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VIA EMAIL ONLY

Re: Response to CIRO Bulletin 26-0150, Proposed adoption of an Incorporated Approved Person compensation option

The Federation of Independent Dealers / Fédération des Courtiers Indépendants (FID-FCI, or Federation) has been, since 1996, a dedicated voice for independent dealers. We represent firms with over a hundred billion in assets under administration and tens of thousands of licensed advisors serving millions of Canadians.

The Federation has long supported levelling advisor compensation, and we support the objective of expanding the incorporation options open to advisors. As we said in our March 2024 submission, investment-dealer advisors should have the directed commission option mutual-fund-dealer advisors have used for more than thirty years without any known harm to investors or dealers. We support the Incorporated Approved Person (IAP) option as an interim step, where it needs no amendment to a provincial securities statute, and on that basis we are happy to see it realized. Where provincial legislation must be opened, CIRO and the CSA should reach higher and open it only for a full new category of registered corporation for full harmonization with other financial services advice providers. We don't support the repeal of directed commissions, and we ask that it be decided in a separate consultation at the appropriate time.

The IAP is the best CIRO could do if constrained to its own rulebook. It brings a corporation to investment dealer firms and maintains investor protection. It also mentions the importance of access to advice. The IAP option is intended to "promote greater investor access to regulated advice" by making it "more financially viable for more individual Approved Persons to enter into or stay in the investment advice profession".[1] We agree with these

[1]CIRO quotes from Bulletin 26-0150 and its Appendix

1. CSA quotes from Position Paper 25-404, New Self-Regulatory Organization Framework (August 3, 2021).

sentiments and accept full CIRO jurisdiction over the securities business these corporations conduct.

What we do not support is levelling by elimination. As drafted, the proposal repeals a proven model and forces thousands of established corporations into the single narrow form, without certainty of the improved tax position held out to justify the endeavour. For an advisor whose dealer declines to offer the IAP, or whose corporation can't meet its ownership criteria, the repeal ends incorporation outright and potentially affects an advisor's livelihood and the access to advice it represents for Canadians.

CIRO has said it wants to build trust with its members. Directed commissions are a long-standing permission that advisors, dealers and their families have relied on for decades in organizing their businesses, their tax planning and their retirements. Withdrawing that permission when no harm to investors has been identified puts at risk the goodwill CIRO needs from the firms it regulates. It would require thousands of existing corporations to be restructured, at real cost to advisors, dealers and clients, for no increase in revenue to any of them and no added protection for investors.

Our first request is for CIRO to take repeal of directed commissions out of this bundle and decide it in a separate consultation that includes a question on grandfathering. Directed commissions should stay until the IAP, or optimally the registered corporation, is available in every province and territory. Implementation should wait for published guidance or technical interpretation from the CRA that the proposed IAP corporation is not a Personal Services Business (PSB) and that its service income is active business income. We also ask CIRO to open the IAP to teams, family trusts, holding companies, regulated financial services owners and corporate insurance licences. CIRO's approval of owners should only consider registrability issues, and an actual quantified cost/benefit analysis should be published before final rules. That analysis should include the tax cost to existing Canadian-controlled private corporations (CCPCs) of unwinding shared and family ownership.

In the longer term, we look to the CSA for the registered corporation it described in 2021, on the model of the corporate insurance licence. The CSA can grant the IAP's exemption now in the interim while considering how best to draft the new harmonized corporate registration category.

Client continuity

CIRO rates the proposal's effect on clients as neutral, because "existing investor protections will continue to apply irrespective of which approach is used". That assessment covers the rules that protect a client, not whether the practice serving that client is able to continue when the advisor needs to transition out.

CIRO's advisory committee members told it that the ability of teams to provide a range of financial services "was important from a continuity and cost of client service standpoint", and shared ownership would "enable the smooth transition of ownership from one set of financial services advisor corporation owners to another". CIRO developed proposals and discussed them with CSA staff, then decided not to propose them. A corporation owned by a team gives a client continuity. A junior advisor buys in over time, and when the senior advisor retires the client stays with people who already know the file. The IAP as drafted has one voting shareholder, who is also the sole director; if that advisor dies or is incapacitated, nobody can act for the corporation. An advisor who is forced to move insurance into a second corporation leaves the client facing two entities for a single relationship.

Many advisors are planning or carrying out their succession now. The proposal puts at risk the enterprise value

these entrepreneurial advisors have built, because a practice is worth less to a successor who can't share ownership or acquire it in stages.

