Advocis
The Financial Advisors Association of Canada

November 6, 2026

Member Regulation Policy
Canadian Investment Regulatory Organization (CIRO)
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Toronto, ON M5H 0B4
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Ontario Securities Commission
22nd Floor, 20 Queen Street West
Toronto, Ontario
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email: TradingandMarkets@osc.ca

Re: Rule Amendments relating to the Proposed Adoption of an Incorporated Approved Person Compensation Option

The Financial Advisors Association of Canada (Advocis) appreciates the opportunity to provide feedback on CIRO's proposed harmonized approach to client-facing Approved Person compensation. We believe in the value of financial advice and the importance of having a robust regulatory regime for the financial services industry that fosters consumer confidence in that industry and the advice they receive.

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About Advocis

Advocis is the country's largest and oldest professional membership association of financial advisors and planners in Canada. With more than 7,100 members, 26 member Chapters and 3 National Schools across the country, Advocis is the definitive voice of financial advisors and planners advocating for professionalism and consumer protection. Our members are provincially licensed to sell life, health, and accident and sickness insurance, and many are also registered under provincial and territorial securities legislation to trade in mutual funds and other securities (i.e. Approved Persons).

Members of Advocis are primarily owners and operators of their own small businesses, creating thousands of jobs across Canada. Advocis members provide advice in several key areas, including life, critical illness and disability insurance, estate, retirement, succession and tax planning, wealth management, risk management and employee benefits.

Professional financial advisors and planners are critical to the ongoing success of the economy, helping consumers to make sound financial decisions that ultimately lead to greater financial stability and independence both for the consumer and the country. Advocis works with its members, other industry participants and decisionmakers to ensure there is a vibrant financial advisory profession in Canada and that financial advice is readily available to Canadian consumers.

Support for CIRO's harmonized approach to client-facing Approved Person compensation

On behalf of its members and their clients, Advocis has consistently emphasized the need for regulation that enhances accountability, improves transparency, and reflects the realities of a modern financial services industry. When regulation is clear, proportionate, and appropriately targeted, it strengthens consumer protection while also supporting a thriving, professional financial advisory sector.

Advocis supports, subject to our comments below under Responses to CIRO's specific questions, CIRO's harmonized approach to client-facing Approved Person compensation which:

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- introduces the option for any client facing Approved Persons (e.g. mutual fund advisor and investment dealer representative) to enter into an incorporated advisor arrangement (if their sponsoring dealer chooses to offer the option),
- retains the current option for any client-facing Approved Person to be an employee or an agent of their sponsoring dealer, and
- repeals the directed commission arrangement option currently available to mutual fund representatives when the harmonized approach comes into effect.

Providing Approved Persons with the option to choose to receive compensation through a corporate structure (assuming their sponsoring dealer chooses to offer that option) supports professionalism, growth and sustainability in the financial advice industry. A professional, growing and sustainable financial advice industry is vital to ensuring all Canadians continue to have access to a broad range of much needed regulated advice.

Advocis members operate in the independent financial advice channel, and many are owners and operators of small family-run businesses, serving 1000's of everyday Canadians, many who are located in smaller or more remote centres where access to financial advice may be less available.

Being able to provide financial services to customers within a corporate business structure helps Advocis members more efficiently and effectively conduct their businesses and serve their customers. Within a corporate business structure, they can more efficiently and effectively:

- invest in resources necessary to support growth (e.g. compliance resources),
- provide a broad range of financial services to meet the evolving needs of their customers,
- bring new advisors into the business and support their professional development, and
- plan for business continuity, succession and continuous service for customers.

Additionally, we acknowledge and support the elements of the proposal designed to ensure that the consumer protections within the CIRO rules are maintained regardless of the compensation option chosen by an Approved Person. These elements include ensuring:

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- the sponsoring Dealer's regulatory responsibility to the customer is not impacted,
- appropriate disclosure is made to consumers about the nature of the relationships and who is ultimately responsible for the services they receive,
- conflicts of interest are addressed across all lines of services,
- outside activities carried on by the corporation require approval and monitoring, and
- only properly registered individuals carry on activities that require registration.

