CANADIAN FORUM FOR FINANCIAL MARKETS
FORUM CANADIEN DES MARCHÉS FINANCIER
www.CFFiM-FCMFi.ca

November 17, 2025

**Submitted via E-Mail**

Attention:

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Dear Sirs/Mesdames:

## RE: CSA MARKET UPDATE – INCORPORATED APPROVED PERSON APPROACH

The Canadian Forum for Financial Markets/Forum Canadien des Marchés Financiers (the "**CFFiM**") is a values-driven, purposeful, and reform-minded organization. The CFFiM is dedicated to advancing initiatives that improve the health and competitiveness of Canada's financial markets for the greater good. The CFFiM works to provide constructive analyses and recommendations to stimulate capital raising, regulatory modernization, and inclusive financial growth in Canada.

The CFFiM writes with respect to the Canadian Securities Administrators' ("**CSA**") market update dated October 29, 2025 (the CSA "**Market Update**") and the unresolved issue of adviser incorporation.

In addition to the within correspondence, the CFFiM has also written to the Canadian Investment Regulatory Organization ("**CIRO**") in response to its *Update on the Project to Develop Rule Amendments Relating to the Proposed Adoption of an Incorporated Advisor Compensation Option*, dated October 29, 2025 (the "**CIRO Bulletin**") and CIRO's membership services communication dated November 7, 2025. A copy of the CFFiM's response to the CIRO Bulletin is enclosed at **Schedule "A".**

## EXECUTIVE SUMMARY

Advisers play an essential role in supporting Canadians' financial well-being. Entrepreneurialism drives innovation and client-focused service in Canada's financial advisory sector. Allowing adviser incorporation strengthens entrepreneurialism by facilitating reinvestment and innovation for investor benefit. The CSA can expand opportunities by removing regulatory barriers and aligning securities rules with the insurance sector, where incorporation is already permitted.

Unfortunately, at the self-regulatory organization ("**SRO**") level and under the CSA's oversight, the issue of adviser incorporation has gone unresolved for over 25 years. This history reflects a pattern of regulatory avoidance that has favoured certain business structures over others, resulting in inconsistent application, constrained competition, and limited choice for both CIRO members and Canadian investors.

However, this pattern can be reversed. The Interpretation of provincial securities legislation falls within the jurisdiction of the CSA's members rather than CIRO. Incorporation is not expressly prohibited by provincial securities law. If necessary, further clarity could be achieved through amendments to National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

The CFFiM strongly encourages the CSA to move beyond its acknowledgment of CIRO's workplan and to address the absence of explicit prohibitions in provincial securities legislation. If the CSA's members hold contrary views on the permissibility of incorporation under provincial legislation, the CFFiM asks the CSA to identify an efficient path forward to enable incorporation. In the interim, strong consideration should be given to the use of dealer-level exemptions.

## A. THE POLICY CONCERN

Entrepreneurialism among Canadian financial advisers is a key driver of innovation, adaptability, and client-focused service. It contributes to a more dynamic, competitive advisory sector. The incorporation of advisers is a practical and policy-aligned means of fostering entrepreneurialism. It facilitates strategic management, supports a culture of innovation, and encourages reinvestment in services that enhance client experience.

The CSA plays a vital role in advancing entrepreneurialism within the financial advisory services. By reducing regulatory barriers and promoting flexibility in business models, the CSA can expand opportunities for both investors and advisers.

Insurance advisers in Canada have long been permitted to incorporate. This imbalance creates unnecessary inefficiency and competitive disparity between practitioners serving holistic client needs.

Within the securities industry, enabling incorporation of CIRO advisers would reduce regulatory inconsistencies and foster a more integrated, innovative, and client-responsive advisory market. Permitting adviser incorporation for CIRO members would meaningfully incentivize participation in the declining adviser channel, facilitate the cost-effective delivery of financial services, and support healthy competition in Canada's wealth management industry, which will ultimately benefit the investing public. The CFFiM agrees with CIRO's assessment that permitting incorporation promotes access to advice.