A wind-down that collapses a staged succession into a single sale, or forces the buyout of the partner who was intended to take over the book, upsets both the advisors business and the client relationship when they have to repaper, etc. We ask CIRO to factor in continuity for clients along with succession when setting the ownership and director rules, and to assess the repeal's effect on the clients of existing corporations before the repeal is decided.

Access to advice and new distribution models

The proposal also closes off distribution models that are only now emerging. Independent dealers and advisors see an opportunity to have a corporation engage several salaried advisors to serve clients together, spreading the cost of compliance, technology, administration and service across a team. The directed-commission framework does not prevent that model. The IAP does: it permits one client-facing Approved Person per corporation. Smaller clients stand to gain the most from this kind of team, because a stand-alone practice often cannot serve them at a cost they can afford. Without it, fewer advisors will be able to serve them. That is contrary to the stated purpose of the IAP, which is to promote investor access to regulated advice. We ask CIRO to permit a corporation to engage multiple client-facing Approved Persons sponsored by the same dealer, whether they are owners or salaried, each registered with and supervised by the dealer.

Directed commissions

The proposal repeals the directed-commission option and phases it out "over a period commencing on the date the incorporated advisor compensation option becomes available". The option cannot be used anywhere until the CSA's legislative work is in force: registration or exemption for the corporation, and amendments to NI 31-103 and securities legislation that need ministerial approval in some jurisdictions. That work will arrive unevenly across provinces. An advisor should be able to move to the IAP as soon as it is available in every province where that advisor is registered, and no advisor should lose directed commissions until it is available in every province and territory. Dealers and advisors registered in several provinces cannot run a structure that's allowed in one province and not the next. A phase-out that precedes implemented legislation leaves advisors without a corporation and with only the high-taxed options of either employee or agent.

The proposed consolidated CIRO Rules already carry the directed-commission *permission* in 2302(3). This proposal appears to remove those existing permissions.

This consultation asks how to build the new option, while also repealing the current one. No question is whether directed commissions should end, only how long the wind-down should be. The repeal is mandatory while the replacement is optional. Dealers "will not be required to make the new incorporated advisor arrangement option available," but the directed-commission option is phased out completely. An advisor at a dealer that chooses not to offer the IAP option loses their corporation and receives nothing instead. There is no estimate of how many advisors that is, because no dealer has yet decided, and the Bulletin is silent on what follows if no dealer offers the option. No advisor can tell today whether their corporation will fit the replacement, and no dealer can evaluate the costs and benefits of offering it.

The repeal has no investor-protection case. CIRO rates the long-term effect on clients as neutral. The reasons it

gives for ending directed commissions are tax compliance risk and differences between firms in how much compensation is directed. Tax compliance is for the CRA to judge. The MFDA itself, proposing the current rule in 2009, estimated that a high proportion of the roughly 40,000 Approved Persons outside bank-owned dealers would rely on directed commissions, and reported that "despite these large numbers and the fact that the suspension has been in place for several years, the MFDA has not identified any regulatory concerns."[2]

Nor does the corporate form change who is accountable to the client. Every client's know-your-client record names the individual Approved Person responsible for the account, and the dealer sponsors and supervises that individual for all registrable activity. Under directed commissions the corporation performs no registrable activity; the individual does, and the dealer's supervision and CIRO's jurisdiction attach to that individual. Who owns shares in the corporation that receives the advisor's compensation, whether a business partner, a family member or a family trust, does not change who advises the client or who is supervised. Narrowing the ownership of the corporation adds no protection for investors, while it removes the structures advisors use for succession and family planning.

The Bulletin calls its rules "harmonized" throughout and traces its mandate to the CSA's 2021 position paper, whose solution was headed "Harmonizing Directed Commissions". That paper's preliminary view was that the new SRO should propose a rule that "would permit directed commission arrangements for registered individuals sponsored by any type of dealer member of the New SRO."[3] In contrast, this proposal repeals them. It harmonizes the two CIRO rulebooks with each other, and the corporation it offers matches or harmonizes with nothing. MFD firms agreed to vote in favour of the SRO merger on the understanding, discussed with IIROC and MFDA leadership, that the new SRO would leave their advisors' corporations intact. Of the twenty-one firms that commented in CIRO's first consultation, none asked CIRO to end directed commissions, and twelve asked to keep them or extend them to investment dealers. Seventeen of the twenty-three commenters who addressed the question supported keeping a directed-commission approach in place while a corporate option is built. FAIR Canada was the only commenter to raise repeal, and only as an option to consider if tighter controls proved inadequate. We are not aware of any evidence that those controls are inadequate.

