



Appendix 1 – Summary of comments on CIRO Position Paper



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The following is a summary of the comments provided within the thirty-nine comments letters received on the CIRO Position Paper entitled “*Policy options for leveling the advisor playing field*”, which was published for public comment on January 25, 2024. The first part of this summary discusses comments provided on the position paper, organized by theme, and the second part details comments provided in response to specific questions asked by CIRO within the position paper.

Comments provided on CIRO Position Paper (organized by theme)

GENERAL COMMENTS

- Any third compensation approach selected¹ must:
 - allow the agent’s corporation to engage in:
 - both registerable and non-registerable activities
 - activities relating to other financial services business lines (including insurance)
 - allow the agent’s corporation to utilise a multidisciplinary team in the provision of services to clients
 - retain the flexibility for dealers to continue to use the employee/employer and principal/agent compensation approaches
- Some commenters would have appreciated being given more time to provide comments on the position paper
- Some commenters do not see the need for regulators to have jurisdiction/oversight over the activities of the agent’s corporation

COMPLIANCE WITH SECURITIES AND TAX LAW COMMENTS

- CIRO should make it clear that employer/employee and principal/agent relationships will continue to be available options
- Commenters should be provided with certainty that whatever directed commission approach is adopted, it is in compliance with tax law as interpreted by the CRA and the provincial revenue agencies

REGULATORY ARBITRAGE COMMENTS

- The same compensation approach options should be available to Approved Persons / registered individuals irrespective of the dealer / advisor registration category of their sponsoring firm

REGISTERABLE AND NON-REGISTERABLE ACTIVITIES COMMENTS

- Any third compensation approach selected must allow the corporation to engage in both registerable and non-registerable activities (*Note: Repeat theme*)
- There needs to be guidance that clearly distinguishes between registerable and non-registerable activities (*Note: This comment becomes mute if the compensation approach selected allows the corporation to engage in both registerable and non-registerable activities*)

¹ In addition to the existing employee/employer and principal/agent approaches permitted under CIRO rules.



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ADVISOR RETENTION COMMENTS

- Adopting a directed commission approach as a third compensation option would help advisors manage costs and facilitate succession planning, both of which will help keep advisors in the profession, which will in turn maintain investor access to advice

JURISDICTIONAL HARMONIZATION COMMENTS

- CIRO should make it clear how it would exercise jurisdiction/oversight over non-registerable activities for which another regulator has jurisdiction/oversight (i.e. insurance)
- Same compensation approach options should be available to Approved Persons/registered individuals irrespective of the dealer/advisor registration category of their sponsoring firm (*Note: Repeat theme*)

Comments provided in response to:

CIRO Position Paper Question #1

Excerpt from CIRO Position Paper

7.1 Question #1

This paper discusses compensation approaches that could be made available for use to all CIRO Approved Persons. Which of the following rulemaking options do you prefer that CIRO pursue and why:

- pure adoption of an Incorporated Approved Person approach,
- pure adoption of a registered corporation approach, or
- interim allowed use of an enhanced directed commission approach while pursuing over the medium-term the adoption of either:
 - an Incorporated Approved Person approach, or
 - a registered corporation approach.

COMMENTS RELATING TO PREFERRED INTERIM APPROACH

- The following table details the interim approaches preferred by commenters. All six commenters that expressed that they did not support the adoption of an interim solution were concerned that implementing two different compensation approaches (one on an interim basis and a second one on a medium-term basis) would introduce inappropriate regulatory burden and advisor disruption. Not having to switch approaches was cited by some of the seven commenters that favoured expanding the use of the existing MFD Rule Directed Commission approach as many (but not all) of these commenters sponsor individual Approved Persons who currently use this approach. A significant number of commenters (16) did not weigh in on whether an interim solution that is different from the medium-term solution should be adopted.



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	Indicated that they did not support an interim solution	Indicated that they supported the following interim solution(s)		Didn't comment on whether they supported an interim solution
		Existing MFD Rule Directed Commission approach	Enhanced Directed Commission approach	
Number of commenters²	6	7	11	16

COMMENTS RELATING TO PREFERRED FINAL APPROACH TO BE IMPLEMENTED ON A MEDIUM-TERM BASIS

- The following table details the final approaches preferred by commenters, to be implemented on a medium-term basis. All of the five commenters who supported the medium-term adoption of the existing MFD Rule Directed Commission approach were also in favour of adopting this same approach on an interim basis (see table immediately above). A majority of the commenters that chose from the approaches outlined in the CIRO position paper, favoured adoption of the Incorporated Approved Person approach. The Registered Corporation approach was second choice amongst those commenters expressing a preference. Given that there are likely to be differences amongst CSA jurisdictions as to how securities legislation changes will be made to enable a registered individual's use of a corporation to engage in registrable activities, commenter preferences may support a hybrid option where either the Incorporated Approved Person or Registered Corporation approach may be used, depending upon the requirements in the relevant CSA jurisdictions.

	Indicated that they supported the following medium-term solution(s)				Expressed concerns with approaches presented or didn't comment on whether they supported a medium-term solution
	Existing MFD Rule Directed Commission approach	Enhanced Directed Commission approach	Incorporated Approved Person approach	Registered Corporation approach	
Number of commenters³	5	2	17	7	11

² Please note that number of commenters adds up to 40 (not 39) as 1 commenter expressed support for the interim adoption of both the existing MFD Rule Directed Commission approach and the Enhanced Directed Commission approach.

³ Please note that number of commenters adds up to 42 (not 39) as 3 commenters expressed support for the medium-term adoption of both the Incorporated Approved Person approach and the Registered Corporation approach.



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CIRO Position Paper Question #2

Excerpt from CIRO Position Paper

7.2 Question #2

Are there other requirements not discussed in this paper that CIRO should include within any rule amendments it proposes relating to acceptable compensation approaches?

“OTHER REQUIREMENTS NOT DISCUSSED” COMMENTS

- CIRO needs to be clear on what activities can be carried out within the corporation under each possible approach
- CIRO needs to be flexible on who can own the corporation in order accommodate multidisciplinary businesses and tax efficient business ownership changes
- CIRO should not require the use of a professional corporation as this vehicle is not available for certain financial services businesses (such as insurance)

CIRO Position Paper Question #3

Excerpt from CIRO Position Paper

7.3 Question #3

Are there other matters not discussed in this paper that CIRO should consider when assessing which policy option to pursue?

“OTHER MATTERS NOT DISCUSSED” COMMENTS

CIRO must ensure that the approach adopted is available to Approved Persons who are working pursuant to either an employer/employee arrangement or a principal/agent arrangement