By email

November 4, 2026

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Dear Sirs/Mesdames:

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

We appreciate the opportunity to comment on CIRO's proposed amendments relating to the adoption of an Incorporated Approved Person ("IAP") compensation option.

Portfolio Strategies Corporation ("PSC") is a Calgary-based dealer and member of the Canadian Investment Regulatory Organization ("CIRO"), registered as a mutual fund dealer and exempt market dealer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, and the Northwest Territories, and as an investment fund manager in Alberta and Ontario.

General Comments

PSC supports CIRO's objective of harmonizing the compensation framework for Approved Persons across its Mutual Fund Dealer and Investment Dealer platforms. In particular, we support providing Investment Dealer representatives with an incorporated compensation option comparable to the directed-commission arrangements currently available to certain mutual fund dealing representatives.

We view the proposed IAP framework as an important opportunity to create a more consistent compensation framework. However, in achieving that objective, the final rules should not replace one disparity with another by prescribing an unnecessarily narrow business or ownership model for advisors who elect to incorporate.

We agree that an IAP should remain closely connected to the Dealing Representative or Dealing Representatives conducting the advisory business, with appropriate transparency, control and Dealer Member supervision. At the same time, the framework should recognize that advisory businesses may involve multiple Dealing Representatives, employees, family members, holding corporations or trusts for legitimate business, tax and succession purposes.

The regulatory focus should therefore be on control, beneficial ownership, regulatory accountability, conflicts and effective Dealer Member supervision, rather than on prescribing a particular corporate structure.

Our recommendations below are intended to preserve appropriate investor protection while providing advisors with reasonable flexibility to organize and transition their businesses.

Part A – Questions relating to allowable other business activities within an advisor-owned corporation

A1. Should the proposals restrict the financial services that may be offered from within an advisor-owned corporation to the above detailed financial services? Please also provide your response rationale.

No, we do not believe the proposed restrictions are necessary.

Advisors often provide multiple financial services through their practices. The final rules should recognize this reality and allow an advisor-owned corporation to carry on multiple lines of business, rather than limiting it to services CIRO considers “ancillary” to the advisor’s activities for the sponsoring Dealer Member or to a prescribed list of regulated Canadian financial services.

Restrictions should be based on specific regulatory concerns, such as licensing, conflicts of interest, or the Dealer Member’s ability to supervise its Approved Persons, rather than on the corporate structure itself. Where these concerns can be addressed through existing regulatory requirements, additional restrictions are unnecessary.

We therefore recommend a principles-based approach that permits other lawful business activities unless there is a clear regulatory reason to restrict them.

A2. Please detail any impact of prohibiting the client-facing Approved Person from providing services other than those detailed above within their corporation on existing activities or legal structures currently used by dealing representatives.

A restrictive approach could have significant consequences for existing advisory practices. Requiring activities to be separated into different corporations could create additional costs, administrative complexity and disruption to established client and business relationships. A potential negative outcome is that this activity might have to be referred away to a third party, which would be detrimental to the client relationship.

These consequences should be considered as part of CIRO's assessment of the proposed restrictions, including whether the changes would provide a meaningful regulatory benefit.

Where an existing business structure can meet the requirements of the new framework without changing its basic structure, advisors should not be required to reorganize simply because the rules have changed.

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?

The final framework should permit other lawful financial services where the individual providing the service is appropriately qualified or licensed and the activity is subject to the applicable regulatory requirements.

This could include services such as insurance, financial planning, mortgage services, tax or accounting services, and other regulated or professional services that are complementary to the advisor's client relationships.

A principles-based framework would allow the regulatory regime to accommodate changes in the financial services industry without requiring CIRO to amend its rules whenever a new regulated service or business model emerges.

A4. Should there be any restrictions on the other financial services that may be offered through a corporation owned by a client-facing Approved Person owner that are performed by the same client-facing Approved Person?

Yes, but restrictions should be limited to specific regulatory concerns.

Advisors often provide multiple financial services through the same corporation. The IAP framework should accommodate this practice without requiring advisors to establish separate corporations simply because they receive securities-related compensation through an IAP.

Restrictions may be appropriate where an activity is unlawful, requires licensing the advisor does not hold, creates a conflict that cannot reasonably be managed, or interferes with the Dealer Member's ability to supervise the Approved Person.

The fact that an advisor provides other lawful financial services through the same corporation should not, by itself, be grounds for restricting those activities or preventing the corporation from serving as an IAP.