The only transition offered is a wind-down. A wind-down eliminates existing corporations on a schedule; grandfathering would leave them standing. A transition period doesn't reduce costs, just delays them: buyouts of co-owners, trust unwinds, liquidations and collapsed successions.

CIRO rejected an interim option because firms and advisors "would have to change the compensation option they used on two occasions," which it found burdensome. The repeal imposes the same double-change on every advisor in a province or at a dealership where the replacement isn’t available.

We request that CIRO remove the repeal of the directed-commission structure from this package. It should be

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[2]MFDA, Proposed Amendments to MFDA Rule 2.4.1 (June 19, 2009), approved March 26, 2010, (2010) 33 OSCB 2757, https://www.osc.ca/en/industry/market-regulation/self-regulatory-organizations-sro/mutual-fund-dealers-association-canada/mfda-rule-review/proposed-amendments-mfda-rule-3.

[3]CSA Position Paper 25-404, New Self-Regulatory Organization Framework (August 3, 2021), s. 4(g), https://www.osc.ca/sites/default/files/2021-08/csa_20210803_25-404_new-self-regulatory-organization-framework_0.pdf.

decided in a separate consultation with its own impact assessment once the IAP is available and the CRA's position is clarified, with grandfathering included as a specific question. Existing directed-commission corporations and their dealers should be able to opt out of the IAP and keep directed commissions until a registered corporation is available to advisors in every province and territory, at which time a transition plan and sunset should be evaluated. Keeping directed commissions preserves advisor freedom and independence.

If CIRO keeps the repeal in this package, we ask the CSA not to approve it. If it's approved regardless, the directed-commission option should remain available for five years after the IAP is available, particularly where a dealer chooses to not offer the IAP option. No advisor should be required to unwind a structure that continues to meet investor-protection outcomes.

Effect on existing CCPCs and shared ownership

We understand that most advisor corporations are Canadian-controlled private corporations (CCPCs). Their value to the advisor depends on tax attributes built up over many years, and those attributes are easily lost in a forced reorganization. Shared ownership is the clearest example. Advisors have brought in a partner, a junior advisor, a spouse or children, directly or through a family trust or holding company, as part of family and succession planning. The proposal requires each of those arrangements to be unwound, and unwinding is not a neutral event. It can trigger immediate tax on gains, undo planning that took years to put in place, and add legal and accounting costs for every corporation. The losses and tax liabilities fall on existing corporations and their owners, and none of this is needed to protect a client.

We ask CIRO to assess, for existing CCPCs, at least the following. Each depends on the facts of the corporation and should be confirmed with tax advisors.

- Small business rate: access to the small business deduction depends on CCPC status and on how the shares are held and associated. A forced reorganization, a wind-up or a PSB reassessment can end the small business rate, leaving income taxed at personal rates or at the PSB rate described below.
- Capital gains exemption: a shareholder selling shares of a qualifying small business corporation can claim the lifetime capital gains exemption only if holding-period and asset tests are met. Forcing out a co-owner or family shareholder, or moving the business into a new corporation, puts those tests at risk and can turn a sheltered gain into a taxable one.
- Family trusts and estate freezes: these were designed around the facts and tax rules in place when they were set up. Collapsing them can trigger tax on accrued gains, the tax-on-split-income and attribution rules affect how family members can be removed or paid, and recreating the planning later means starting again at new cost and risk.
- Holding companies: redemptions, wind-ups and dividends within a holding structure raise anti-avoidance and safe-income questions, and each step needs its own tax advice.
- Tax accounts and losses: a change of control or a wind-up can restrict or extinguish carried-forward losses, the capital dividend account and refundable tax balances, and a new corporation starts without them.

These costs arise only because the rule changes. The advisor's clients, products, fees and supervision stay the same, and the repeal creates no new revenue for advisors or dealers. Existing corporations should be

grandfathered, and CIRO should quantify the tax cost of the repeal to existing CCPCs before it is decided.

