November 6, 2026

Canadian Investment Regulatory Organization

Via email: memberpolicymailbox@ciro.ca

Re: Bulletin 26-0150 — Request for Comments — Rule Amendments Relating to the Proposed Adoption of an Incorporated Approved Person Compensation Option

We are writing in response to CIRO's request for comments on the proposed rule amendments relating to the adoption of an Incorporated Approved Person ("IAP") compensation option, as set out in Bulletin 26-0150.

Our firm currently operates under the existing directed commission model with compensation for services performed for the sponsoring Dealer Member directed to a corporation with five shareholders. As currently drafted, the proposed amendments would not accommodate our existing five-shareholder ownership structure under the IAP framework, potentially requiring substantial restructuring of a business model that has operated under our Dealer Member's oversight and served our clients for 15 years.

Our comments below focus principally on Part B of the proposal — ownership and control of an advisor-owned corporation — as this is where the proposed rules diverge most sharply from how Ontario regulatory comparators, including law, accounting, and engineering, permit their members to organize their practices. We also comment on relevant questions in Parts A and C.

Part A — Allowable Other Business Activities Within an Advisor-Owned Corporation

A1. Should the proposals restrict permitted financial services to ancillary activities and regulated Canadian financial services sector activities?

We agree these two categories should be included, but object to the word "restrict." As drafted, the proposal caps the corporation's regulated activity at what an individual client-facing Approved Person may personally perform. Other professional corporations are not capped this way. A law corporation may deliver legal services its licensed lawyer-shareholders are qualified to provide; an accounting professional corporation may provide accounting and other services permitted under its governing professional rules through appropriately-qualified professionals. The appropriate constraint is the qualification and good standing of the individuals performing the work — not an artificial ceiling on the corporation's overall scope.

A2. Impact on existing activities or legal structures currently used by dealing representatives.

For our firm specifically, restricting permitted activity to what a single client-facing Approved Person may perform is incompatible with our existing five-shareholder structure that was built to support a team-based practice: shared staff, shared ancillary services (e.g., insurance and financial planning), and continuity of client service when any one advisor is unavailable. A rule that only contemplates a sole-practitioner corporation would require us to fundamentally restructure a business model that has operated for years under our current Dealer Member's oversight. While we recognize CIRO's investor-protection objectives, we submit that these objectives can be achieved without prohibiting multi-advisor corporate structures, particularly where appropriate supervisory, accountability, and conflict-of-interest safeguards are maintained.

A3. What other financial services should be permitted within the corporation?

We submit that an advisor-owned corporation should be permitted to provide financial services for which the individuals performing those services hold the necessary licences, registrations, and qualifications — including insurance, financial planning, and tax and estate planning services, where applicable. This approach would be consistent with the broader principle reflected in other regulated professions, including law and accounting, where professional corporations may provide services within their permitted scope through appropriately qualified professionals. Rather than prescribing a restrictive list of permitted activities, CIRO should focus on ensuring that services are delivered by qualified individuals and remain subject to appropriate regulatory oversight.

A4. Should there be restrictions on other financial services performed by the same client-facing Approved Person within the corporation?

Restrictions should be proportionate to the risks of client confusion, conflicts of interest, and applicable regulatory requirements (see A6), rather than unnecessarily limiting the types of services an appropriately qualified individual may provide. Clear disclosure of the capacity in which an individual is acting, together with appropriate conflict-of-interest management and regulatory oversight, can serve as important safeguards in circumstances where an advisor holds multiple professional licences or registrations.

A5. What level of Dealer Member supervision should apply to other financial services activity conducted within the corporation?

Dealer Member supervision should be proportionate to the nature of the activity and its relationship to the Dealer Member's regulated securities business. Non-securities financial services, such as life insurance, are subject to separate provincial regulatory frameworks. While Dealer Members should retain appropriate oversight of outside activities to identify and manage conflicts of interest, client confusion, and other risks relevant to their regulatory obligations, supervision should avoid unnecessary duplication of oversight already provided by other regulators. We submit that a risk-based approach would appropriately balance investor protection with operational efficiency.

