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cc: Market Oversight, Alberta Securities Commission (CIRO-Reporting@asc.ca); Trading and Markets, Ontario Securities Commission (TradingandMarkets@osc.ca)

Re: CIRO Bulletin 26-0150, Rule amendments relating to the proposed adoption of an Incorporated Approved Person compensation option

Canada Life appreciates the opportunity to comment on CIRO's proposed harmonized advisor compensation rules. We strongly support the Incorporated Approved Person (IAP) model and urge CIRO and the Canadian Securities Administrators (CSA) to bring it into force as soon as possible. This is a critical initiative that can provide a step forward for all advisors as well as the Canadian clients they serve. This letter provides our key comments to help CIRO and the CSA unlock the full potential of this initiative. We also broadly support the submission of the Securities and Investment Management Association (SIMA), of which we are a member.

Canada Life serves more than 13 million customer relationships across Canada through more than 16,000 advisors, approximately 2500 of which are mutual fund and investment dealer registrants and administers approximately $100 billion in Canadian independent wealth management assets through subsidiaries registered as mutual fund dealers, investment dealers, investment fund managers and portfolio managers. Many of our advisors hold both a securities registration (i.e. with a mutual fund dealer or investment dealer) and an insurance licence, which gives us a direct view of how the current rules shape the practices they build and the clients they serve.

1. Registrable securities activity within the corporation

The IAP model's value depends on allowing an advisor's securities-related activities to be carried out through, and resulting compensation to be received directly by, their corporation. Final rules must preserve this concept. A model confined to the payment of compensation for non-registrable activities would not provide the certainty or practical benefit the IAP model is meant to provide.

We recognize that implementing a model that accommodates registrable activity will require amendments to the existing registration framework. We encourage the CSA to settle promptly on the required amendments to National Instrument 31-103 and applicable provincial securities legislation to facilitate the IAP model on a national basis. CIRO and the CSA should coordinate implementation across jurisdictions so that one common option becomes available nationally on a common or substantially common date. A materially staggered rollout would perpetuate regional disparity and replace one uneven playing field with another. It could also create operational complexity for national Dealer Members and different outcomes for advisors carrying on substantially similar businesses in different provinces.

As the framework is developed, CIRO and the CSA should also continue to consider its tax treatment and, where appropriate, engage with relevant tax authorities. The final model should be structured to preserve and maximize the legitimate tax efficiency available to advisors carrying on business through a corporation and avoid regulatory requirements that unnecessarily diminish those benefits. Without the intended tax efficiency and certainty, the IAP option may have limited practical value or adoption, notwithstanding its formal availability.

2. Supporting integrated advice across insurance and securities

Insurance advisors are permitted to conduct their insurance business through an appropriately licensed corporation. The IAP framework must allow an advisor who is insurance and securities licensed to use the same corporation for both insurance and securities-related activities, subject to applicable licensing, registration and Dealer Member oversight. Dually-licensed advisors must not be required to establish a separate or new corporation solely to participate in the IAP model.

More broadly, we support the proposal to permit an IAP to conduct regulated Canadian financial-services activities in addition to securities-related activities. Canadians' financial needs do not fall neatly within regulatory or product categories. Securities, insurance, financial planning, tax planning and estate planning are often interconnected components of a client's broader financial circumstances and needs. The final rules should define the permitted scope of IAP activities broadly enough to include these, and other important activities commonly provided in the financial services industry. Allowing these activities to be conducted through the same corporation will support the delivery of integrated and holistic advice to Canadians and better reflect the range of financial needs that advisors help their clients address.

Dealer Members already review and approve outside activities involving insurance and other financial services. Permitting those activities to be conducted within an IAP would not fundamentally change the nature of the activities or the Dealer Member's oversight responsibilities. Rather, it would allow closely related activities to be organized within a coherent corporate structure, subject to the existing regulatory requirements applicable to each activity and appropriate Dealer Member supervision.

A flexible approach is also important to preserving a competitive and sustainable independent advice channel. Independent advisors compete with integrated financial institutions and other wealth-management platforms that can bring together a broad range of services, expertise and infrastructure. The IAP framework should give independent advisors a meaningful opportunity to organize their practices in a manner that supports integrated advice, investment in their businesses, succession planning and continuity of client service, while preserving the Dealer Member's supervisory responsibilities and applicable investor-protection requirements.

3. Flexibility in ownership and structure

To ensure the IAP model accommodates the range of legitimate business structures used by advisors, we encourage CIRO to reconsider the proposed restrictions on voting and non-voting ownership.

Advice is increasingly delivered through teams that combine securities, insurance, financial-planning and other expertise. Independent advisory practices may involve multiple advisor owners, senior and junior advisors participating in a succession arrangement, professionals providing complementary financial services, or advisory businesses operating within a broader financial-services organization. The proposed restrictions would require many such businesses either to divide an integrated practice among separate corporations or to forgo the IAP option altogether.