Advisers play a key role in Canadians' financial health. The amount of money Canadians have to invest can determine the level of advisory service they receive. The monetary thresholds for receiving personalized advisory services can be substantial, rendering certain advisory services unavailable to low-income and medium-income Canadians.[1]

CIRO adviser incorporation helps make advisory services more available to Canadians by enabling financial advisers to operate with greater business flexibility and efficiency, which encourages their participation in the advisory profession and supports the growth of their practices. These factors may contribute to a more competitive and cost-effective advisory market, which ultimately benefits Canadian investors by expanding the availability and choice of advisory services.

## B. A LONG HISTORY MARKED BY UNEVEN RESULTS

The issue of adviser incorporation has languished for over 25 years.[2] This illustrates a pattern of avoidance resulting in a preference for certain business models, to the detriment of others, and an inconsistent regulatory approach which limits competition and the options that are available to CIRO members.

In addition to the long-recognized inconsistency in the options that are available to compensate advisers under the Mutual Fund Dealer Rules (the "**MFD Rules**") and Investment Dealer and Partially Consolidated Rules (the "**IDPC Rules**"), there is also differential treatment between CIRO approved persons and non-CIRO registrants who are not subject to either MFD or IDPC Rules. The CFFiM raised this issue in a letter to the Ontario Securities Commission dated May 30, 2025, a copy of which is enclosed at **Schedule "B"**.

Also, harmonizing incorporation frameworks between securities and insurance regulators would promote equity, efficiency, and modernization across Canada's financial services sector. Both groups of advisers operate in a market driven increasingly by holistic client needs.

## C. THE CSA MARKET UPDATE

The CSA's Market Update states that CIRO has assumed primary responsibility for adviser incorporation, with the CSA continuing to monitor CIRO's work on its rule amendments:

> *CIRO has assumed primary responsibility for determining the most appropriate harmonized approach related to allowable individual advisor relationships and related compensation approaches across individual advisors sponsored by investment dealers and mutual fund dealers, with the CSA continuing to monitor CIRO's efforts as part of its standard oversight activities.*
>
> *As such, CIRO will develop draft rules to implement an incorporated advisor compensation option, subject to approval by the CSA. Among the steps it has taken with respect to the rule amendment project, CIRO previously issued a position paper, Policy options for leveling the advisor compensation playing field* [the CIRO "**Policy Paper**"] *on January 25, 2024, which requested public comments on its proposed approaches.*

[1] According to the Statistics Canada 2023 "Survey of Financial Security", the median value of "bank deposits and other financial assets" (i.e., liquid/non-registered investments, etc.) was $26,000. The median value of "retirement assets" (pensions, RRSPs, etc.) was $161,800.

[2] See: CSA Distribution Structures Committee: Position Paper, August 1999; MFDA, Overview of Public Comments, 24 OSCB (Supp) 71 (February 16, 2001); CSA, Joint Notice of Approval - Amendments to the MFDA Recognition Order, (2008) 31 OSCB 11972; Amendments to MFDA Rule 2.4.1-Payment of Commissions to Unregistered Corporation, (2010) 33 OSCB 2757; and Provincial/Territorial Working Group, *Consultation-on-Possible-Options-for-the-Incorporation-of-Individual-Representatives-of-Registered-Dealers-and-Advisers*, 2010.

The CSA's Market Update risks creating confusion among registrants and other interested parties insofar as it suggests that CIRO is solely responsible for its ongoing rulemaking project. This statement does not reflect the fact that the CSA is responsible for reviewing and approving CIRO's proposed rule changes and that the CSA's members are responsible for interpreting provincial securities legislation.[3] As noted below, CIRO has indicated that the scope of its proposal could be limited by provincial securities legislation, the interpretation of which is outside of CIRO's mandate but falls squarely within the CSA's mandate.

## D. LEGISLATIVE AMENDMENTS RESOLVED

CIRO's Policy Paper indicates that CIRO's adviser incorporation option could be limited by provincial securities legislation but does not identify the legislative source(s) for that limitation. The CIRO Bulletin is less definitive on this issue but states that, as part of its next steps, CIRO intends to finalize its rule amendments "including [CIRO's] recommended possible amendments to securities legislation to accommodate the use of personal corporations […]".

