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

We are pleased to provide comments on behalf of IG Wealth Management Inc. ("IG") in response to the Canadian Investment Regulatory Organization's ("CIRO") request for comments on the adoption of an Incorporated Approved Person compensation option (the "Proposed CIRO Rules").

Our Company

IG Wealth Management is a diversified financial services company and one of Canada's largest managers and distributers of mutual funds, including the exclusive distributor of its own products. We carry out our distribution activities through our subsidiary; IG Wealth Management Inc. ("IG") is a Dual Registered Firm and operates as an investment dealer with a dedicated mutual fund division. We are committed to comprehensive personal financial planning delivered through long-term client and advisor relationships. The company provides advice and services through a network of advisors located across Canada to over one million clients. We currently have approximately 3,300 advisors registered with CIRO, located across 52 regional offices spanning all provinces throughout Canada. IG has over $176.6 billion in assets under advisement as of June 30, 2026. We are part of IGM Financial Inc., which is a member of the Power Corporation of Canada group of companies.

General Comments

IG strongly supports CIRO's objective of establishing a harmonized compensation framework for client-facing Approved Persons across CIRO Dealer Members. We believe there is value in establishing a consistent framework across CIRO's membership and in bringing advisor corporation expressly within CIRO's regulatory jurisdiction.

IG's March 2024 submission in response to Position Paper, "Policy options for leveling the advisor compensation playing field", supported both the Incorporated Approved Person ("IAP") and Registered Corporation approaches as potential long-term solutions. Our support for the IAP approach was in-part, based on the important benefit of that model providing clarity that both registerable and non-registerable activities could be conducted through the corporation. We continue to support this as a fundamental component of the model. CIRO's proposed framework preserves the regulatory obligations of individual advisors and sponsoring Dealers, including Dealer responsibility for supervision and liability, while extending appropriate obligations to incorporated entities without diminishing existing standards for suitability, conflicts of interest, disclosure or professional conduct. The focus should therefore be on ensuring effective and proportionate oversight, recognizing that the fundamental question is not whether advisors benefit from incorporation, but whether investors remain equally protected under the proposed structure, which we argue they would be.

Our support for the IAP model, however, is premised on the model being sufficiently flexible to provide a meaningful and practical incorporation option for client-facing Approved Persons ("Advisors"). In our view, an IAP framework that is available in principle but requires Advisors to abandon legitimate and longstanding corporate structures, and for new Advisors wishing to utilize the model, to not have opportunities related to the use of their corporation for succession planning, will significantly reduce the usefulness of the model and unnecessarily disrupt existing Advisor practices.

Importantly, IG does not believe there are any investor protection concern that has been identified through the consultation process that would justify eliminating the flexible corporate structures that are currently available to advisors under the directed commission framework. In our March 2024 submission, we noted the historical regulatory review of the MFD directed commission model and the MFDA's conclusion that its existing requirements properly addressed the issue of regulatory liability and that there were no identified cases in which clients had been placed at risk based on the entity to which commissions were paid. That history is important context for determining whether further restrictions on corporate ownership are necessary.

Responses to CIRO's Consultation Questions

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

IG strongly believes that the IAP framework should facilitate, rather than constrain, the development of integrated advisory teams where the Dealer retains appropriate oversight and there is no corresponding reduction in investor protection.

Restrictions on Permitted Activities

We generally support the proposed restriction limiting an IAP to providing regulated financial services which are approved by the Dealer as outside activities. However, it should be noted that outside of Quebec, financial planning is not regulated (beyond legislation limiting title use), and consequently, CIRO should consider financial planning as ancillary to Dealer Member activities and it should be expressly permitted in the rules.

With respect to consideration of how the Dealer would supervise or have oversight of the IAP activities, the Proposed Rules require the activities would be approved by the Dealer as an outside activity. CIRO currently has rules and Guidance[1] with respect to a Dealer's obligations when approving an outside activity and requiring the Dealer to assess conflicts, client confusion and whether it has the information and capability necessary to supervise and monitor the risks associated with the activity. Consequently, there is a robust regulatory framework in place. We do not believe additional rules are required.

IAP Employment Arrangements

We urge CIRO to revise the proposals to permit an IAP to employ multiple Approved Persons sponsored by the same Dealer Member, as well as qualified individuals providing other financial services to clients. This flexibility is essential to supporting the continued evolution of advisor business models, particularly the growing importance of integrated advisory teams in delivering comprehensive and holistic financial advice to clients.

