17 favoured this model, against seven for a registered corporation and five for the existing directed commission rule.[97] It is the right destination: all work done for the dealer sits within a CIRO-approved corporation, and the dealer stays accountable.

3.2 CIRO's refusal to offer an interim solution is a central flaw

CIRO rejected an interim step for two reasons: changing structures twice would be burdensome, and tax risks would remain.[98] Neither withstands scrutiny. An interim rule would be optional, and any advisor who considers two transitions too burdensome can simply wait. Tax risk is one that mutual fund advisors have been allowed to weigh for themselves since 2010. Meanwhile, CIRO's own implementation clock does not start until an undefined legislative process ends, and only then does a 12 to 18 month period begin.[99] Measured against that history, the interim step is the only part of this file with a date anyone can control. CIRO should publish it now, and the CSA should approve it.

[89] CSA Position Paper 25-404, above.

[90] Bulletin, above.

[91] CIRO, Rules Bulletin 25-0297, Update on the project to develop rule amendments relating to the proposed adoption of an incorporated advisor compensation option (2025), https://www.ciro.ca/node/31246.

[92] Ziafati, above.

[93] Bulletin, above.

[94] CSA market update, above.

[95] Bulletin, above.

[96] CSA Position Paper 25-404, above.

[97] Bulletin, above.

[98] Bulletin, above.

[99] Bulletin, above.

3.3 No repeal without a working replacement

CIRO proposes to phase out directed commissions starting when the new option becomes available, and it says implementation cannot precede the related securities law changes.[100] The Bulletin gives no length for the phase-out, and it acknowledges that jurisdictions may differ.[101] Repeal must be expressly conditional on the new option being operative in every jurisdiction where an advisor's clients are located. Otherwise, a harmonization project could leave some advisors worse off than they are today.

3.4 One national exemption, not a patchwork

The proposal is built to tolerate some jurisdictions requiring registration and others granting an exemption.[102] CIRO calls this workable. I call it the same fragmentation the single SRO was meant to end. An advisor or a firm with clients in several provinces should not need a different legal answer in each. The CSA should adopt a harmonized exemption from registration for CIRO-approved corporations. CIRO approval supplies the jurisdiction, and the dealer and the individual remain registered. The MFDA found years ago that imposing full dealer-style costs on a salesperson's corporation would likely outweigh the benefit.[103] A second registration layer serves nobody except the bureaucracy that administers it.

3.5 Alberta cannot stay outside a harmonized regime

Alberta has 7,846 Approved Persons on the mutual fund side and 3,504 on the investment dealer side.[104] Directed commissions are not available in Alberta, and the CIRO Bulletin does not explain how that exception ends.[105] Alberta developed its own model in 2008 and legislated in 2014.[106] [107] A truly harmonized rule requires Alberta's position to be resolved publicly.

3.6 Restore team and multi-service ownership

A single voting shareholder and sole director does not describe how modern practices are run. CIRO's advisory committees said so, and CIRO's own 2025 design allowed multiple advisors and related family members to own shares.[108] [109] My answers in Part 4 ask CIRO to restore it.

4. Responses to CIRO's Specific Questions

Part A: Allowable business activities

A1. Should services be restricted as proposed?

Only in part. Regulated Canadian financial services and ancillary activities are a sensible core, but scope should not depend on case-by-case CIRO determinations. CIRO should publish a non-exhaustive list and expressly permit passive investment of retained earnings, holding practice assets, and employing staff. Without those, much of the planning purpose of incorporation falls away.

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[100] Bulletin, above.

[101] Bulletin, above.

[102] Bulletin, above.

[103] MFDA 2009 notice, above.

[104] CIRO Annual Report FY2026, above.

[105] Bulletin, above.

[106] 2010 consultation paper, above.

[107] Bill 5 summary, above.

[108] Bulletin, above.

[109] Bulletin 25-0297, above.

A2. Impact of prohibiting other services

Many mutual fund advisors use general-purpose corporations that combine several lines of work.[110] A narrow rule would force restructuring, new entities, renegotiated insurance and other contracts, and possible tax costs, which also adds complexity for clients. Existing corporations should be able to qualify without being unwound.

A3. What other services should be permitted?

Life, health and disability insurance; mortgage brokerage where licensed; financial planning; fee-based tax preparation and estate planning support; and referral arrangements that comply with existing rules. The CSA has already recognized that advisors in smaller and rural communities often combine tax, insurance and mortgage services.[111] The rule should support that model, not penalize it.

A4. Any further restrictions on services by the same person?

None beyond the licensing, outside activity and conflict requirements that already apply. An activity that is lawful and licensed does not become riskier because it runs through the same corporation.

A5. What level of dealer supervision?

Dealers should supervise what they answer for: their own business. For other regulated services, dealer oversight should be limited to approval, disclosure and identifying conflicts, with the sector's own regulator remaining primary. Requiring more would extend dealer liability into businesses dealers do not understand, and they would respond by refusing the option. Books and records for dealer business should be segregated and accessible.

A6. Do conflicts arise, and can they be managed?