A6. Conflicts of interest arising from other regulated financial services within the corporation.

Conflicts of interest may arise where an advisor recommends products or services offered through an ancillary line of business, particularly where differing compensation arrangements create potential incentives. These risks should be addressed through applicable conflict-of-interest obligations, appropriate disclosure, product suitability and know-your-product requirements where applicable, and Dealer Member compliance oversight. Similar considerations already arise in circumstances where representatives hold multiple licences or engage in outside business activities. We submit that incorporation does not, in itself, warrant additional restrictions on permissible corporate activities, provided the associated risks are appropriately identified, managed, and supervised.

A7. Should the proposals be revised to permit an advisor-owned corporation to employ multiple client-facing Approved Persons sponsored by the same Dealer Member, and/or other qualified individual financial services advisors?

Yes, strongly. This is the single most important revision CIRO could make to the proposal, and directly determines whether firms such as ours can continue to operate. Several established regulated professions in Ontario expressly permit multiple licensed professionals to practise together and hold shares in a single professional corporation.

- **Law:** The Law Society of Ontario permits professional corporations with multiple licensed lawyer-shareholders, allowing unrelated lawyers to practise together and jointly own a single professional corporation.

- **Accounting:** CPA Ontario permits professional corporations with multiple licensed CPA shareholders, allowing unrelated CPAs to practise together and jointly own a single professional corporation, subject to applicable ownership and professional practice requirements.
- **Engineering:** Professional Engineers Ontario permits corporations to provide professional engineering services under a Certificate of Authorization, provided applicable licensing and professional responsibility requirements are met. Unlike the professional corporation frameworks governing law and accounting, this regulatory model does not require the corporation to be owned exclusively by licensed engineers or limit ownership to a single practitioner.

These professions demonstrate that regulatory oversight and public protection can be maintained under a variety of corporate ownership structures without limiting a corporation to a single licensed practitioner. CIRO's proposed model, by contrast, limits voting ownership to a single client-facing Approved Person, with certain related persons permitted to hold non-voting shares (see Part B). While we recognize that securities regulation presents distinct investor-protection considerations, we submit that these differences do not, in themselves, justify prohibiting multi-advisor corporate ownership. We urge CIRO to consider an ownership framework that permits multiple client-facing Approved Persons sponsored by the same Dealer Member, as well as other appropriately qualified financial services professionals, to practise and hold shares within a single corporation, subject to appropriate supervisory, accountability, and conflict-of-interest safeguards.

A8. Risks arising from employees subject to different statutory duty-of-care standards within the corporation.

Risks arising from differing statutory duties and standards of care should be addressed through clear disclosure of the capacity in which each professional is acting, appropriate supervision, and compliance measures tailored to the services being provided. Clients should be informed of the applicable regulatory framework and the responsibilities of the individual providing each service. While disclosure alone may not resolve all potential risks, we submit that these considerations can be appropriately addressed through a combination of disclosure, professional accountability, and regulatory oversight, without necessarily prohibiting multi-advisor corporate ownership.

Part B — Ownership and Control of an Advisor-Owned Corporation

This is the section of the proposal of greatest concern to our firm. As drafted, the proposal restricts corporation ownership to a single client-facing Approved Person (holding voting shares, and optionally non-voting shares) plus "related person" family members (non-voting shares only). Our corporation currently has five shareholders under our existing directed commission arrangement. As drafted, the proposed amendments would not accommodate our existing five-shareholder ownership structure under the IAP framework, potentially requiring substantial restructuring if we were to transition to that model. As discussed in A7 above, comparable regulated professions permit multiple licensed, unrelated professionals to co-own a single practising corporation, and, as discussed in B3 below, at least one comparable profession permits non-licensed persons generally — not only family members — to hold a non-controlling ownership stake.