In contrast to CIRO's view, provincial securities legislation can be reasonably interpreted as not prohibiting incorporation. As noted in the CFFiM's enclosed letter to the OSC, a plain reading of the *Securities Act* suggests that either a person or company could register as a dealing representative, an advising representative, or an adviser, which in turn includes portfolio managers and restricted portfolio managers. These registration categories permit both persons and companies to conduct the same types of "registerable" activities by offering trading and advisory services to the public. In addition, there are no clear prohibitions against receiving compensation through a corporation. To the extent that there is any uncertainty on the issue of adviser incorporation, that uncertainty could ultimately be addressed through interpretive notices, corrective rules, or amendments to National Instrument 31-103.

## E. A POSITIVE PATH FORWARD

In this context, the CFFiM strongly encourages the CSA to move beyond simply acknowledging CIRO's project. In order to assist the public and advance CIRO's rule making efforts, the CFFiM requests that the CSA confirm that provincial securities legislation *does not* prohibit adviser incorporation. In the event that the CSA takes a contrary view on this issue, the CFFiM requests that the CSA disclose the solutions it has identified to implement CIRO adviser incorporation. In the interim, the CFFiM encourages dealer exemptions to be granted on a reasonable basis.[4]

Respectfully submitted,

***Canadian Forum for Financial Markets***

***cc.***

[3] CSA Staff Notice 25-313, *2024 Annual Activities Report on the Oversight of Canadian Investment Regulatory Organization and Canadian Investor Protection Fund*, p.525-313.

[4] IDPC Rule 1302 provides that, unless otherwise prescribed by the Corporation requirements, the Board may exempt a Dealer Member from any Corporation requirement if satisfied that doing so would not be prejudicial to the interests of the public, Dealer Members, or their clients. In granting an exemption, the Board may impose any terms or conditions that it considers necessary.

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# SCHEDULE “A”

CANADIAN FORUM FOR FINANCIAL MARKETS
FORUM CANADIEN DES MARCHÉS FINANCIER
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November 12,2025

**Submitted via E-Mail**

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Dear CIRO :

## RE: INCORPORATED ADVISORS

The Canadian Forum for Financial Markets (CFFiM)/ Forum Canadien des Marchés Financiers (FCMFi) is dedicated to moving forward proposals to demonstrably grow healthy, competitive financial markets in Canada for the greater good. We are a mission-first, values-driven, purposeful, and reform-minded organization committed to Canada's broader economic interests.

The CFFiM writes in respect of the Update on the Project to Develop Rule Amendments Relating to Proposed Adoption of an Incorporated Advisor Compensation Option which was published on October 29, 2025 (the "**CIRO Bulletin**") and CIRO membership services communication November 7, 2025 ("**CIRO Communication**").

We offer the following, as a solutions partner, to stimulate regulatory modernization and inclusive growth needed to meet today's and the next decade's challenges.

### A. THE PUBLIC CONCERN

The longstanding matter of advisor incorporation remains a significant issue of public concern.

The CFFiM appreciates CIRO's commitment to modernize its rules to reflect compensation structures that are available to other professionals (for example: medicine, law, accounting) in its recognition that many CIRO advisors want to incorporate.

Advisors play a key role in Canadians' financial health. The amount of money a Canadian has to invest can determine the level of advisory service received. These monetary thresholds to levels of personal advisory services received can be substantial, rendering certain advisory services unavailable to low-income and medium-income Canadians. Advisor incorporation permits better competition and innovation within a rapidly diminishing CIRO dealer network, with the ability to expand the advisory platforms available to most Canadians.

The CFFiM, therefore, agrees with CIRO's assessment that permitting incorporation could promote access to advice by allowing advisers to enter into and stay in the advice profession through a more financially viable compensation structure. It is also acknowledged that the CIRO Bulletin specifies that CIRO views investor access to regulated advice to be an investor protection issue; if greater investor access to regulated advice is achieved, CIRO's view is that investor protection would be enhanced by pursuing its amendments.

### B. THE VALUE OF TRANSPARENCY IN RULE-MAKING

As a national regulator, CIRO strives to engage in transparent rule making. Transparency in CIRO's rule-making process enhances stakeholder trust, ensures accountability, allows for meaningful public and member consultations, and improves the quality and perceived fairness of its rules. Transparency benefits both the industry and investors by enriching understanding, public confidence, and trust. It is essential to effective and credible regulation.