Yes, and they already exist. An advisor licensed for securities and insurance has these conflicts today, whether or not a corporation is involved. The obligation to address material conflicts in the client's best interest applies regardless. Disclosure of the capacity in which an advisor is acting addresses this and should not be dismissed as insufficient.

A7. Should a corporation be able to employ other Approved Persons and qualified advisors?

Yes to both. Teams are the way much modern advice is delivered, and CIRO's own committee said continuity and cost of service depend on them.[112] Each individual would remain separately licensed, approved and accountable.

A8. Risks from different statutory duties of care?

Manageable. Each individual stays subject to the standard that governs the activity performed, and a corporation does not dilute it. Clients should be told who is acting and in what capacity. The dealer's responsibility should remain tied to dealer business. This is the same situation dually licensed advisors already navigate.

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[110] Advocis, above.

[111] CSA Position Paper 25-404, above.

[112] Bulletin, above.

Part B: Ownership and control

B1. Holding companies and family trusts

Yes. Both should be permitted where the shareholders or beneficiaries are the Approved Person or family members. Non-voting shares should be unrestricted within that group. Voting shares should be allowed provided the Approved Person controls the holder and retains voting control of the corporation. New Brunswick has already extended permitted shareholders to family trusts by blanket order.[113]

B2. Is "related person" the right test?

It is a reasonable and familiar starting point, but it is not perfect. It can leave out relatives who play real roles in family succession, so CIRO should allow dealer-approved exceptions and permit trusts. Income-splitting consequences are matters for tax law and do not need a parallel securities rule.

B3. Related persons who are not Approved Persons

Yes for non-voting shares. Voting control should stay with licensed individuals. There should be one exception: on death or incapacity, an estate or attorney should be able to hold voting shares for a defined period, such as 24 months, while the dealer supervises client service and an approved successor is put in place.

B4. Other Approved Persons of the same dealer

Yes, for both business and share ownership, and including voting shares. My answer does not change if they are related. Partnership equity is how practices retain talent and transfer ownership. It should not be reserved for the lead advisor.

B5. Qualified individual financial services advisors

Yes. They should be allowed to work in and own shares of the corporation, including voting shares, provided licensed individuals together control it and Approved Persons hold the controlling position for dealer business. My answer does not change if they are related Non-licensed family holders stay non-voting under B3.

B6. Is the sole director requirement too restrictive?

Yes. It is unworkable for teams and creates a governance gap if the director dies or loses capacity. Each client-facing owner should be able to serve, and a majority of directors should be Approved Persons or qualified advisors. Sanctioned persons should remain excluded.

Part C: Implementation

C1. Is an implementation period needed?

Some lead time is reasonable, but the real issue is when the clock starts. The option should be available on day one to any dealer and advisor that are ready, less than 6 months for approvals to be processed. An 18-month period stacked on an undefined legislative process could add years for no benefit. CIRO's proposed streamlined approval should allow quick processing, and approval should be largely automatic for wholly owned corporations of existing Approved Persons.

[113] Blanket Order 31-518 notice, above.

C2. Transition issues and period for directed commission users

The issues include corporations with shareholders or directors who do not fit the new rules, general-purpose corporations with insurance and other income, tax-efficient reorganization, new tri-party agreements, client disclosure, personal services business analysis, and the open Revenu Québec matters.[114] Existing corporations should be allowed to convert rather than requiring a new entity. I recommend a minimum of 36 months after the option is operative in the advisor's jurisdictions, providing the corporations time to confirm that conversion can be done on a tax-neutral basis.

5. What should happen now

Action	Who	By when
Publish an optional interim rule extending directed commissions to all client-facing Approved Persons, with CSA approval and harmonized registration relief	CIRO, CSA	Within 90 days after comments close
State publicly each jurisdiction's position, and publish a legal analysis identifying the exact statutory provision that blocks an exempted CIRO-approved corporation, if any, and why exemption and rule-making powers cannot solve it	Each CSA member	Within 60 days after comments close
Publish proposed NI 31-103 amendments and a harmonized registration exemption, using coordinated blanket orders in the meantime where available	CSA	Within 90 days after comments close
Proclaim passed amendments, and introduce only those amendments shown to be necessary	Provincial and territorial ministers	Next legislative session
Republish team, family and multi-service ownership provisions, with reasons for any element not adopted	CIRO	With final rule proposal
Make repeal of directed commissions conditional on the new option being operative nationally	CIRO	With final rule proposal
Resolve Alberta's position, and publish a model tri-party agreement	ASC, CIRO	With final rule proposal

[114] BLG, above.

Conclusion

A proposal that depends on an unstated CSA decision, on an unknown legislative schedule, is not yet a solution. The tools to level the playing field are in the regulators' hands today, and they have been for years. The claim that legislators must act first has never been demonstrated, and it should no longer be accepted.

After 27 years, the question is no longer whether advisor incorporation can be done safely. Canadian experience has answered that. The only question left is whether Canada's securities regulators will act in best interest of Canada and the investing public, or whether the next generation of advisors and their clients will be told once again to wait for another 27 years.

I would welcome the opportunity to discuss these comments, and I consent to their publication.

Yours truly,

"Frank Laferriere"