B1. Should a corporation or family trust be allowed to hold shares, and voting or non-voting only?

We take no strong position on the trust/holding-corporation mechanism itself but note that if CIRO's concern is ensuring ultimate ownership and control rests with qualified, accountable individuals, that concern could potentially be satisfied whether the qualifying individuals hold shares directly or through a permitted trust or holding vehicle. The more important threshold question is who is permitted to be a qualifying owner in the first

place (see B3, B4 and B5) — and, as discussed in B3 below, Ontario precedent exists for satisfying this concern through a majority-control threshold rather than an outright ownership restriction.

B2. Is the "related person" definition too restrictive or not restrictive enough?

As currently framed, the related-person concept is the wrong lens entirely for firms like ours. Our shareholders are not family members — they are fellow licensed advisors who built a shared practice together. A definition based solely on family relationship, however calibrated, will never accommodate a genuine multi-advisor professional partnership. We recommend CIRO shift the eligibility test from family relationship to professional qualification, consistent with B4 and B5 below.

B3. Should non-Approved-Person "related persons" be allowed to own shares, and voting or non-voting?

Yes, and we urge CIRO to look beyond family relationships and consider permitting unrelated, non-Approved-Person shareholders, including business partners, employees, and outside investors, to hold non-controlling minority interests, provided client-facing Approved Persons retain majority ownership and voting control of the corporation.

A majority-control approach has precedent in Ontario's regulation of other professions. For example, under Ontario's Architects Act, corporations seeking a Certificate of Practice must satisfy ownership requirements that generally include at least 51% of both voting shares and the value of all shares being held by eligible architects, or architects together with professional engineers, subject to additional statutory and regulatory conditions. This framework permits a degree of ownership by individuals who are not licensed architects while maintaining specified professional ownership and governance requirements.

Ontario's engineering regulatory framework provides another example of an alternative approach. Professional Engineers Ontario permits corporations to provide professional engineering services under a Certificate of Authorization without requiring shareholders to be licensed professional engineers. Instead, the framework emphasizes the corporation's authorization to provide engineering services and the professional accountability of appropriately licensed individuals responsible for those services.

While these regulatory frameworks differ from securities regulation and from one another, they demonstrate that Ontario regulators have adopted approaches to corporate ownership that do not categorically exclude non-licensed shareholders. We submit that CIRO could similarly consider a majority-control model that accommodates non-Approved-Person minority ownership while maintaining appropriate safeguards for investor protection, Dealer Member oversight, professional accountability, and conflicts of interest.

Such an approach could provide advisory practices with greater flexibility to raise capital, include non-advisor business partners, and facilitate ownership succession, including structured buyouts of retiring shareholders, without compromising CIRO's regulatory objectives.

While we support consideration of broader minority ownership flexibility, our primary concern remains the ability of multiple appropriately qualified Approved Persons sponsored by the same Dealer Member to jointly own and operate a single advisor-owned corporation.

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?

Yes. This is the change that matters most to our firm. We urge CIRO to permit multiple client-facing Approved Persons sponsored by the same Dealer Member to hold shares, including voting shares, in a single corporation, without requiring that they be related persons.

We note that CIRO has already considered broader corporate ownership and participation models, including arrangements involving multiple financial services advisors within a single corporation, during the development of the proposed IAP framework. Although these alternatives were not incorporated into the current proposal, CIRO has expressly invited stakeholder feedback on whether multiple client-facing Approved Persons should be permitted to conduct business through, and hold shares in, the same corporation. We encourage CIRO to revisit these alternatives, particularly for established multi-advisor practices operating under a common Dealer Member's supervision.

Ontario's regulatory frameworks for law and accounting expressly permit multiple licensed professionals to jointly own and practise through a single professional corporation, subject to applicable ownership and professional accountability requirements. Ontario's engineering framework also accommodates corporate structures involving multiple professionals, although it operates under a different regulatory model. These examples demonstrate that multi-professional corporate ownership can coexist with regulatory oversight and public-protection obligations.