The CRA question

The option's entire benefit depends on the CRA not treating the advisor's corporation as a PSB. A PSB is taxed at the top rate and loses most expense deductions. The proposal states it offers "greater tax certainty" without mentioning PSB rules, and doesn't substantiate the purported improvement. The only CRA engagement disclosed is "generally neutral" links to cases and website materials. We raised the PSB risk in 2024, and still don't see the certainty required to collapse every existing directed-commission corporation in favour of this model. That very risk has been built into this proposal. The corporation has one owner, who is its sole director. *The proposal buys CIRO's jurisdiction with features that invite PSB tax treatment, and trades one tax risk for another.* A directed commission risks being taxed as the advisor's own income, which in Ontario means at most the top personal rate of 53.53 per cent. An IAP corporation risks being taxed as a Personal Services Business: 44.5 per cent in the corporation, and about 66.3 per cent in total once paid out to the advisor as a dividend.[4]

	Directed commission (today)	IAP (proposed)	Registered corporation (future state)
Who performs the registrable activity	The individual Approved Person. The corporation may not.	The corporation, through its one client-facing Approved Person, once registered or exempt.	The corporation, registered in its own right.
Whose revenue?	Paid to the corp. at the advisor's direction, under the tri-party agreement. CIRO's concern is compensation that is earned outside a corporation but reported as its revenue.	The corporation's.	The corporation's.
PSB exposure	Present: one sponsoring and supervising dealer.	Present, and the design adds to it: a single owner who is also the sole director, with all securities business for one dealer run through the corporation.	Lower: a registrant carrying on its own business, as professional corporations do.
CRA position	None on directed commissions. CIRO cites unspecified "tax compliance risks".	None. CRA staff feedback was "generally neutral".	None. The CSA's view is that it "would not seem problematic from a tax perspective".
Ownership	MFD Rule 2.4.1 does not restrict ownership. Teams and families, directly or through family trusts, are owners today.	The client-facing Approved Person must be sole voting shareholder and sole director. Only family may hold non-voting shares.	The new registration category would set ownership rules, presumably using the corporate insurance licence as the model.
Harmonization across channels	Mutual fund dealing representatives only; never permitted for investment dealer representatives. The same	One rule for investment and mutual fund dealers. Matches no insurance structure: insurance only through the	One model for every dealer and advisor, harmonizing with the corporate insurance licence.

[4]Combined federal and Ontario rates for 2026: top personal rate 53.53 per cent; personal services business income 44.5 per cent (federal 33 per cent, Ontario 11.5 per cent); eligible dividends at the top rate 39.34 per cent, for about 66.3 per cent in all on PSB income paid out as a dividend.

1. CSA quotes from Position Paper 25-404, New Self-Regulatory Organization Framework (August 3, 2021).

	Directed commission (today)	IAP (proposed)	Registered corporation (future state)
	corporation can carry an insurance business.	one advisor, with dealer approval.	
What it needs	In force today, for mutual fund dealing representatives only.	CSA amendments to NI 31-103 and, in some or all jurisdictions, securities legislation.	A new registration category. In Ontario, that means the Securities Act.

CIRO's stated intent is away from PSB treatment. The option is "in substance a self-employed worker arrangement", and dealers are expected to benefit from "transferring the risk of profit/loss" to the advisor. The CRA's new 2026 GST/HST Notice 344 already treats trailing commissions as payment for ongoing service by advisors, including independent advisors who are not dealer employees.[5] The CRA treats a corporation as a PSB only when all five of its conditions are met. The IAP as proposed meets three of them. The outcome then turns on staff size, and on whether, without the corporation, the advisor "would reasonably be considered an employee" of the dealer.[6] A PSB review weighs what the parties intended, and who bears the risk of loss. The CRA could settle the question by simply confirming that a corporation under the IAP framework is not a PSB. CIRO should present this case to the CRA for confirmation before individual advisors have to find out in audits. We ask that any decision on implementation wait for that clarity to be available.

At a minimum, CIRO should publish its CRA correspondence and/or seek a technical interpretation, or request CRA publish guidance on the model arrangement before the rules are finalized.

The insurance model

The insurance model is the *more* supervisable structure, because the corporation is a recognized entity with its own licence and E&O, and a regulator for each line of business. We understand the supervisory concern that a multi-licensed practice under one roof could make it harder to see who is doing registrable work. The directed-commission rule already addresses it via an agreement. The corporation must open its books and records to the dealer and its regulators, and the dealer keeps the same liability to clients.

