



**Independent Financial Brokers of Canada**

PMB #521  
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[www.ifbc.ca](http://www.ifbc.ca)

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Canadian Investment Regulatory Organization  
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121 King Street West  
Toronto, Ontario M5H 3T9  
e-mail: [memberpolicymailbox@ciro.ca](mailto:memberpolicymailbox@ciro.ca)

Market Regulation  
Ontario Securities Commission  
Suite 1903, Box 55  
20 Queen Street West Toronto, Ontario M5H 3S8  
e-mail: [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

and

Capital Markets Regulation  
B.C. Securities Commission  
P.O. Box 10142, Pacific Centre  
701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2  
e-mail: [CMRdistributionofSROdocuments@bcsc.bc.ca](mailto:CMRdistributionofSROdocuments@bcsc.bc.ca)

Dear Sirs/Mesdames:

**RE: Position Paper: Policy options for leveling advisor compensation**

Independent Financial Brokers of Canada (IFB) appreciates the opportunity to comment on the Canadian Investment Regulatory Organization's (CIRO's) proposed policy options to level the advisor compensation playing field.

*About IFB*

IFB is a national, not for profit association with approximately 3,000 members who are licensed financial professionals. Most IFB members are life insurance licensed and/or mutual fund registrants. They are often self-employed, operating a small to medium-sized financial firm in their local community.

IFB promotes the professional standards of its members by sponsoring comprehensive individual and corporate errors and omissions insurance plans, continuing education, and compliance support/training. In addition, IFB provides a central voice to communicate with government, regulators, and industry stakeholders to ensure the ongoing viability of financial advice through appropriately licensed independent advisers.



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*Comments*

IFB has long been supportive of providing investment advisors with the same ability to incorporate as is currently available to mutual fund and life insurance licensees – in fact most professionals, for example lawyers, doctors, dentists.

In our opinion, there is no reason to continue to differentiate between registration categories. CIRO is now the single regulatory body because of the merger of IIROC and the MFDA, and mutual fund advisors and mutual fund advisors of dual-registered dealers under CIRO have been permitted to continue to direct their compensation to an unregistered corporation. The availability of incorporation as a business option for mutual fund registrants has been in place since 1998 in most jurisdictions, and there has been no demonstrated risk to consumers or to consumer protection.

IFB supports a comprehensive and permanent solution for the payment of commissions to corporations of individual sales representatives – one that will ensure a level playing field for advisers whether securities or mutual fund licensed, and, ideally, one which will not present barriers to life insurance brokers who are already licensed, or to mutual fund reps who wish to move to a securities dealer.

There are sufficient safeguards in place through any of the proposed incorporation options which would meet the consumer protection test. Whether a registrant is incorporated will have little, if any, visibility to clients. Incorporated registrants, like any registrant, should be required to maintain liability insurance and be legally responsible for their actions to clients and regulators.

Furthermore, in more recent years, there have been significant regulatory developments that have strengthened the transparency and oversight of all investment advisors – whether mutual fund registrants or securities registrants. Most notably, the advent of the client relationship model (CRM) has elevated the standard of client care to which Approved Persons and firms are held.

In general, IFB prefers the Incorporated Approved Person approach; however, we are concerned about the potential for significant delays in its implementation. Therefore, as an interim measure, we support the enhanced directed commission approach as this will provide investment advisors with the flexibility to structure their business in an efficient way in the timeliest manner. Allowing the enhanced directed commission approach will provide a shorter-term solution while CIRO and the CSA consider the merits in adopting the incorporated approved person approach or the registered corporation approach. The registered corporation approach provides more tax certainty to those who incorporate.

However, we wonder how successful any implementation will be given that some jurisdictions may continue to disallow any incorporation options. If these jurisdictional differences continue unresolved, incorporation will continue to be inaccessible for advisors licensed in Alberta and under the AMF, and for those licensed in multiple jurisdictions when they include Alberta and Quebec. It will be important for CIRO and the CSA to work toward resolving these discrepancies to move forward with a comprehensive solution.



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At this juncture, IFB urges CIRO to move forward without delay on permitting advisor incorporation and leveling the playing field for all registrants. IFB appreciates that CIRO has raised the issue as an early priority.

We look forward to further discussion on this matter as CIRO assesses the input it receives and trust this initiative will move forward in a timely manner.

Yours truly,

*Nancy Allan*

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