Sunlife

TO: Member Regulation Policy
Canadian Investment Regulatory Organization
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Re: Proposed Rule Amendments Relating to the Adoption of an Incorporated Approved Person Compensation Option

Dear Sir/Madam,

We would like to thank the Canadian Investment Regulatory Organization ("CIRO") for the opportunity to comment on the proposed rule amendments relating to the adoption of an Incorporated Approved Person ("IAP") compensation option. We support advisor incorporation in principle and appreciate CIRO's work to address the longstanding disparity between investment dealer and mutual fund dealer compensation structures.

At Sunlife, our Purpose is to help Clients build lifetime financial security and lead healthier lives. Through our registered mutual fund dealer, Sun Life Financial Investment Services (Canada) Inc., and investment dealer, Sun Life Canada Securities Inc., we rely on our network of financial advisors across the country to deliver trusted and differentiated services and create positive impact for our Clients.

To that end, we want to support our financial advisors in growing their practices and expanding their capacity to better serve more clients. Advisor incorporation is a tool that can enhance business planning flexibility, support competitiveness, facilitate orderly succession planning between advisors, and better reflect the evolution of the advisory profession to the benefit of advisors, firms, and clients alike. However, while we support the policy objective, the proposed framework does not accommodate multi-advisor and team-based corporations which are core to establishing operationally efficient independent advisory practices.

Sunlife has a long and successful history with these types of structures. Clients benefit from holistic financial plans created by advisor teams with strengths across wealth, health and protection. In addition, these structures enable our financial advisors to provide greater consumer choice and access to advice, benefiting all Canadians.

Without greater flexibility to accommodate team-based ownership structures, the proposed rule will undermine the intended benefits of advisor incorporation, disrupt established advisor practices, and by extension, negatively impact advisors and importantly, clients who are accustomed to being supported by the teams they have trusted from the outset of their financial journey.

We therefore encourage CIRO to proceed with advisor incorporation through a nationally harmonized framework that preserves existing multi-advisor arrangements during transition and establishes a practical pathway to permanent recognition of team-based corporations.

Recommendations

To ensure the final IAP framework achieves its stated objectives and reflects current industry realities, Sunlife respectfully recommends that CIRO:

1. Proceed with advisor incorporation and accommodate multi-advisor and team-based corporations where appropriate safeguards are in place.
    i. Adopt a phased implementation approach that allows ready firms to proceed under the proposed model.
    ii. Permit existing multi-advisor corporations operating under mutual fund dealer frameworks to continue.
2. Focus regulatory requirements on supervision, accountability, and investor protection outcomes rather than prescriptive ownership restrictions.
3. Work with the Canadian Securities Administrators ("CSA") and provincial governments to ensure harmonization and national adoption by all provinces and territories, with consistent requirements and coordinated transition arrangements.
4. Continue engaging with industry participants to balance investor protection, competitiveness, proportional regulation, and operational effectiveness.

The proposal is an important step forward to modernize advisor compensation arrangements and create a harmonized framework. The Appendix provides additional information to support our recommendations.

We appreciate the opportunity to provide our comments and welcome continued engagement with CIRO, the CSA, and other stakeholders as this initiative progresses.

Regards,

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APPENDIX

Advisor Incorporation

As noted, Sunlife supports moving forward with advisor incorporation and commends CIRO for advancing an issue that has been the subject of industry discussion for many years. We recognize the benefits that such a framework can provide, and in particular, we believe advisor incorporation can:

1. Increase business planning flexibility and provide succession and continuity planning opportunities.
2. Support competitiveness within the financial services sector by enabling cost savings for independent advisors that can help lead to broader coverage for Canadians.
3. Promote greater efficiency, predictability, and consistency through harmonization across approved person categories.
4. Better align regulatory frameworks with the realities of multidisciplinary advice models.

Business and Succession Planning

Multi-advisor and team-based corporations are essential to modern advisory businesses and effective succession planning. While a single-ownership model may be appropriate for some advisors, it does not reflect the reality of many successful advisory businesses today and could create significant disruption for advisors that currently operate within established multi-advisor or team-based structures.

Modern advisory practices increasingly rely on collaborative teams that bring together complementary expertise across wealth management, retirement planning, insurance, estate planning, and financial advice. These models can include multiple advisors operating within a single corporation, enabling them to share expertise and resources while enhancing client service, operational resilience, advisor development, and business continuity. They also facilitate succession planning by supporting the gradual integration and mentorship of future successors and an orderly transition of responsibilities and client relationships.

These models are not simply a business preference; they are also important to investor protection and consumer outcomes. When client relationships are transitioned through established teams rather than abrupt ownership changes, clients benefit from continuity of advice and service, preservation of trusted relationships, retained knowledge of their circumstances and financial goals, and reduced disruption during advisor retirements or departures.

Furthermore, the wealth management industry is facing an important demographic transition as many advisors approach retirement. Effective succession planning has therefore become a critical issue not only for advisors and firms, but also for those clients who rely on long-standing advisory relationships. Our experience confirms that team-based structures are a key part of how advisors are preparing for that transition. Accordingly, supporting orderly succession within established advisory teams can help protect investors from service disruption and preserve client trust in the people managing their investments.

Therefore, a modern incorporation framework should recognize the range of practical business models that exist across the advisory profession. Limiting incorporation to single-advisor corporations would require many advisory businesses to restructure existing, effective operating models in order to access

the benefits of incorporation, without meaningfully advancing CIRO's mandate of providing efficient regulation, and would be inconsistent with the proposal's broader modernization objectives.