A5. What level of supervision or oversight over the other financial services related activities conducted by the client-facing Approved Person within their corporation should be performed by the sponsoring Dealer Member?

The Dealer Member should not be responsible for monitoring or supervising the other financial services or outside business activities conducted by an Approved Person through the IAP. Responsibility for those activities rests with the Approved Person and the IAP.

A6. Are there conflicts of interest that can arise by allowing the client-facing Approved Person to conduct other regulated financial services within their corporation? If there are conflicts, can they be managed in the best interests of their clients?

Potential conflicts should be identified and managed and reported to the sponsoring dealer, but the existence of an IAP or other business activities within the corporation should not, by itself, be treated as a conflict.

From a client's perspective, the important issue is how the advisor conducts the securities business and whether the advisor is acting in the client's best interests. The fact that compensation is paid to the advisor's corporation should not, by itself, change that relationship.

We also note that mutual fund dealing representatives have operated under directed-commission arrangements for many years. Those arrangements provide a useful precedent for considering whether additional restrictions are necessary when extending an incorporated compensation option to Investment Dealer representatives.

Where a specific activity creates a conflict that cannot reasonably be managed, appropriate restrictions should apply or be avoided.

A7. Should the proposals be revised to permit an advisor-owned corporation to employ:

(a) multiple client-facing Approved Persons sponsored by the same Dealer Member?
(b) one or more qualified individual financial services advisors to provide other financial services to clients?

Yes. We strongly recommend that the proposal expressly permit this structure.

Many advisory businesses operate as teams rather than as single-advisor practices. CIRO's rules should recognize this business model.

Multiple Dealing Representatives sponsored by the same Dealer Member should be permitted to conduct business through the same IAP and, where appropriate, own interests in that IAP. Each Dealing Representative should continue to meet the licensing, proficiency and other requirements applicable to their role with the Dealer Member. Where several perform the same regulated function, they should be subject to the same applicable regulatory requirements regardless of their ownership or employment arrangement within the IAP.

The IAP may employ individuals in other roles, including individuals who are not Dealing Representatives, provided that those individuals do not perform regulated activities requiring CIRO approval or other applicable licensing.

The IAP should be free to determine how it organizes its employees, assigns internal responsibilities and structures compensation, provided those arrangements do not interfere with the Dealer Member's regulatory responsibilities.

There is an important distinction between permitting multiple regulated individuals to operate within one closely held corporation and permitting unrelated third parties to control a securities business. The former does not necessarily create the latter risk.

A team structure can also support orderly succession and continuity for clients. Allowing additional Dealing Representatives to become owners or employees of the same IAP can provide a practical way for an advisory business to transition over time as advisors join, retire or transfer their interests.

A8. If the proposals are revised to permit an advisor-owned corporation to employ one or more qualified individual financial services advisors to provide other financial services to clients, are there any conflicts, or risks to clients arising from employees being subject to different statutory duty of care standards within the advisor-owned corporation?

No. Different statutory duties of care should not, by themselves, prevent multiple advisors or different financial services from operating through the same IAP. Each advisor should remain subject to the licensing, regulatory and professional requirements applicable to the services they provide. Clients should understand the capacity in which each advisor is acting and the standards that apply to those services.

Part B – Questions relating to ownership and control of an advisor-owned corporation

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? Should the family trust or holding corporation be allowed to hold only non-voting shares or also voting shares, and if voting shares, to hold sufficient voting shares to control the corporation?

Yes. Holding corporations and family trusts should be allowed to own shares in an IAP if it is clear who ultimately beneficially owns them and the Dealing Representative keeps voting control of the IAP.

The rules should let advisors use reasonable corporate and family arrangements for ownership, tax and succession planning, while keeping the Dealing Representative in control.

Qualifying holding corporations and family trusts should be allowed to hold voting or non-voting shares, as long as the Dealing Representative keeps control and CIRO and the Dealer Member can identify the beneficial owners.

B2. 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? Please provide your rationale.

The definition should be flexible enough to accommodate reasonable family and succession arrangements. CIRO should broaden the definition or allow exceptions where beneficial ownership is transparent, and control of the IAP remains with the Dealing Representative.

B3. Should "related persons" of the client-facing Approved Person, who are not themselves a client-facing Approved Person of the same sponsoring Dealer Member, be allowed to own shares in the corporation? Should they be allowed to hold only non-voting shares or also voting shares, and if voting shares, to hold sufficient voting shares to control the corporation?

