

March 21, 2024

Member Regulation Policy

Canadian Investment Regulatory Organization
Suite 2000
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Toronto, Ontario M5H 3T9
e-mail: memberpolicymailbox@ciro.ca



To: Whom It May Concern,

Re: Policy options for leveling the advisor compensation playing field

Thank you for the opportunity to respond to your proposed policy options for leveling the Approved Person compensation playing field. We have followed this issue for many years and are hopeful of a solution under your initiative.

RGF Integrated Wealth Management is a Vancouver based firm comprising 65 people, in business since 1973. We operate under a Principal/Agent model. We have reviewed the position paper circulated by CIRO and have comments on a few specific areas.

Which of the following rulemaking options do you prefer that CIRO pursue and why?

Overall, we prefer interim allowed use of an enhanced directed commission approach while pursuing over the medium-term the adoption of an Incorporated Approved Person approach. This allows for the equity across all platforms as quickly as possible, while moving towards a position that more explicitly supports an incorporated approach. However, we have some key feedback regarding the proposed Incorporated Approved Person approach that we believe are crucial to the successful implementation of this option.

Are there other requirements not discussed in this paper that CIRO should include within any rule amendments it proposes relating to acceptable compensation approaches?

Professional Corporation Restriction / Multiple Approved Persons and Family Ownership

One of the great strengths of an independent financial advisor is the ability to provide a much more holistic and consolidated service offering to their clients. Independent firms increase competition in the industry and provide consumers with more choice. In our independent dually-licensed model, many advisors currently have financial services corporations which are not professional corporations.

In these corporations, share ownership can be held by **one or more** Approved Persons and **their** families. Shares can be held by trusts and/or personal holding corporations for operating and business reasons, where these indirect entities are also controlled by the Approved Persons. We believe that as long as a majority percentage of voting shares are held directly or indirectly by the registered dealing or advising representative of both the professional and

holding corporation, the legislation should not inhibit this business model. This “look-through” ownership approach is already applied when it comes to share ownership of the Dealer Member.

We believe investor protection could be maintained in a multi-purpose financial services corporation, that encompasses the key protections already built in and successfully proven in the Principal/Agent model. The safeguards in the Principal/ Agent relationship are constructed through the requirement of numerous contractual undertakings between the Agent and the Dealer, as approved by the regulatory regime.

The previous points aim to allow for greater flexibility in the proposed legislation to allow it to accommodate the existing business structures of advisors and their dealerships and enhance the delivery of advice and entrepreneurship while at the same time continuing to protect the investing public.

Regards,

RGF INTEGRATED WEALTH MANAGEMENT



Clay Gillespie, CFP CIM CLU
Managing Director

cc:

Canadian Securities Administrators (CSA)

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