Response to CIRO's specific questions

The support we've expressed above is subject to the following comments on CIRO's specific questions. These comments recommend enhancements to the framework that are intended to ensure the objectives of the proposal can be fully achieved.

Allowable business activities within an advisor-owned corporation

We encourage CIRO to take a principled-approach in its framework to the "allowable business activities" that an advisor-owned corporation can carry on. As we mentioned above, advisors commonly provide a broad range of financial services and advice (e.g. investment, insurance and financial planning) to meet the comprehensive needs of their customers. As customer needs evolve so may an advisor's service offerings and the definition of "allowable business activities" needs to accommodate this reality.

Taking a prescriptive approach to "allowable business activities" risks inadvertently excluding services that are normally offered as part of providing comprehensive financial advice. This would defeat one of the benefits to consumers of the proposal which is being able to work with an advisor who can provide a broad range of financial services in a straightforward way without the complication and confusion of dealing with a number of different business structures.

Ownership and control of an advisor-owned corporation

We encourage CIRO to take a principled approach in its framework to ownership and control to reflect the reality of independent, owner-operated and family-owned advisory businesses. These businesses range in size, offer multiple forms of financial advice and employee a range of people that includes Approved Persons and non-advisors. A principled approach is essential to achieve the benefits of the proposal for customers

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(e.g. who will benefit from receiving comprehensive and continuous service) and for Approved Persons (e.g. who will benefit from a financially viable structure that supports growth, business continuity, continuous service to customers and succession planning).

We support a framework that permits an incorporated Approved Person to:

- employ multiple client-facing Approved Persons that are sponsored by the same dealer (this reduces the need for multiple corporations),
- multiple directors if they are Approved Persons sponsored by the same dealer (these individuals would all be subject to CIRO's regulatory regime and oversight by the sponsoring dealer),
- employ individuals who are "qualified individual financial services advisors" without having to also be an Approved Person (this supports the comprehensive needs of customers), and
- flexible ownership by Approved Persons and other persons who provide operations, client-service and compliance support (these people may go beyond "related persons") with control of the corporation being exercised by the Approved Persons. Control of the corporation must be with Approved Persons to address the fact that registrable activities cannot be carried on by non-registered individuals.

All of the foregoing is subject to there being appropriate supervision and accountability for all the regulated activities carried on by the corporation and there being compliance with the applicable investor protection requirements of CIRO's rules.

Conflicts

Conflicts may arise, but CIRO has a well-developed conflicts of interest management regime in place that includes enhanced disclosure, client consent, supervision and other Dealer Member controls which we believe would be appropriate to address the conflicts that do arise.

Implementation and harmonized approach

We believe an implementation period is appropriate, particularly for advisors that currently direct commission to their corporations and will need to transition to the final

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incorporated Approved Person framework. This may include restructuring for business lines that do not fall within “allowable business activities”.

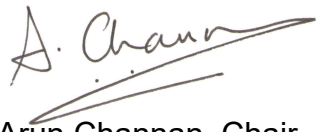
We appreciate CIRO’s work to harmonize its advisor compensation rules and bring flexibility, consistency and clarity to advisor compensation. Dealers should be encouraged to make the incorporation Approved Person compensation option available to it its Approved Persons to support the harmonized approach.

As discussed in the CSA-Position-Paper 25-404 – *New Self-Regulatory Organization Framework* (August 3, 2021) about the need for a harmonized solution to address the issues raised by “directed commissions”, we encourage all CSA jurisdictions to support CIRO, advisors and consumers by taking a speedy and harmonized approach to implementing the incorporated Approved Person compensation option in their respective jurisdictions.

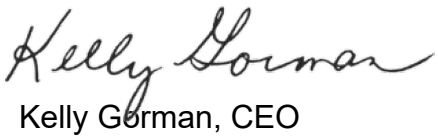
In conclusion

We’d welcome the opportunity to discuss our comments with you. Please don’t hesitate to reach out.

Kind regards,



Arun Channan, Chair



Kelly Gorman, CEO

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