

Via Email

March 25, 2024

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Dear Sirs/Mesdames:

**Re: Policy Options for Leveling the advisor compensation playing field**

This letter responds to the request for comments dated January 25, 2024, by the Canadian Investment Organization (“**CIRO**”) on the Position Paper, Policy options for leveling the advisor compensation playing field.

Richardson Wealth recognizes the concrete effort that CIRO has made to move forward with leveling the playing field to allow payment of advisor compensation to advisor-owned corporations for all dealer-members. We are pleased that CIRO has continued to advance this important industry-wide issue and make it one of their priorities in 2024.

Richardson Wealth is one of Canada’s leading independent wealth management firms. We have over 160 advisor teams across Canada who are focused on providing strategic wealth advice and innovative investment solutions to their high-net-worth clients. Richardson Wealth offers our advisors industry leading core technology, a robust product shelf, access to estate and tax specialists and a culture focused on treating our

Advisors as clients, that enables them to deliver valued advice and services to their existing clients and attract new ones.

Richardson Wealth believes that its wealth advisors should have the ability to “professionally incorporate” like lawyers, doctors, accountants, and other professionals across the country and enjoy the benefits of professional incorporation. Any amendments to securities regulations should recognize the wealth management industry as a profession and permit the ability of its professionals to benefit from the advantages associated with professional incorporation.

At present, unlike advisors under the MFDA rules, investment dealers are not able to enjoy the benefits of directed commissions including potential personal and tax planning benefits and efficiencies. To our knowledge, there is no evidence of retail investors being negatively affected because of MFDA advisors directing their commissions to unregistered corporations. The current MFDA rules ensure that this practice does not impact the duties, obligations, or liabilities of the MFDA dealer or dealing representatives. Expanding the current MFDA practice to investment dealers would level the playing field between all professional advisors licensed with CIRO.

CIRO has proposed an enhanced directed commission approach, rather than proposing to extend the current MFDA practice to investment dealers. Richardson Wealth encourages CIRO to act as soon as possible to level the playing field by adopting the current MFDA practice or, alternatively, the proposed enhanced directed commission approach provided that compensation for both registered and non-registered activities can be directed to the corporation under the enhanced approach.

CIRO has also proposed two other approaches, incorporated approved person and registered corporation. Richardson Wealth is concerned about the potential length of time that will be involved for the regulators and legislators to amend securities laws and regulations to permit either of these approaches. Without an incorporated approved person being able to conduct registered activities and receive compensation for those activities, there would be little value for the investment advisor to incorporate. Registerable activities performed by the incorporated approved person and for which an incorporated approved person can receive compensation must be permitted for an investment advisor to benefit from such an arrangement in the same manner that MFDA advisors and other professional do today.

CIRO has explained that the incorporated approved person could only engage in registerable activities within the corporation subject to securities legislation being implemented and approved by provincial and territorial securities regulators. CIRO has also noted that the incorporated approved person, with the ability to engage in both non-registerable and registerable activities, would impose less incremental burden on approved persons, dealers, CIRO and the CSA registration staff, than would be introduced under the registered corporation approach. Richardson Wealth advocates for a long-term solution that will provide advisors with the benefits of professional incorporation and will not create additional regulatory burden, can be operationalized efficiently by dealers and its advisors, and can be implemented by the regulators in a timely manner.

Until a long-term solution is implemented, Richardson Wealth supports an interim solution that would allow investment dealers the benefits of the current MFDA practice, or an enhanced directed commission approach that is consistent with the current MFDA approach that permits compensation for all business conduct, registered and non-registered to be directed to the corporation.

## **Responses to CIRO's Specific Questions:**

### ***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.*

### **Response:**

As discussed above, Richardson Wealth prefers an interim option that allows for the current MFDA practice, or, in the alternative, use of an enhanced directed commission approach provided that compensation for both registered and unregistered activities can be directed to the corporation, while CIRO pursues either incorporated approved persons that permits registerable activities to be performed by the incorporated approved person or a registered corporation.

### ***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?*

### **Response:**

CIRO's rules should provide clarity to dealers and advisors as to (i) the activities that approved persons and the corporation would be able to engage in within the corporation; and (ii) the ability to direct compensation for both registered and non-registered activities, in respect of both the enhanced directed commission and incorporated approved person or registered corporation approach, as applicable.

### ***Question #3***

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

### **Response:**

Richardson Wealth encourages CIRO to provide more information with respect to the timing required to implement both an interim and long-term solution, including the amendments required to securities laws and

regulations to permit the use of an incorporated approved person approach where the activities of the corporation are to include registerable activities and for the registered corporation.

We appreciate the opportunity to provide comments and welcome the opportunity to discuss the foregoing with you in further detail. If you have any questions or require further information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Dave Kelly', with a large, stylized flourish.

Dave Kelly  
Chief Operating Officer  
Richardson Wealth Limited