Permitting an IAP to employ other advisors and qualified financial services professionals would allow advisors to structure their businesses in a manner that best meets their clients' needs. For example, an advisor may wish to employ a dedicated insurance specialist, tax specialist or other qualified financial services professional to provide clients with access to complementary expertise within an integrated team. Similarly, permitting multiple Approved Persons sponsored by the same Dealer Member to operate within an IAP would support business growth, succession planning and the development of more efficient and sustainable advisory practices.

Importantly, IG does not believe that permitting these arrangements would introduce material additional investor protection concerns. Approved Persons would remain subject to the Dealer Member's supervision and applicable CIRO requirements. Where other financial services professionals are employed, their activities would remain subject to applicable licensing and regulatory requirements, as well as the Dealer's oversight and approval requirements for outside activities, where applicable. These existing safeguards provide an appropriate regulatory framework without the need to impose prescriptive restrictions on the IAP's employment arrangements.

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

Multiple Advisor IAP Model

IG strongly believes that the IAP framework should permit multiple Approved Persons to operate through a single corporation. A model that effectively requires one Approved Person per corporation does not reflect how modern advisory practices are structured and risks limiting the usefulness of the IAP framework for advisors who have deliberately built collaborative, team-based practices.

As IG discussed above, advisory practices are increasingly organized around teams rather than individual advisors operating independently. Requiring each advisor on a team to establish a separate corporation creates an artificial separation between individuals who, from the client's perspective and as a practical business matter, operate as a single advisory practice. It may also discourage advisors from developing integrated teams and sharing responsibility for client service, resource sharing, succession and practice development. Requiring a separate corporation for every Approved Person could result in unnecessary incorporations, inter-corporate agreements, compensation arrangements and restructuring each time the composition of a team changes.

[1] Investment Dealer Guidance GN-2500-22-001

This complexity does not necessarily advance investor protection. Instead, it may increase costs for advisors and dealers while making the legal structure of an advisory practice more complicated than its underlying business reality.

Importantly, permitting multiple Approved Persons within an IAP does not require CIRO to compromise dealer supervision or investor protection. Each Approved Person would remain subject to CIRO requirements and to the Dealer Member's supervisory framework. Multiple approved persons at mutual fund dealers are currently permitted to direct commission to the same corporation in a number of provinces, including British Columbia and Ontario. IG is not aware of any systemic regulatory issues or investor-protection concerns that have arisen as a result of these arrangements. Unless CIRO has identified a specific investor-protection or supervisory concern that cannot be addressed through appropriate conditions and dealer oversight, we do not believe there is a sufficient regulatory rationale for preventing multiple Approved Persons from participating in the same IAP.

Family Trusts and Corporate Shareholders

IG strongly supports permitting family trusts and corporations to hold non-voting shares and/or a non-controlling voting interest in an IAP. Where such entities hold only non-voting shares or a minority of the voting shares, the Approved Person(s) would continue to retain control of the IAP. In our view, this appropriately distinguishes between regulatory control of the IAP and economic ownership interests in the corporation.

Importantly, permitting these ownership structures would not diminish regulatory accountability or Dealer oversight. The proposed Tripartite Agreement would establish the respective responsibilities of the Dealer, the Approved Person(s) and the IAP, while the IAP itself would be subject to the applicable CIRO regulatory framework. The Dealer would also continue to be responsible for supervising its Approved Persons. Accordingly, IG is not aware of an investor protection concern that would justify restricting family trusts or corporations from holding a non-controlling interest in an IAP where the Approved Person(s) retain control and the Dealer maintains appropriate oversight.

This flexibility is particularly important in the context of team-based practices and succession planning. For example, advisors who operate a practice together may wish to structure their respective economic interests through personal holding corporations or family trusts. Similarly, an advisor transitioning a practice to another Approved Person may require flexibility in the ownership structure to facilitate an orderly succession. So long as the Approved Person(s) remain in control and the Dealer can effectively supervise the arrangement, we do not believe CIRO should unnecessarily restrict how the underlying economic interests are structured.

There is also existing precedent for greater flexibility. British Columbia currently expressly permits family trusts to hold shares of an Approved Person's corporation. In addition, several other provinces, including Ontario, do not impose equivalent restrictions prohibiting corporations or family trusts from holding voting or non-voting shares in these structures. This demonstrates that more flexible ownership structures can coexist with the applicable regulatory framework.