### C. TAX COMPLIANCE

Tax compliance remains the responsibility of each member and their individual registrants. CIRO's Communication therefore properly encourages Dealer Members to perform their own assessment of the tax impacts of the compensation options to be made available under the CIRO proposals, taking into consideration the business models they employ.

Though CIRO is not responsible for the tax compliance of its members, it has engaged in exceptional efforts in respect of tax considerations as referenced in the CIRO Bulletin and CIRO Communication.

### D. REFERENCES IN CIRO BULLETIN AND COMMUNICATION

The CIRO Bulletin and CIRO Communication refer to CIRO's submission to the Canada Revenue Agency (in early July). According to CIRO's Bulletin, CIRO's submission included the following:

1. Why CIRO is pursuing its incorporated advisor proposal.
2. Significant elements of the CIRO proposal.
3. Certain tax considerations; and
4. A number of questions relating to these tax considerations for which CIRO wished to receive a CRA response ("CIRO CRA Submission")

The CIRO Communication confirmed that CIRO has been provided feedback from the CRA, which includes but is not limited to caselaw materials and CRA website materials (described as the "CRA-provided materials").

The CIRO Communication also advised it will finalize its rule amendment proposals taking into consideration "CRA Staff and CIRO advisor committee feedback." With respect to the latter, there are no public postings in relation to this committee.

## E. PUBLIC PRODUCTION FROM CIRO BULLETIN AND COMMUNICATION

With a view to the public concern, the necessity of transparency in rule making and CIRO's exceptional efforts respecting tax considerations, the CFFiM is requesting that the following documents and information referred to in the CIRO Bulletin and CIRO Communication be made publicly available by CIRO at its earliest opportunity:

a) The CIRO CRA Submission
b) The CRA-Provided Materials
c) The CIRO Advisor Committee composition and feedback.

The public should have time to carefully consider and digest these materials in advance of CIRO's anticipated proposal in early 2026 so as to meaningfully engage in the public consultation process on a fully informed basis.

Respectfully,

***The Canadian Forum for Financial Markets***

**SCHEDULE “B”**

IIAC ACCVM

Investment Industry Association of Canada Association canadienne du commerce des valeurs mobilières

May 30, 2025

**Submitted via Email**

Attention:

**Grant Vingoe**
Chief Executive Officer
Ontario Securities Commission
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Dear Mr. Vingoe:

**RE: CIRO ADVISER INCORPORATION**

We write with respect to the long standing and unresolved issue of Canadian Investment Regulatory Organization ("**CIRO**") adviser incorporation in Ontario.

The choice and benefits of conducting business through a personal corporation are available to many professionals including lawyers, doctors, dentists, accountants, and insurance agents. As with those professions, SRO advisers provide valuable services to the public, which ought to be encouraged. Permitting adviser incorporation for CIRO members would meaningfully incentivize participation in the declining adviser channel, facilitate the cost-effective delivery of financial services, and support competition needed in the wealth management industry, which will ultimately benefit the investing public.

## STATUS OF ADVISER INCORPORATION

The issue of adviser incorporation at the SRO level has languished for approximately 28 years[1]. Despite longstanding and ongoing public support for an incorporation model whereby SRO advisers perform registrable activities and receive commissions through personal corporations ("**Adviser Incorporation**"), the Ontario Securities Commission ("**OSC**") and other securities regulators have not accepted incorporation for CIRO members.

Rather, the history surrounding Adviser Incorporation at the SRO level illustrates a pattern of delay, resulting in a preference for certain business models, to the detriment of others, and an inconsistent regulatory approach which limits competition and the options fairly available to CIRO members.

[1] CSA Distribution Structures Committee: Position Paper, August 1999; MFDA, Overview of Public Comments, 24 OSCB (Supp) 71 (February 16, 2001). CSA, Joint Notice of Approval – Amendments to the MFDA Recognition Order, (2008) 31 OSCB 11972.
Amendments to MFDA Rule 2.4.1 – Payment of Commissions to Unregistered Corporation, (2010) 33 OSCB 2757. Consultation-on-Possible-Options-for-the-Incorporation-of-Individual-Representatives-of-Registered-Dealers-and-Advisers, 2010

## A. INCONGRUENT RESULTS

### *i. The Investment Industry Regulatory Organization of Canada (IIROC) and Mutual Fund Dealers Association of Canada (MFDA)*