Provincial regulators license advisor-owned insurance corporations directly. For decades, insurance-licensed advisor corporations have held their own E&O, contracted with insurers and MGAs, employed licensed staff and earned commissions. The proposal only accommodates one dual-licensed Approved Person to conduct insurance activities within the IAP corporation. We ask for the rest of the model to be harmonized; the corporate registration category granted so that securities teams can co-own a practice and pass it on as well. Since 2002, BC Instrument 32-503 has exempted mutual fund advisors' corporations from dealer registration in receiving

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[5]Canada Revenue Agency, GST/HST Notice 344, Application of the GST/HST to Mutual Fund Trailing Commissions (May 2026), https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/notice344/application-gst-hst-to-mutual-fund-trailing-commissions.html.

1. CSA quotes from Position Paper 25-404, New Self-Regulatory Organization Framework (August 3, 2021).

[6]Canada Revenue Agency, "Determine if the worker's corporation is carrying on a PSB" (modified June 2, 2025), https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-income-tax-return/tax-implications-personal-services-business/factors-psb.html.

commissions and fees from their dealer, where the dealer is liable by written contract for the corporation's acts and omissions in its securities business. The instrument covers a corporation "all of whose directors, officers and shareholders are approved persons of the same dealer or family members of those approved persons." Ontario permits several lawyers to own one professional corporation. This proposal is more limiting than both.

Today's directed-commission corporation belongs to the advisor. It can carry on other lines of business and pass to a successor. Its shareholders can include other advisors and the advisor's family, directly or through family trusts. We ask CIRO to permit multiple client-facing Approved Persons (APs) of the same dealer to work through and hold shares, and to permit the family trusts and holding companies advisors use for ownership and succession. If CIRO wants the corporation tied to its advisor, it could require at least one client-facing AP among its owners, rather than making that person the only voting shareholder. Regulated financial services entities licensed by FSRA or its provincial equivalents, such as credit unions and insurance intermediaries, should be permitted to hold shares in an advisor corporation (and vice versa) or to receive directed remuneration, as they may do today.

Approval scope and capacity

The proposal requires CIRO to approve each corporation and its owners. Non-securities activities need CIRO's approval as well. The volume assumes capacity CIRO doesn’t have. Members report registration approvals running weeks longer since the CSA delegated the remaining registration functions to CIRO. The likely results are a backlog.

Unbounded owner-approval inserts CIRO into an advisor's ordinary corporate decisions, from minority buy-ins to a transfer within the family to succession. Routine ownership changes, such as these should be notice, rather than approval and CIRO's approval should not reach non-securities businesses that have long been governed by corporate, employment, tax and insurance law. We ask CIRO to bind owner-approval to registrability concerns (unsuitable beneficial owners, prohibited persons).

Cost/benefit analysis

The proposal's case for proceeding is qualitative and unidirectional: near-term impacts are assessed as "minor negative" to "negative" and longer-term as "positive", with no methodology and no quantification. CIRO's account of what thousands of mutual fund advisors must do is simply four words: "will have to transition".

The gap is not peculiar to this proposal. The C.D. Howe Institute's third annual scorecard of Canadian financial regulation finds formal, transparent cost-benefit analysis "largely absent" from regulatory decision-making. Even where a regulator is required to perform one, the scorecard finds it difficult to tell what quantitative assessment took place.[7] Its prescription is the one we ask of CIRO: where cost-benefit analysis is expected, it should be public and conducted against a consistent, predictable standard. The United Kingdom's Prudential Regulation Authority publishes its cost-benefit assessments and has an outside panel review them, and Australia weighs each major new rule against doing nothing.[8] For MFD directed-commission arrangements, doing nothing may be the prudent

[7] C.D. Howe Institute, Walking the Tightrope: Canada's Financial Regulatory Scorecard, Year Three, Commentary No. 726 (Toronto, August 18, 2026), https://cdhowe.org/publication/walking-the-tightrope-canadas-financial-regulatory-scorecard-year-three/.

[8] C.D. Howe Institute, "Canadian financial regulators keep the bill off the books," September 8, 2026, also published in the Financial Post, https://cdhowe.org/publication/canadian-financial-regulators-keep-the-bill-off-the-books/.

path at this juncture.

The Bulletin gives no dollar figure and no detail regarding affected advisors or corporations. For investment dealers, the near-term costs it lists are signing a tri-party agreement and revising how compensation and expenses are allocated. It lists no cost for winding down the corporations mutual fund advisors use today. Dealers also bear the cost of overseeing the transition.