As such, we believe the key question is how team-based ownership can be accommodated with appropriate safeguards while preserving individual accountability, dealer supervision, and positive investor outcomes. We believe the final framework can achieve these objectives while accommodating multi-advisor and team-based corporations.

Dealer Supervision and Investor Protection

Sunlife fully supports CIRO's objective of maintaining clear accountability and robust dealer supervision. We also support a flexible IAP framework that permits advisors to conduct complementary regulated financial services and ancillary activities through the corporation to reduce unnecessary administrative costs while preserving appropriate safeguards for effective CIRO and dealer oversight. However, we do not believe that multi-advisor ownership structures are inherently inconsistent with those objectives.

Dealer members would continue to be responsible for supervision, compliance oversight, suitability obligations, recordkeeping, complaint handling, and regulatory compliance regardless of whether compensation is paid through a single-advisor corporation or a corporation where multiple advisors operate through the same sponsoring dealer member. Simply put, adding corporations to compensation structures should not diminish the individual advisor's accountability or the dealer's responsibility to supervise securities-related conduct.

Furthermore, consistent with the existing mutual fund advisor practices today, there are robust safeguards for managing conflicts of interest, including those arising in advisor team structures, and these obligations would continue to apply under the new IAP model. As with the existing framework, dealers should also retain appropriate audit and disciplinary oversight of an IAP corporation, while responsibility for any activities not conducted on the dealer's behalf should be limited to securities compliance and reputational oversight and should not extend to the corporation's day-to-day operations.

A principles-based approach focused on regulatory outcomes would allow CIRO to maintain robust investor protections while providing greater flexibility in how advisory businesses are structured. Clear requirements for individual accountability, dealer supervision, and appropriate safeguards can achieve these intended regulatory outcomes.

Competitiveness and Proportional Regulation

Consistent with CIRO's objective to provide efficient regulation, any ownership restrictions should be supported by a clear explanation of the investor protection risks they address. This would help ensure if there are any compliance costs and restructuring requirements, they are proportionate to the regulatory benefits.

In our view, permitting multi-advisor corporations would better align the framework with principles of proportional and effective regulation. A flexible framework would reduce unnecessary restructuring costs, support advisor recruitment and retention, minimize disruption to clients and firms, strengthen the competitiveness of Canada's wealth management sector and improve access to advice for all Canadians.

By contrast, prescriptive ownership restrictions that require extensive restructuring of existing practices without clear regulatory benefits would risk imposing a burden disproportionate to the perceived concern being addressed.

Phased Implementation to Enable Progress and Long-Term Success

We recognize the importance of advancing advisor incorporation and appreciate efforts to move this initiative forward. At the same time, we believe the industry should not be forced to choose between immediate implementation and a workable long-term framework.

In our view, CIRO can achieve both objectives through a phased implementation approach. Under such an approach, dealer members and advisors that are ready and able to adopt the proposed single-advisor corporation framework could proceed immediately. This would allow CIRO to make meaningful progress on advisor incorporation and deliver benefits to firms that view the proposed model as workable.

In parallel, CIRO could continue developing a broader framework that accommodates multi-advisor and team-based corporations.

We therefore recommend a phased implementation:

1. **Phase One**
   - Permit implementation of the proposed single-advisor corporation framework for investment advisors and firms that wish to adopt it and that are operationally prepared to proceed.
2. **Phase Two**
   - Continue policy work to develop a permanent framework that accommodates succession-oriented and team-based business models.

Importantly, advisors currently operating through multi-advisor corporations under mutual fund dealer structures should be permitted to continue using those arrangements during the transition period until a permanent solution is established.

Requiring these businesses to dismantle existing structures only to potentially recreate them under a future framework would create unnecessary disruption and uncertainty without delivering a corresponding investor protection benefit.

This phased approach would allow CIRO to advance harmonization objectives while ensuring the final framework remains practical, durable, and reflective of modern industry practices.

National Harmonization and Provincial Adoption

Any advisor incorporation framework should be nationally harmonized and adopted by all provinces. A nationally harmonized approach would directly support CIRO's commitment for efficient regulation while advancing broader provincial efforts to reduce barriers to doing business across jurisdictional boundaries.

Common requirements would provide greater predictability for firms and advisors operating across Canada by providing consistent regulation. Additionally, a nationally harmonized framework

incorporating consistent safeguards would also help reinforce investor confidence in the framework, regardless of where they live, and support CIRO's commitments to efficient and consistent regulation.

Conversely, a patchwork of provincial approaches could create unnecessary compliance complexity, uneven competitive conditions, and barriers for advisory businesses serving clients across provinces and territories.

We encourage CIRO to work with the CSA and provincial governments to align regulatory requirements and advance any necessary legislative changes in support of a more integrated and competitive national market for financial services.

Flexibility in CIRO's Earlier Policy Work

We note that in its 2024 position paper, *Policy Options for Leveling the Advisor Compensation Playing Field*, CIRO examined multiple policy options to address differences in compensation structures between dealer categories before identifying a preferred path forward. These options included an Enhanced Directed Commission approach, an Incorporated Approved Person approach, and a Registered Corporation approach.

The breadth of this earlier policy discussion reflected a recognition that there may be multiple pathways to achieving the objectives of harmonization, modernization, and competitive neutrality across dealer categories. We agree with those objectives and believe they remain as relevant today as when the paper was first released.

As CIRO develops the final framework, we encourage revisiting the broader principles reflected in that earlier policy work and consider how additional flexibility can be accommodated for contemporary advisory business models, particularly where such flexibility would support business continuity, and positive consumer outcomes without compromising dealer supervision or investor outcomes.