CIRO and its predecessors, IIROC and MFDA, have long recognized that there is an inconsistency in the options that are available to compensate advisers under the *Mutual Fund Dealer Rules* (the "**MFD Rules**") and *Investment Dealer and Partially Consolidated Rules* (the "**IDPC Rules**"). The MFD Rules state in part:

> **4.1 Remuneration, Commissions and Fees**
>
> **(b) Payment of Commissions to Unregistered Corporations**
>
> For the purpose of this Rule, "unregistered corporation" shall be understood to mean a corporation that is, itself, not registered under securities legislation. Notwithstanding paragraph (a), where an Approved Person acts as an agent of the Member in compliance with Rule 1.1.5, any remuneration, gratuity, benefit or other consideration in respect of business conducted by the Approved Person on behalf of the Member may be paid by the Member to an unregistered corporation provided that:
>
> (I) Such arrangements are not prohibited or otherwise limited by the relevant securities legislation or securities regulatory authorities. [...]

Although the above rule refers to all remuneration, gratuity, benefit or other consideration, it has been misconstrued by the MFDA (now CIRO) as applicable only to a direction of commission for *non-registerable activity*.

In contrast, except for those dually registered representatives dealing in mutual funds and as agents of a dealer, approved persons under the IDPC Rules are not permitted to direct *any* commissions to personal corporations whether for registerable or non-registerable activity. IDPC Rule 2302(2) states that a dealer must not allow a corporation or other non-individual entity to conduct securities related business on its behalf. This rule creates a block to Adviser Incorporation and may be seen as inconsistent with a plain reading of the Ontario *Securities Act*.[2] In addition, these rules create an indefensible inconsistency in the treatment of approved persons under the IDPC and MFD Rules.

### *ii. CIRO*

In May 2022, CSA Staff published Staff Notice and Request for Comment 25-404, *Application for Recognition of a New Self-Regulatory Organization*.[3] In response, many commentators expressed support for harmonizing and expanding the MFDA's directed commissions model.[4] On January 1, 2023, the IIROC and MFDA merged, to form the New Self-Regulatory Organization of Canada and on June 1, 2023, the New SRO became CIRO.

[2] R.S.O. 1990, c. s. 5 [the ***Securities Act***].
[3] CSA Staff Notice and Request for Comment 25-304 - Application for Recognition of New Self-Regulatory Organization, May 2022
[4] Summary of Comments and Responses, p. 20

On January 25, 2024, CIRO issued a policy paper which considered policy alternatives to "level the adviser compensation landscape" through adviser incorporation.[5] According to this policy paper, the approaches that are being considered by CIRO are necessarily limited to non-registrable activity due to "blocks" or impediments in provincial securities legislation. CIRO's proposal remains in review and the issue of Adviser Incorporation is unresolved.

### *iii. The Securities Act*

National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations* provides that the registration categories in Part 2 and Part 7 do not apply in Ontario[6] and states that the applicable categories for Ontario registrants are found in the Securities Act.[7]

The Securities Act does not contain any clear prohibitions against Adviser Incorporation. In contrast, a plain reading of the *Securities Act* suggests that either *a person or company* may register as a dealing representative, an advising representative, or an adviser, which in turn includes portfolio managers and restricted portfolio managers. These registration categories permit both *persons* and *companies* to conduct the same "registerable" activities by offering trading and advisory services to the public. We note that, as a matter of practice, corporations are registered as non-CIRO portfolio managers. However, despite having the same functions, CIRO portfolio managers are not permitted to incorporate. As a result, the OSC has adopted an inconsistent and anti-competitive approach to registration that disadvantages CIRO approved persons.

In addition to the foregoing, the *Securities Act* is silent on the direction of commissions to unregistered corporations. Indeed, any claim that the *Securities Act* prohibits the payment of commission to non-registered corporations is displaced by the fact that the OSC properly permitted mutual fund dealers to pay compensation to non-registered corporations prior to the formation of the MFDA.