The Bulletin also identifies no increase in revenue, for advisors, dealers or clients, to set against these costs. The same clients buy the same products at the same fees under the same supervision. What the repeal produces is work: new agreements, new corporations, legal and tax advice, new filings and rebuilt dealer systems, none of which earns anything.

The impact table misses the hardest-hit advisors. A mutual fund advisor whose dealer doesn't offer the new option is rated "Neutral" in the near term. That advisor loses the corporation, and income once kept in it at the small business rate is taxed at personal rates of up to 53.53 per cent in Ontario. Advisors in a province whose legislation is implemented late are missing too: the Bulletin identifies no regional impacts.

The omission matters more here than in a routine consultation. The long-term "positive" assessments rest on the tax benefit of incorporation. If the CRA treats IAP corporations as PSBs, the benefit doesn't reduce; it actually turns negative, because advisors will have paid to reorganize. The population is large, and the costs fall unevenly. An advisor with a simple corporation may move at little cost, while others must unwind family trusts and co-ownership, or lose the corporation where their dealer does not offer the option.

Before final rules are submitted for CSA approval, we ask CIRO to publish a quantified cost/benefit analysis covering: the affected population of advisor corporations; the tax cost to existing CCPCs, including those with co-owners, family trusts or holding companies; the estimated one-time transition cost per advisor and per dealer; the ongoing compliance cost of the proposed new requirement of dealer oversight of IAPs; the assumed tax treatment and its sensitivity to adverse CRA assessment; and the estimated benefit under each assumption, with the proposal's "positive" long-term case restated under a scenario in which the tax risk materializes. Until CIRO can produce these figures, the repeal should wait for a consultation of its own.

Real harmonization: a registered corporation

The end point is already on the record. In 2021 the CSA sketched a two-step path for the new SRO: directed commissions for every dealer now, and a corporation registered in its own right as the long-term structure. The CSA said that corporation "would not seem problematic from a tax perspective".

The IAP is the most an SRO can build within its own rulebook. The CSA is weighing two approaches: exempting advisor-owned corporations from registration, or registering them in "a new less burdensome category of non-individual registration". Like regulation for like activities points to the new category: it alone gives advisors a registered corporation that harmonizes with the insurance distribution channel. It is also the slower route: an exemption can come by order or rule, as directed commissions did, while Ontario's non-individual registration categories sit in the Securities Act. When provincial and territorial officials consulted on the question in 2011, 59 of 63 submissions supported a statutory incorporation model.[9] Saskatchewan in 2012 and Alberta in 2014 then

[9]Provincial/territorial Working Group, Consultation on Possible Options for the Incorporation of Individual Representatives

passed amendments permitting incorporated salespersons; as of 2021, neither had been proclaimed.

We ask CIRO to describe the IAP in the rule as an interim structure, pending a registered corporation, and to keep the Registered Corporation option, or an explicit hybrid. The Bulletin notes the only difference is "the means by which CIRO obtains jurisdiction". We ask the CSA to grant the exemption now, by order or rule, and to begin drafting the new registration category on the model of the corporate insurance licence. A jurisdiction that would have to amend its securities statute for the IAP should make the amendment that creates the registered corporation instead. Once a registered corporation is available to every CIRO firm, the IAP should be retired and IAP corporations should become registered without a second reorganization.

In closing, the Federation thanks CIRO for advancing an option the independent channel has long sought, and for the chance to comment. Our aim is a rule that brings incorporation to investment dealer representatives without taking it from the mutual fund advisors who rely on it today. We would welcome a discussion with CIRO and CSA staff on the timing of the repeal, the CRA question, the ownership rules, the tax consequences for existing CCPCs and the cost/benefit analysis.

Regards,

Matthew T. Latimer, Executive Director

Federation of Independent Dealers / Fédération des Courtiers Indépendants

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of Registered Dealers and Advisers in Canada: Summary of Consultation Responses (June 2011), Part 2, https://fcaa.gov.sk.ca/public/CKeditorUpload/Securities/2011/August/Incorporation_of_Sales_Representatives/2011-0728-consultation-incorporation-dealers-summary-of-responses.pdf.

Appendix: Questions

Part A, Allowable other business activities within an advisor-owned corporation

A1. Should the proposals restrict the financial services that may be offered from within an advisor-owned corporation to the above detailed financial services? Please also provide your response rationale.

