From:	OSCAR VENTURA
To:	CIRO-Reporting; TradingandMarkets@osc.ca; Member Regulation Policy
Subject:	IMPORTANT: Rule Amendments Relating to the Proposed Adoption of an Incorporated Approved Person Compensation Option
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Importance:	High

[EXTERNAL EMAIL / COURRIEL EXTERNE]

Hello,

I am writing as an Ontario financial advisor to express my strong support for CIRO's proposal to allow client-facing Approved Persons to conduct their advisory businesses through an approved corporation and to have compensation paid to that corporation rather than requiring all compensation to be paid directly to the individual, including through a traditional T4 employment arrangement.

This is not simply a question of how an advisor receives compensation. It is an opportunity to recognize the reality that many advisors operate professional businesses, employ staff, purchase technology, maintain offices, pay licensing and compliance costs, and assume the financial risks associated with building and servicing a client base.

A properly regulated incorporated advisor model would benefit clients, advisors, Dealer Members, regulatory bodies, governments, and the overall accessibility of financial advice in Canada.

Benefits to Clients

The greatest benefit would be the creation of stronger, more sustainable advisory practices.

The clients we serve include working families, newcomers to Canada, single parents, self-employed individuals, small-business owners, seniors, and individuals who have historically had limited access to comprehensive financial education. These clients frequently require more than a single investment transaction. They need ongoing assistance with budgeting, retirement planning, education savings, homeownership, tax-efficient investing, insurance, estate planning, beneficiary arrangements, and financial literacy.

Advisors are increasingly required to invest in:

- customer relationship management systems;
- secure document storage and cybersecurity;
- financial-planning and investment-analysis software;
- electronic signatures and compliant communications;
- administrative and client-service employees;

- continuing education and professional development;
- translation and accessibility services;
- meeting facilities, travel, and community seminars; and
- succession, emergency, and business-continuity planning.

Allowing compensation to be paid to an approved advisor corporation would enable advisors to retain appropriate working capital and reinvest it in these resources. That reinvestment can result in faster response times, better recordkeeping, more frequent client reviews, improved financial-planning capabilities, stronger cybersecurity, and a more consistent client experience.

It can also make it financially viable for advisors to serve households with modest account balances. Under a structure in which every dollar is immediately treated as personal employment income, advisors may have less capacity to reinvest in staff and technology. An incorporated business can better manage the timing of expenses and investment in infrastructure, allowing the practice to serve more clients without reducing the quality of service.

Incorporation can also improve continuity. A well-structured professional corporation can employ support personnel, establish documented procedures, maintain technology and records, and create a succession plan. Clients should not lose access to advice because an individual advisor becomes ill, retires, dies, or leaves the industry. Sustainable advisory businesses reduce the risk of clients becoming “orphaned” and having to restart their financial-planning relationship.

CIRO has recognized that making the profession more financially viable may help more advisors enter or remain in the industry, thereby improving access to regulated advice. This is particularly important in smaller communities and among underserved cultural and linguistic groups. Financial advisors should be treated consistently with other professionals who operate through corporations, provided that the corporate structure does not reduce their regulatory obligations or personal accountability.

Many advisors are not functioning like traditional salaried employees. They are responsible for developing their own client base, paying business expenses, hiring employees, purchasing software, maintaining professional insurance, funding marketing and educational activities, and absorbing the risk of fluctuations in revenue.

An incorporated structure would allow these advisors to:

- separate personal and business finances;
- maintain accurate business accounting;
- reinvest earnings in technology, employees, compliance, and client service;
- create formal employment opportunities;

establish business-continuity and succession plans;
- manage periods of fluctuating revenue;
- build the financial stability required to remain in the profession; and
- coordinate investment, insurance, and other properly licensed financial services through a more consistent professional structure.

This should not be described as a mechanism to avoid tax. Incorporation does not eliminate an advisor's tax obligations. Corporate income must be reported, corporate tax returns must be filed, and salary, dividends, or other amounts subsequently paid to an advisor remain subject to the applicable tax rules.
The real benefit is the ability to operate and reinvest as a business before withdrawing all earnings for personal use. Advisors should have access to legitimate business planning and tax treatment comparable to other incorporated professionals, subject to the Income Tax Act, CRA guidance, and any applicable personal-services-business rules. CRA specifically notes that special rules may apply where a person provides services through a corporation, making tax certainty and properly structured arrangements essential. An Incorporated model would also eliminate the existing inconsistency between mutual fund advisors, investment advisors, and professionals who hold both securities registration and insurance licenses. CIRO has identified differences and tax uncertainty under the current directed commission approach. A harmonized structure would create clearer and more equitable rules across Dealer Member platforms

Dealer Members would benefit from more financially stable and professionally managed advisor practices .Although implementation would initially require changes to agreements, compensation systems, supervision, and registration processes, stronger advisor businesses may produce longer-term benefits through improved advisor retention, better client service, more consistent recordkeeping, and stronger succession planning.

Dealer Members would continue to supervise the investment-related activities carried out by the advisor and the advisor corporation. The proposed three-party agreement between the Dealer Member, the individual advisor, and the corporation would provide a clear allocation of responsibilities.
Dealer Members should retain the right to establish reasonable eligibility and risk-management standards. However, advisors should be provided with transparent criteria for accessing the option so that approval is not applied inconsistently or reserved only for the largest practices.

