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Member Regulation Policy
Canadian Investment Regulatory Organization (CIRO)
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cc:

Trading and Markets, Ontario Securities Commission – TradingandMarkets@osc.gov.on.ca
Market Oversight, Alberta Securities Commission – CIRO-Reporting@asc.ca

Re: Support for Proposed Incorporated Approved Person Compensation Option (CIRO Bulletin 26-0150)

Dear Members and Regulatory Team Members,

First and foremost, thank you for working to advance this initiative. I appreciate your time and effort.

I am writing as a financial advisor with Aligned Capital Partners Inc. express my support for the letter CI Wealth submitted on CIRO's proposed rule amendments relating to the adoption of an Incorporated Approved Person compensation option.

I am also writing to add a few additional observations that I hope might add value to the discussion as outlined later in this letter.

The proposal represents an important modernization of the Canadian wealth management industry. Advisors today operate sophisticated businesses that often provide comprehensive financial planning, retirement planning, insurance, estate planning, and wealth management services to Canadian families and businesses. The proposed framework better reflects the realities of how advisory practices operate while maintaining appropriate regulatory oversight and investor protection.

I believe the proposed incorporated advisor model will create greater consistency across registration categories and eliminate regulatory distinctions that currently result in different outcomes for advisors performing substantially similar functions. This harmonization will support a more efficient and competitive wealth management industry.

The ability to operate through an incorporated structure will also provide advisors with greater flexibility to invest in their businesses, support succession planning, recruit and develop future advisors, and enhance the long-term sustainability of advisory practices. These benefits can ultimately improve access to professional financial advice for Canadian investors.

In CI's letter I'd like to highlight and comment further on one specific section; quoting:

2. Provide Flexible Ownership and Governance Parameters To maximize industry adoption, CIRO should ensure that ownership and governance requirements for incorporated Approved Person entities remain practical and principles-based. The rules should allow Approved Persons flexibility to structure their corporations in a manner that accommodates common business succession, estate planning, and family ownership arrangements, subject to appropriate safeguards and dealer oversight. Excessively prescriptive ownership requirements may reduce many of the benefits the Proposal seeks to achieve

I am in strong agreement with this statement. My opinion is that we are best to stick to a principles based approach rather than setting in place a rigid structure. With that said, if some guardrails are going to be considered I'd advocate that we consider how the Income Tax Act uses their GAAR General Anti-Avoidance Rule (section 245 & 245(4.1a)). A similar rule for us might help us preserve a principal based approach to advisor incorporation, while allowing for a General Anti-Avoidance Rule that ensures individuals and corporations do not enter into structures or arrangements that are meant to circumvent past enforcement action against previously sanctioned individuals and/or promote "misuse or abuse" of the Act.

I am a huge supporter and promoter of the continuation of appropriate investor protection safeguards and dealer supervision requirements. The proposed framework preserves the principle that advisors remain accountable for their conduct while allowing greater business flexibility.

I encourage CIRO to move forward with the proposal and implement a practical transition process that allows existing advisors to adopt the new framework efficiently and with minimal administrative burden.

Thank you for the opportunity to provide my comments and support for this important initiative.

Sincerely,

John Osborne
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Portfolio Manager