No. Neither the proposed rule nor the Bulletin says what "ancillary" means or how CIRO will decide, so a dealer asked to approve an activity in advance has no criteria. The second branch already requires the advisor to be qualified in the province and not prohibited; an added CIRO determination duplicates the licensing regulator's test. Permit any Canadian financial services activity for which the individual holds the licence or credential the activity requires, and rely on the restrictions the proposal already contains: not contrary to securities law, not bringing the industry into disrepute.

A2. Please detail any impact of prohibiting the client-facing Approved Person from providing services other than those detailed above within their corporation on existing activities or legal structures currently used by dealing representatives.

Existing corporations that also offer tax preparation or other services that need no licence have no assurance CIRO will find that work ancillary. The advisor must drop it or move it to a second corporation, which duplicates the accounting and filing costs.

A3. What types of financial services other than those listed above should be permitted to be conducted within a corporation by its client-facing Approved Person owner?

Life and A&S insurance, segregated funds, financial planning, mortgage brokering, deposit products, and tax and estate services, in each case where the individual holds the licence or credential the service requires.

A4. Should there be any restrictions on the other financial services that may be offered through a corporation owned by a client-facing Approved Person owner that are performed by the same client-facing Approved Person?

Only that the individual holds the licence or credential the service requires and is not prohibited in the jurisdiction. Anything beyond that has CIRO regulating conduct where it has no mandate.

A5. What level of supervision or oversight over the other financial services related activities conducted by the client-facing Approved Person within their corporation should be performed by the sponsoring Dealer Member?

None over the conduct of the activity itself. The dealer supervises the securities business and receives enough information to identify conflicts and meet its outside-activity obligations. Insurance and mortgage conduct belong to their own regulators.

A6. Are there conflicts of interest that can arise by allowing the client-facing Approved Person to conduct other regulated financial services within their corporation? If there are conflicts, can they be managed in the best interests of their clients?

The conflicts are the ones dealers and advisors manage today wherever an advisor holds an outside licence. The corporate model doesn't change them, and dealers can manage them in clients' best interests under the existing conflict rules. If CIRO has identified a conflict that arises from the corporate form itself, we ask CIRO to describe its details.

A7. Should the proposals be revised to permit an advisor-owned corporation to employ: (a) multiple client-facing Approved Persons sponsored by the same Dealer Member? (b) one of more qualified individual financial services advisors to provide other financial services to clients?

Yes to both. Independent practices are often teams, and one advisor per corporation forecloses the internal succession by which a junior advisor buys in over time. A one-advisor limit also rules out models in which a corporation engages several salaried advisors to serve clients together, which keeps the cost of service low enough for smaller clients.

A8. If the proposals are revised to permit an advisor-owned corporation to employ one of more qualified individual financial services advisors to provide other financial services to clients, are there any conflicts, or risks to clients arising from employees being subject to different statutory duty of care standards within the advisor-owned corporation?

No new risk. A dual-licensed advisor already owes securities and insurance duties, inside or outside a corporation, and manages them by disclosing the capacity in which they act. Keeping other advisors out of the corporation leaves the client contracting with several entities for a single relationship.

Part B, Ownership and control of an advisor-owned corporation

A registered corporation would settle these ownership questions. Our answers apply to the IAP only while it remains the interim structure.

B1. Should a corporation or family trust be allowed to hold shares of the corporation, if the shareholders/beneficiaries are the client-facing Approved Person or their family members? Should the family trust or holding corporation be allowed to hold only non-voting shares or also voting shares, and if voting shares, to hold sufficient voting shares to control the corporation?

Yes, including voting shares sufficient to control it. Trusts and holding corporations are the ordinary vehicles for succession and tax-efficient transition. CIRO's supervision line runs down to the individual Approved Person and is unaffected by whether that person holds shares directly or through a vehicle they control. Family trusts and holding companies also carry estate-freeze and income-sharing planning set up for existing CCPCs, and prohibiting them forces that planning to be unwound at the tax cost described in our answer to C2.

B2. Is the proposed use of the "related person" definition to determine those family members that are allowed to hold non-voting shares of the corporation too restrictive or not restrictive enough? Please provide your rationale.

Too restrictive. A tax definition shouldn't decide who may own a business. It admits relatives with no part in the practice and excludes a long-standing business partner who is not family. Anyone the sponsoring dealer has no registrability concern about should be able to hold shares.

B3. Should "related persons" of the client-facing Approved Person, who are not themselves a client-facing Approved Person of the same sponsoring Dealer Member, be allowed to own shares in the corporation? Should they be allowed to hold only non-voting shares or also voting shares, and if voting shares, to hold sufficient voting shares to control the corporation?