## B. MEETING TAX REQUIREMENTS

Adviser Incorporation has been hampered and unnecessarily delayed by discussions on the potential tax treatment. The CRA would generally accept that an individual in the business of trading in securities could earn such income through a corporation provided:

i) The individual is not otherwise legally, whether contractually or by statute, precluded from earning such income through the corporation, and

ii) The corporation is factually carrying on that business. Whether a corporation is factually carrying on that business is a question of fact that must be determined on a case-by-case basis and requires more than a mere assignment of income.[8]

The greatest contribution that can be made by the OSC is ensuring that item i) can be met by CIRO

[5] Canadian Investment Regulatory Organization, *Policy Options for Leveling the Advisor Compensation Playing Field,* (January 25, 2024 [the CIRO "**Policy Paper**"]. Online: Policy options for leveling the advisor compensation playing field | Canadian Investment Regulatory Organization

[6] NI 31-103, *supra* at s. 2.1(3), 7.1(4), and 7.2(3).

[7] In Ontario: the categories of registration for individuals in subsection 2.1(1) are set out under section 25 of the Act; the categories of registration for firms acting as dealers in subsection 7.1(1) are set out under subsection 26(2) of the Act; and the categories of registration for firms acting as advisers in subsection 7.2(1) are set out under subsection 26(6) of the Act. NI 31-103, *supra*.

[8] CRA Views, Interpretation—external, 2017-0693761E5 -- Commission income—corporation; https://www.canada.ca/en/revenue-The agency/services/forms-publications/publications/rc4110/employee-self-employed.html#toc9

members in Ontario.

Given the fact-specific nature of ii), CIRO efforts to obtain an advance tax ruling are non-determinative and therefore unnecessary.

## C. PROPOSED SOLUTIONS

Adviser Incorporation can be achieved in Ontario without any need for legislative amendments or any advanced tax rulings. A clear framework for Adviser Incorporation could be attained through an OSC Staff Notice and/or Rule made pursuant to the OSC's existing powers under the *Securities Act*. Although there do not appear to be any clear legislative impediments to Advisor Incorporation, any uncertainty on this issue could ultimately be addressed through an interpretive notice or corrective rule. These mechanisms would also help with CRA's tax treatment of an Adviser Incorporation model.

Proposed solutions are summarized as follows:

a) **Staff Notice:** If there is any confusion as to whether the *Securities Act* permits individual dealing representatives to conduct securities related business and/or to receive commission through a personal corporation, that confusion could be addressed through an interpretive policy/staff notice made under s. 143.8(1)(b) of the *Securities Act*. The OSC could use a notice to, for example, clarify that s. 25(1)(b) of the *Securities Act* permits either an *individual* or a *corporation* to register as a dealing representative and/or to confirm that the *Securities Act* does not limit or prohibit directed commissions of any kind. This would not only address the statutory obstacles to incorporation that are highlighted in CIRO's Consultation Paper but would also provide tax certainty to CIRO members by confirming that an individual is not legally *precluded* by provincial statute from conducting registerable activity or receiving commissions through a corporation.

b) **Rules:** As an alternative approach, the OSC has broad authority to make rules prescribing categories of registration and the criteria a person or company must satisfy to qualify for registration under s. 143(1)(2) of the *Securities Act*. If the OSC is of the view that the *Securities Act* presents a legislative block, the OSC has the clear authority to make corrective rules. The OSC could, for example, make a rule that would permit corporations to register as dealing representatives or create a new registration category or subcategory for corporations that is functionally analogous to the dealing representative category. As with the interpretive Staff Notice described above, a corrective rule would serve the dual purpose of addressing any legislative blocks, while simultaneously providing CIRO members with a degree of tax certainty.

## CONCLUSION

As the home of Canada's largest financial markets and with a mandate which includes fostering fair, efficient, and competitive capital markets, we encourage the OSC to provide leadership on Adviser Incorporation by supporting CIRO's proposal and taking steps to ensure that Adviser Incorporation is available for CIRO members in Ontario.

A permanent solution to this long-standing and important policy issue can be achieved by the OSC without the need for any legislative amendments or advanced tax rulings and without any further delay.

We welcome the opportunity to discuss any issues raised in this letter, and we thank you for your time and consideration.

Respectfully submitted,

***Investment Industry Association of Canada***

***Per: L. Paglia, President and CEO***

***cc. Andrew Kriegler, President and CEO, CIRO*** E-mail: AKriegler@ciro.ca