While we recognize that securities regulation presents distinct investor-protection considerations, we submit that these differences do not necessarily justify restricting corporate ownership to a single client-facing Approved Person. We recognize that CIRO may have concerns regarding the ability of a Dealer Member to exercise its supervisory and intervention powers effectively within a multi-shareholder corporate structure, particularly where misconduct or other regulatory concerns arise involving an individual Approved Person. These concerns may include ensuring that the Dealer Member can promptly assume responsibility for affected client relationships and redirect compensation where permitted under the applicable regulatory framework, without unnecessary complications arising from the rights of other shareholders.

We submit that these concerns could be addressed through appropriate contractual, governance, and regulatory safeguards without necessarily restricting corporate ownership to a single individual. Potential safeguards could include:

- Mandatory shareholder agreements: Requiring a shareholder agreement, as a condition of IAP approval, under which all shareholders acknowledge and agree to contractual provisions supporting the Dealer Member's regulatory and supervisory authority. Such agreements could establish procedures for intervention, compensation redirection, and the management of affected client relationships, subject to applicable corporate law and regulatory requirements.

- Individual accountability and proportionate intervention: Establishing mechanisms that allow regulatory or supervisory action to be directed, where practicable, toward the individual Approved Person whose conduct gives rise to concern, while minimizing unnecessary disruption to uninvolved shareholders and their client relationships. This would remain subject to the Dealer Member's overriding obligations to protect investors and address risks affecting the corporation as a whole.

- Professional liability and accountability: Requiring each shareholder-Approved Person to remain individually accountable for their regulated activities, together with appropriate corporate liability, indemnification, and insurance arrangements. Ontario's regulatory frameworks for law and accounting provide examples of professional corporations operating alongside statutory provisions addressing professional liability. While these frameworks differ from securities regulation, they demonstrate that professional accountability can be maintained within multi-shareholder corporate structures.

- Individual eligibility and ongoing compliance: Requiring each shareholder-Approved Person to independently satisfy applicable CIRO approval, registration, good-standing, and disciplinary eligibility requirements, with appropriate notification and remedial obligations where a shareholder's regulatory status changes.

These proposed safeguards draw on principles of individual professional accountability, corporate governance, and regulatory oversight reflected in other regulated professions, while recognizing that CIRO's supervisory framework and Dealer Member responsibilities are distinct. We submit that a properly designed multi-shareholder IAP framework could preserve the Dealer Member's ability to intervene when necessary, maintain accountability at both the individual and corporate levels, and protect investors without categorically prohibiting multiple Approved Persons from jointly owning a corporation.

B5. Should other "qualified individual financial services advisors" (not themselves client-facing Approved Persons) be allowed to conduct business within, and own shares in, the corporation?

Yes, on the same rationale as B4. A team-based practice typically includes licensed professionals delivering ancillary services (e.g., insurance, financial planning) alongside client-facing Approved Persons. Permitting this group to hold shares — subject to the same good-standing and non-conflicted-Dealer conditions already proposed for client-facing Approved Persons — better reflects how integrated advisory practices, including ours, actually operate, and is consistent with the multi-disciplinary structures permitted within professional corporations in other regulated fields.

B6. Is the requirement that the client-facing Approved Person be the sole director too restrictive?

Yes. If CIRO adopts our recommendation in B4 to permit multiple client-facing Approved Persons to hold shares, we submit that the sole-director requirement should also be reconsidered. While a multi-shareholder corporation may operate with a single director, permitting multiple qualified shareholder-directors would provide greater governance flexibility and allow responsibility for corporate oversight to be shared among appropriately qualified Approved Persons. Professional corporations regulated by the Law Society of Ontario and CPA Ontario may have multiple qualified shareholder-directors.