Yes, including voting shares sufficient to control. When an advisor dies, a share-transfer restriction should not extinguish their family's interest in the practice.

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? Does your answer change if the other client-facing Approved Persons are "related person" family members operating within the corporation?

Yes to both, and the answer does not change for related persons. Related or not, each Approved Person is sponsored and supervised by the same dealer. Every client's know-your-client record names the Approved Person responsible for the account, and the dealer supervises that person's registrable activity whoever else owns the corporation.

B5. Should individuals who qualify as a "qualified individual financial services advisor" (as defined within the proposals), who are not themselves a client-facing Approved Person, be allowed to conduct business within and own shares in the same corporation? Should they be allowed to hold only non-voting shares or also voting shares, and if voting shares, to hold sufficient voting shares to control the corporation? Does your answer change if the "qualified individual financial services advisors" are "related persons" of the client-facing Approved Person operating within the corporation?

Yes, including voting shares sufficient to control. The answer does not change for related persons.

B6. Is the proposed requirement that the client-facing Approved Person must be the sole director of the corporation too restrictive? Please provide your rationale.

Yes. A sole-director rule bars an outside director, whether for governance or estate planning, and on the advisor's death or incapacity no one can act for the corporation. The supervisory objective is met if the individual responsible for the securities business is a client-facing Approved Person of the sponsoring dealer, or if a majority of directors are.

Part C, Implementation

C1. Do you agree there is a need for an implementation period for these proposals and, if so, what do you think would be an appropriate implementation period and why?

Yes: no less than two years, beginning when the enabling registration and legislative amendments are in force in every province and territory. Until then an advisor cannot lawfully complete the structure. CIRO's contemplated range of 12 to 18 months treats the change as administrative. Dealers must draft tri-party agreements and rebuild compensation and expense systems while their registration staff process every advisor at once, and CIRO must be ready to approve corporations in volume. The CSA's chargeback amendments of October 8, 2026 extended their implementation period from six months to 24 for similar kinds of reasons.

C2. Please describe any issues for mutual fund dealing representatives that currently direct commissions to their corporations to transition to the proposed incorporated advisor compensation option. What would be a reasonable transition period to address those issues?

The premise should change: the repeal should be decided in its own consultation once the option is available everywhere. Existing corporations often carry insurance, planning, mortgage or tax work, and many have a fellow advisor or family members, directly or through a trust, holding voting shares. Depending on its share register and its dealer, an existing corporation faces the following:

- Partners and successors who have bought in must be paid out at fair value, and they pay tax on the gain

in the current year.

- Unwinding a family trust or estate freeze carries a tax cost that depends on who the beneficiaries are, and ends the planning it was built for.
- Where the dealer doesn't offer the IAP, the corporation is wound up: retained earnings come out as taxable dividends, and the advisor's commissions are taxed at personal rates.
- In a province whose legislation is implemented late, the advisor unwinds now and incorporates again later, and the new corporation starts without a capital dividend account or carried-forward losses.
- Where the dealer won't approve insurance within the IAP, the insurance business moves to a second corporation, and the insurer and MGA must each consent to moving the contracts and the book.
- Credit unions and insurance intermediaries that hold shares or receive remuneration must exit.
- A buy-in planned over several years becomes a single sale on a single day, and the whole gain is taxed at once.
- The tests for the lifetime capital gains exemption on shares of the corporation are put at risk, and a co-owner or family shareholder who is forced out can face tax on a gain that would otherwise have been sheltered.
- Family members who hold shares directly or through a trust must be removed, and the tax-on-split-income and attribution rules, and the trust's 21-year deemed disposition date, affect how and when that can be done.
- Carried-forward losses, the capital dividend account and refundable tax balances may be restricted or lost on a change of control or wind-up.
- Licensed associates the corporation employs, such as insurance agents, can't work within the IAP as proposed and must move to another employer. Where the corporation is wound up, its other staff must be taken on by the advisor or let go with notice or pay in lieu.
- Leases, bank loans secured on the shares or the book, personal guarantees and supplier contracts must each be re-papered with the other party's consent.

Each step needs legal and tax advice, and each existing corporation needs at least two fiscal year-ends to settle its tax position. None of this work produces additional revenue for the advisor or the dealer.

If CIRO proceeds by transition regardless: five years from the date the enabling amendments are in force in every province and territory, and no advisor required to unwind a structure that continues to meet investor-protection outcomes.