Finally, permitting corporations to hold non-controlling interests in an IAP would provide Approved Persons with access to corporate and tax-planning flexibility that is generally available to other Canadian small business owners. One of the principal objectives of introducing an incorporated Approved Person model is to address the disparity between Approved Persons and other professionals and small business owners who are able to conduct their businesses through corporations. That objective would be undermined if the IAP framework

provides incorporation in form but unnecessarily restricts the ordinary business-planning flexibility that makes incorporation meaningful.

Related Persons as Shareholders

Related persons of the Advisor(s) should be permitted to own shares in the IAP. As noted, IG supports requiring the Approved Person(s) to have a majority of the voting shares. Spouses and related persons are currently permitted to be shareholders in multiple provinces demonstrating again that flexible ownership can be acceptable while maintaining appropriate controls and oversight of the corporation.

Part C - Questions relating to implementation of proposed amendment

IG urges CIRO to implement the IAP framework as soon as the final rules are approved, without an extended implementation period. Securities-licensed advisors have been waiting for years for a regulatory framework that would permit them to incorporate their advisory practices. Harmonization of advisor incorporation and compensation arrangements was identified as a priority before CIRO's establishment and has remained an express integration objective since its creation. The commitment to harmonization was part of the broader promise of amalgamation: to reduce unnecessary regulatory complexity, improve consistency and create meaningful benefits for advisors, dealers and investors.[2] There is no compelling reason to impose further delays once the necessary regulatory requirements are finalized. Given the extensive consultation and consideration already undertaken, IG believes that Dealers and advisors should be able to take advantage of the IAP model at the earliest possible opportunity. Any additional delay would unnecessarily prolong the disparity between securities-licensed advisors and other financial services professionals who already have access to incorporated business structures. Accordingly, IG strongly encourages CIRO to prioritize timely implementation and ensure that the IAP framework becomes effective immediately upon final regulatory approval, allowing Dealers and advisors to adopt the model as soon as they are operationally ready.

Nevertheless, a transition period is necessary for mutual fund licensed advisors if the final Proposed Rules differ materially the from currently permitted corporate structures. As currently drafted, the proposed IAP framework is not simply a change to the destination of compensation. It may require advisors to review and potentially restructure existing corporations, ownership arrangements, agreements, banking and accounting arrangements, trade names, insurance licensing and other aspects of their businesses. Advisors should not be required to undertake these changes on an accelerated basis simply to preserve a compensation arrangement that is currently permitted.

IG requests a transition period of at least 3 years whereby a Dealer can continue to compensate existing mutual fund advisor's corporations that have and will continue to be governed by the MFD and applicable provincial requirements.

Conclusion

IG strongly supports CIRO moving forward with the Incorporated Approved Person model and believes that a harmonized IAP framework can provide a sound long-term solution for advisor compensation. Our support is

[2] See CSA Position Paper 25-404 – New Self-Regulatory Framework (2021); CIRO Annual Priorities for fiscal 2024 (June 2023); CIRO's Three-Year Strategic Plan (2024-2027); CIRO's 2027 Annual Priorities; among other CIRO and CSA publications.

conditional, however, on the model being sufficiently flexible to be useful in practice and on the regulatory requirements being proportionate to the investor protection risks identified.

In particular, we urge CIRO to reconsider the proposed restrictions on ownership and control of the IAP. We do not believe that CIRO has demonstrated an investor protection rationale for moving from the current flexible directed commission model to a mandatory one-advisor, one-corporation structure. Given that the IAP itself will be subject to CIRO jurisdiction and Dealer oversight, the final rules should preserve appropriate flexibility for advisors to structure their businesses, work in teams and plan for succession while maintaining clear individual and Dealer accountability.

The appropriate regulatory focus should be on ensuring that each individual performing registrable activities is appropriately registered, sponsored and supervised by the Dealer, rather than prescribing the legal structure through which members of an advisory team organize their business relationship.

Thank you for the opportunity to provide comments on the Proposed CIRO Rules.

We would be pleased to engage further with you on this important initiative. Please feel free to contact Adrian Walrath at Adrian.walrath@ig.ca or me if you wish to discuss our feedback further or require additional information.

Yours truly,

IG Wealth Management



Danielle Tetrault

Vice-President, Compliance and Chief Compliance Officer