That outcome would not reflect current business models and could impair succession planning, continuity of client service, recruitment and the development of the next generation of advisors. It could also require existing advisory businesses to undertake significant legal, tax and operational restructuring without a corresponding investor-protection benefit. **The framework should instead facilitate legitimate team,**

ownership and succession arrangements, including structures that allow multiple advisors and complementary financial-services professionals to participate in the same corporation, and that enable ownership and responsibility to transition over time. This flexibility would support integrated advice, preserve client relationships, facilitate orderly succession and allow advisory practices to attract talent and develop the expertise needed to serve clients effectively.

CIRO's earlier approach, described in section 7.3 of the Bulletin, accommodated team ownership where voting control was held by advisors practising within the corporation. We encourage CIRO to return to and build upon that approach.

More fundamentally, the final rules should regulate the risks associated with a corporation's ownership and governance rather than prescribe a single-advisor business model. The relevant considerations should include whether the Dealer Member can effectively supervise all securities-related activity; whether ownership, compensation and control arrangements are transparent; whether clients have appropriate disclosure to adequately understand who they are dealing with and the services that are provided; whether conflicts can be appropriately addressed; and whether any owner or director can interfere with the Approved Persons' regulatory obligations or the Dealer Member's supervision.

In response to Questions A7 and B1 to B6, the final rules should permit:

1. multiple client-facing Approved Persons sponsored by the same Dealer Member to carry on business through, and hold voting shares in, a single corporation;
2. other qualified financial-services professionals, including licensed insurance advisors and financial planners, to practice within and hold shares in the corporation alongside the Approved Persons with whom they work;
3. ownership through family trusts and holding corporations, together with flexibility as to corporate form, where permitted by provincial law;
4. directors and officers in addition to a single client-facing Approved Person; and
5. ownership by, or affiliation with, another financial-services firm or group, including an insurance brokerage, financial-planning firm or other complementary financial-services business, where the arrangement is approved by the Dealer Member and does not impair its ability to supervise securities-related activities.

Permitting these structures is important to accommodate integrated financial-services organizations in which advisory businesses share ownership, infrastructure, expertise and succession resources. Corporate ownership should not, by itself, disqualify an otherwise appropriate IAP structure. The focus should be on whether the ownership arrangement creates risks that cannot be appropriately addressed through transparency, Dealer Member approval and supervision, conflicts controls, and restrictions on inappropriate influence over securities-related activities.

Appropriate safeguards could include prior Dealer Member approval of direct and indirect owners, directors and officers; disclosure and approval of material changes in ownership or control; suitability requirements for persons exercising control or material influence; restrictions on interference with securities recommendations, activity and Dealer Member supervision; access to relevant books and records; and enforceable undertakings from owners and other relevant persons.

Investor protection under the IAP model should rest principally on the Approved Persons' continuing individual accountability, the Dealer Member's supervisory responsibility, the required agreements and undertakings, CIRO's access and enforcement rights, and effective conflict-of-interest controls. Narrow ownership restrictions add little to those protections while materially constraining legitimate team, ownership and succession arrangements.

4. Implementation

The Bulletin contemplates an implementation period of 12 to 18 months after the necessary regulatory and legislative amendments take effect. In response to Question C1, we recommend no minimum implementation period. The option is voluntary for Dealer Members, and those that have prepared their agreements, supervisory processes and systems should be free to offer it, and their advisors free to seek IAP approval, from the day the securities legislation amendments come into force. Dealers that need more time can take it.

A mandatory waiting period would delay the benefits to advisors and clients without any corresponding gain in investor protection and would prolong the inequity this initiative exists to correct. So that approvals do not become the constraint, we encourage CIRO to accept IAP applications ahead of the effective date and to apply its proposed expedited approval process as broadly as possible.

In response to Question C2, mutual fund dealing representatives who use directed commission arrangements today built their practices around rules that permitted them. Those arrangements should remain available until the IAP option is in force in the relevant jurisdiction, followed by a transition period of no less than three years to restructure corporations, shareholder agreements and insurance arrangements. The two recommendations work together: the first governs how soon the new option may be used, the second how long the existing one remains available.

Conclusion

Canada Life strongly supports CIRO's work to bring this long-standing initiative to completion. The proposed IAP model is an important opportunity to modernize advisor compensation rules, establish greater consistency across registration categories and jurisdictions, and place independent advisors on a more equal footing with other financial-services professionals and integrated wealth-management platforms. The absence of an incorporated advice firm model for investment dealers has in our view led many advisors to constrain themselves to mutual funds in the securities space. The change being proposed, if done right, has the potential to significantly expand investment product access and choice for Canadians.

To realize those objectives, the final framework must be commercially workable and reflect how modern advisory practices are structured. In particular, it should accommodate advisor teams, integrated insurance and securities practices, complementary professionals, succession arrangements and other ownership structures that do not compromise Dealer Member supervision or investor protection.

We would welcome the opportunity to discuss these comments with CIRO and CSA staff.

Yours truly,



Blaine Shewchuk

EVP, Wealth & Advice

Canada Life