Benefits to CIRO and Other Regulatory Bodies

An approved incorporated advisor model can strengthen rather than weaken regulatory oversight.
Under the proposal, the advisor corporation would become an Incorporated Approved Person subject to CIRO's jurisdiction. The individual advisor would remain approved and accountable, while the Dealer Member would remain responsible for supervising the activities conducted on its behalf.
The proposed structure would extend relevant conduct and investor-protection obligations to the corporation and, where appropriate, its employees and shareholders. Requirements involving conflicts of interest, personal financial dealings, misleading communications, complaint reporting, trade supervision, client priority, and general standards of conduct would continue to apply. preferable to arrangements in which compensation may be directed to an unregistered corporation that does not itself conduct the registrable activity and is not directly within CIRO's jurisdiction. A clearly approved corporation creates a more transparent relationship among the advisor, corporation, dealer, regulator, and client.
Harmonization would also reduce regulatory complexity. Rather than maintaining different compensation rules for mutual fund advisors and investment dealer representatives, CIRO could administer one consistent framework for all eligible client-facing Approved Persons.
To support regulatory oversight, I recommend that:

1. Both the individual advisor and corporation remain clearly identified in CIRO's public advisor records.
2. Clients receive plain-language disclosure confirming that the corporate arrangement does not reduce the responsibilities of the individual advisor or Dealer Member.
3. The corporation maintain appropriate books, records, cybersecurity controls, insurance, and business-continuity procedures.
4. All investment-related activities continue to be conducted through the sponsoring Dealer Member's systems and approved facilities.
5. Complaints involving the corporation, its employees, or the individual advisor remain subject to the same complaint-handling and escalation requirements.
6. CIRO and the CSA coordinate with the CRA to provide advisors and dealers with clear tax and reporting guidance before implementation.

Benefits to Government

The incorporated advisor model can promote small-business development, employment, economic activity, and more transparent reporting.
Advisor corporations may hire administrative staff, licensed associates, technology providers, accountants, lawyers, and other Canadian professionals. They also purchase

software, office services, cybersecurity, education, marketing, and professional insurance. Enabling advisors to build sustainable businesses therefore contributes to employment and broader economic activity.

Government would continue to collect applicable corporate income tax and taxes on amounts paid from the corporation to the advisor. Where applicable, corporations would also be responsible for payroll remittances, information reporting, and other statutory obligations.

Payments for services between businesses are subject to CRA reporting requirements where the relevant conditions are met, and the proposed structure should be designed in coordination with CRA reporting rules. y regulated model may improve tax compliance by eliminating uncertainty concerning what portion of compensation belongs to the corporation. CIRO has acknowledged that the current directed commission approach presents tax-compliance risks and that firms currently use inconsistent methods to determine the amount directed to an advisor corporation. Government also benefits when Canadians have greater access to professional financial advice. Better financial planning can encourage household savings, education funding, responsible borrowing, retirement preparedness, appropriate insurance protection, and orderly estate planning. Over time, financially resilient households are better positioned to withstand unemployment, disability, illness, market volatility, and retirement-related expenses.

Other Financial Services Within the Corporation

Advisors should be permitted to provide other regulated financial services through the same corporation where they hold the necessary license, the activity is legally permitted, the Dealer Member has approved it, and conflicts of interest are identified and managed in the client's best interest.

Clients do not experience their finances as separate regulatory categories. A family may simultaneously need investment advice, life and disability insurance, an RESP, an FHSA, retirement planning, and estate-planning coordination.

Forcing an appropriately licensed advisor to operate each component through disconnected business structures can create confusion, duplicate costs, fragmented records, and an inconsistent client experience. A single regulated corporation can improve coordination, if clients are clearly informed which entity and regulator is responsible for each service.

CIRO should also consider permitting multiple Approved Persons sponsored by the same Dealer Member to operate through one corporation. Team-based practices can provide broader expertise, extended service hours, vacation and illness coverage, mentorship for newer advisors, and stronger succession planning. Each advisor should remain individually approved and accountable, and the Dealer Member should maintain full supervisory authority.

Implementation and Transition

An implementation period is necessary because advisors and dealers will require time to:

- obtain legal and accounting advice;
- incorporate or amend existing corporations.
- apply for CIRO approval and any required securities registration.
- execute new agreements.
- update compensation and accounting systems;
- revise client disclosures;
- review insurance coverage;
- establish corporate policies and records; and
- obtain CRA guidance regarding the tax treatment of the arrangement.

CIRO is considering an implementation period of 12 to 18 months following the necessary legislative and regulatory amendments. end a minimum implementation period of 18 months, together with a transition period of up to 24 months for mutual fund advisors currently using directed commission arrangements. Existing arrangements should not be terminated until the advisor has had a reasonable opportunity to obtain all required approvals and transition without interrupting client service.

CIRO should also create an expedited and reasonably priced approval process for corporations wholly owned and controlled by an individual who is already an Approved Person in good standing. Excessive application fees or complicated duplicative registration requirements could prevent smaller advisors from using the option and undermine its intended benefits.

Conclusion

I strongly support CIRO's adoption of an Incorporated Approved Person compensation option.

This reform would recognize the professional and entrepreneurial reality of modern financial advice while preserving the responsibilities of the individual advisor and the Dealer Member. When paired with direct CIRO jurisdiction, dealer supervision, client disclosure, transparent public records, complaint-handling requirements, conflict-of-interest controls, and clear CRA guidance, incorporation can enhance investor protection rather than diminish it.

A sustainable advisor is better positioned to invest in technology, hire and train employees, maintain accurate records, provide ongoing client education, develop a succession plan, and serve clients who may otherwise have difficulty accessing regulated financial advice.

The objective should not be to replace every T4 employment relationship or require every advisor to incorporate. Employment, individual agency, and incorporation should remain available options. The objective should be to provide qualified advisors with a fair, nationally consistent, properly regulated choice that reflects how their businesses operate.

I respectfully encourage CIRO, the CSA, provincial securities regulators, and the federal and provincial governments to proceed with this initiative and to work collaboratively to implement a clear, practical, affordable, and tax-compliant incorporated advisor framework.

Respectfully submitted,

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