CIRO's legitimate interest — ensuring a qualified, accountable Approved Person is answerable to the Dealer Member for the corporation's regulated activity — can be achieved through director qualification and accountability requirements, without limiting the board to one individual. We recommend that each shareholder-Approved Person be entitled, but not required, to sit as a director, provided every director independently meets CIRO's approval and good-standing criteria.

Part C — Implementation of the Proposed Amendments

C1. Is an implementation period needed, and what length is appropriate?

Yes. Firms restructuring from the directed commission model into an IAP arrangement will need time to: obtain CIRO approval of the new corporate entity; obtain registration where required or qualify for an exemption; renegotiate and repaper agreements among the Dealer Member, the individual Approved Persons, and the corporation; and obtain tax advice to ensure the new structure withstands CRA and Revenu Québec scrutiny. For multi-shareholder firms such as ours, this work is materially more complex than for a sole-practitioner restructuring, since it also requires resolving ownership, governance, and compensation-sharing arrangements among five shareholders under an entirely new ownership framework. We support the proposed 12-to-18-month implementation window as a minimum, and recommend CIRO build in flexibility for firms whose existing

structures (such as ours) do not map cleanly onto the proposed ownership model, pending resolution of the Part B ownership questions raised above.

C2. Issues for mutual fund dealing representatives currently directing commissions to their corporations, and an appropriate transition period.

The central issue for our firm is that the proposed ownership rules, as drafted, do not accommodate our existing five-shareholder corporation. This is not simply a matter of paperwork or timing, but a question of whether our current ownership structure can be maintained under the proposed IAP framework.

We urge CIRO to reconsider the Part B ownership restrictions to permit multi-advisor corporations like ours to transition into the IAP model while preserving existing ownership arrangements, subject to appropriate regulatory safeguards. As discussed above, Ontario's regulatory frameworks for law, accounting, and engineering provide examples of corporate structures accommodating multiple professionals, although the specific ownership and regulatory requirements differ among these professions. We submit that these examples support consideration of a similarly flexible approach for investment advisory practices.

Regardless of whether CIRO revises the proposed ownership restrictions, we recommend that it clearly distinguish the general implementation period for the new IAP framework from the transition period available to existing directed commission arrangements. In particular, firms should be given sufficient time to evaluate their options and complete any necessary restructuring before the existing directed commission option is discontinued, to avoid unnecessary disruption to established businesses and their clients.

If CIRO maintains the proposed ownership restrictions, we request a transition period of at least 24 months for firms whose existing corporate structures cannot be accommodated under the new framework. This would provide additional time to evaluate restructuring options, negotiate financing or buy-sell arrangements among existing shareholders, obtain appropriate legal and tax advice, and manage the operational and financial implications of transitioning from an established multi-shareholder arrangement.

Conclusion

We support CIRO's objective of establishing a harmonized regulatory framework for incorporated advisor compensation and providing greater clarity regarding the tax treatment of such arrangements. However, as drafted, the ownership restrictions in Part B of the proposal are more restrictive than certain established corporate ownership frameworks governing other regulated professions in Ontario. In particular, law and accounting permit multiple licensed professionals to jointly own and practise through a single professional corporation, while Ontario's engineering regulatory framework accommodates corporate structures involving multiple professionals under a different licensing and oversight model.

We urge CIRO to revise the proposed amendments to permit multiple client-facing Approved Persons, as well as other appropriately qualified financial services professionals, to hold shares in and, where appropriate, participate in the governance of a single advisor-owned corporation, subject to appropriate regulatory safeguards. Such an approach would allow established team-based practices like ours to transition to the proposed IAP framework while preserving existing business relationships and ownership arrangements, rather than requiring substantial restructuring solely to satisfy the proposed ownership restrictions.

We appreciate CIRO's consideration of our comments and encourage the adoption of a framework that accommodates established multi-advisor business structures while maintaining appropriate investor protections.

Sincerely,



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