Yes. Related persons should be permitted to hold non-voting shares in the corporation but should not be permitted to hold voting shares. Control of the IAP should remain with the client-facing Approved Person to ensure clear regulatory accountability and oversight.

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? Does your answer change if the other client-facing Approved Persons are "related person" family members operating within the corporation?

Yes. Multiple Dealing Representatives sponsored by the same Dealer Member should be permitted to conduct business through and own shares in the same IAP, whether or not they are related.

Our answer does not change if the Dealing Representatives are related persons. Each Dealing Representative should remain subject to the applicable regulatory requirements and individually accountable to the Dealer Member.

B5. Should individuals who qualify as a "qualified individual financial services advisor" (as defined within the proposals), who are not themselves a client-facing Approved Person, be allowed to conduct business within and own shares in the same corporation? Should they be allowed to hold only non-voting shares or also voting shares, and if voting shares, to hold sufficient voting shares to control the corporation? Does your answer change if the "qualified individual financial services advisors" are "related persons" of the client-facing Approved Person operating within the corporation?

Yes. Qualified financial-services advisors should be allowed to provide their regulated services through the same corporation and, where appropriate, own shares.

They should generally be allowed to hold non-voting shares if it is clear who ultimately owns them. Voting control of the IAP should remain with the Dealing Representative.

This would let advisors offering different services to work through one corporation while keeping regulatory responsibility clear.

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

Yes. The sole-director requirement is too restrictive.

Other Dealing Representatives, family members or other individuals should be able to serve as directors, but the client facing Approved Person must be on the board and have a board control position amongst two board positions.

This would give advisory businesses more flexibility to work as teams and plan for succession while keeping regulatory responsibility clear.

Part C – Questions relating to implementation of proposed amendments

C1. Do you agree there is a need for an implementation period for these proposals and, if so, what do you think would be an appropriate implementation period and why?

Yes. A meaningful implementation period is necessary.

We recommend a minimum 12-month implementation period beginning only after all necessary regulatory and legislative amendments have become effective.

Advisors and Dealer Members will need sufficient time to understand the final requirements, establish the necessary arrangements, address corporate and ownership considerations, and communicate the changes to clients. A longer implementation period would also provide flexibility for advisors who are considering team structures or succession arrangements.

A 12-month period would provide a practical opportunity to implement the new framework in an orderly manner without unnecessary disruption to existing advisory businesses

C2. 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. What would be a reasonable transition period to address those issues?

We recommend a minimum 12-month transition period for existing directed-commission arrangements.

Existing arrangements should be permitted to continue until the advisor's IAP application has been approved and the new arrangement is operational, provided the existing arrangement remains compliant and the advisor is actively transitioning to the new framework.

The transition process should also be proportionate to the purpose of the IAP rules. The objective should be to establish that the proposed IAP meets the applicable requirements and that the Dealer Member can properly supervise its Approved Persons. It should not result in a broad review of unrelated business activities, corporate records or financial affairs that have no bearing on the securities business or the Dealer Member's supervisory responsibilities.

CIRO and Dealer Members should provide clear guidance on what information and documentation will be required as part of the approval process. This will help avoid unnecessary cost, delay and uncertainty, particularly where an existing corporation already carries on other lawful business.

This would allow the transition to occur in an orderly and proportionate manner without unnecessary disruption to advisors, Dealer Members or clients.

Conclusion

We support CIRO's objective of harmonizing the incorporated compensation framework and, in particular, of providing Investment Dealer representatives with the same basic opportunity to incorporate that has been available to mutual fund dealing representatives through directed commissions.

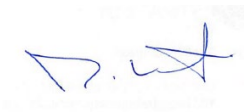
We believe the IAP framework should provide that opportunity without prescribing a particular business model. An IAP can remain closely held and under the control of the Dealing Representative while also accommodating team-based practices, multiple Dealing Representatives, family and succession arrangements, and other legitimate business structures.

The final rules should therefore focus on regulatory accountability and effective Dealer Member supervision while allowing advisors reasonable flexibility in how they organize their businesses.

We believe this approach would achieve CIRO's objective while creating a practical and durable framework for the advisory businesses of today and tomorrow.

We thank CIRO for the opportunity to provide these comments and would be pleased to discuss the recommendations contained in this submission.

Yours truly,





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