



**March 25, 2024**

Member Regulation Policy  
Canadian Investment Regulatory Organization  
40 Temperance Street  
Toronto, Ontario M5H 0B4

By email: [memberpolicymailbox@ciro.ca](mailto:memberpolicymailbox@ciro.ca)

**Subject: Request for Comments – Policy options for leveling the advisor compensation playing field – PEAK Financial Group**

---

Dear Sir or Madam:

We are pleased to provide you with our comments on *Rules Bulletin 24-0029 – Request for Comments*, regarding policy options for leveling the advisor compensation playing field, published by the Canadian Investment Regulatory Organization (hereafter “**CIRO**”) on January 25, 2024.

For more than 30 years, PEAK Financial Group (hereafter “**PEAK**”) has been making a real difference for Canadians by improving the quality of their lives through better use of their money. With nearly \$15 billion in assets under administration, PEAK is Canada’s leading fully independent multidisciplinary broker. PEAK, founded in 1992, has an unparalleled reputation in the financial services industry, providing expertise to a network of 1,500 independent advisors and employees who are well established in the wealth management, mutual fund, securities and insurance industries.

PEAK Financial Group comprises four member firms: PEAK Investment Services, PEAK Financial Services, PEAK Securities and PEAK Insurance Services. With shared values of integrity, independence and innovation, PEAK and its network of independent financial advisors have earned the trust of 150,000 investors from coast to coast.

CIRO’s proposal paper to level the advisor compensation playing field, as well as the eventual coming into force of new rules applicable to all approved persons, will have a significant impact on the way PEAK and its financial advisors operate. Even though leveling of industry standards is necessary, PEAK and all its members will have to make adjustments to comply with the new requirements. Accordingly, since the request for comments on Rules Bulletin 24-0029 was published on January 25, 2024, our time has been devoted to studying the three policy options to level the advisor compensation playing field. We appreciate the opportunity to provide feedback on this project, and we are pleased that industry members will be consulted on this matter.

## 1. **Question 1 – Compensation approaches**

We would first like to emphasize that our current position is preliminary and subject to change in response to future consultations by CIRO on this matter. We note that the Position Paper lacks detail and precision on some of the matters we discuss hereinbelow in relation to question 3. Moreover, our initial questions have not yet been answered satisfactorily. The position we present here is, therefore, provisional and could change, depending on further clarifications that we hope to obtain.

That being said, having carefully considered the three compensation options discussed in the Position Paper, we are convinced that the registered corporation approach is the best long-term solution, subject to the points to be addressed in response to the question below. That being said, we recognize that its implementation will take time and require considerable adjustments. Therefore, we support temporary adoption of the enhanced directed commission approach as a first step, pending full implementation of the registered corporation approach. For this temporary approach to be effective, however, it is imperative that it be tailored so that all activities, whether they require registration or not, are permitted without restriction to ensure a smooth transition to the final approach as currently permitted for mutual fund dealers (MFDs) in multiple provinces.

### **Step one – Enhanced directed commission approach**

We are of the view that CIRO should immediately extend the directed commission approach currently permitted by the MFD Rules, subject to the considerations set out below, so that this option is an acceptable compensation approach for all approved persons. This approach would level the compensation playing field in the financial sector by maintaining the status quo for mutual funds while extending such powers to the industry as a whole.

We note that you suggest limiting payment of commissions non-registerable activities and imposing limits on corporation ownership. We would like to point out that mutual fund dealers can currently, in several provinces, pay commissions for all activities, whether they require registration or not. Moreover, there are no restrictions on corporation ownership. Indeed, the current regime allows for the sharing of commissions between a representative and, in Quebec, their insurance agency. Outside Quebec, except in Alberta, this sharing may extend to unregulated firms but under certain conditions. Therefore, we think registerable activities should not be excluded, and no ownership restrictions should be imposed. Denying commissions for registerable activities and imposing ownership limits would be a step backward, rather than a natural extension of existing mutual fund practice. There is no reason to prohibit the extension of all currently authorized powers to all industry players, despite the potential risks raised in the Position Paper, especially because these powers are exercised without problems in the mutual fund industry. Moreover, control mechanisms already exist to minimize risks to investor protection.

## **Step two – Registered corporation approach**

After the directed commission approach is extended to all approved persons, without restrictions in respect of registerable activities, we are of the view that CIRO should focus its efforts on obtaining the approval of all Canadian Securities Administrators (hereinafter referred to as the “CSA”) and provincial regulators in order to implement the next step: adoption of the registered corporation approach while advancing the incorporated approved person approach in the interim. The registered corporation approach would facilitate operational fluidity for approved corporations by aligning compensation practices with a more inclusive, flexible regulatory framework

It should be noted that many other professionals, such as lawyers, physicians and chartered accountants, may carry out their activities as a corporation. Given that such professionals have the ability to redirect their income to their corporations, CIRO should grant advisors the status of independent professionals, allowing them to decide freely to redirect commissions without outside interference. Such a practice offers various advantages in terms of structure, management and liability, which could be beneficial for approved persons in this sector.

In this spirit, we strongly encourage CIRO to conduct in-depth discussions with the various CSA and provincial regulators to develop a coherent, inclusive regulatory framework that supports widespread adoption of the directed commission approach.

### **2. Question 2 – Other requirements not discussed in the paper that CIRO should include in any amendments**

We understand that CIRO is of the view that the incorporated approved person approach is preferred and, even though we recognize the potential benefits of this option, we would like to highlight a few key aspects that CIRO seems not to have considered thus far.

This approach proposes a two-phase transition to adapt compensation practices. In the first phase, the personal corporation would be authorized by CIRO to conduct business on behalf of the sponsoring dealer member. However, the activities permitted under the incorporated approved person approach would initially be limited to non-registerable activities. CIRO argues that the full potential of this approach will become apparent in the second phase. This involves waiting for legislative amendments to securities regulation, which would allow the expansion of approved activities to all those requiring registration.

This approach refers to the creation of a personal corporation by one or more persons approved to carry on activities related to their work relationship with the sponsoring dealer member. It is

important to point out that there are currently different models of such corporations, which may be owned by one or more individuals, whether they are approved or not. Particularly utilized by independent brokers where multiple financial professionals may form a team under a “banner” or a “financial services firm”, a type of corporation that allows them to share costs, such as administrative staff, rent, etc., typically resulting in reduced fees for investors.

We are of the view that this approach would place industry players in a regulatory grey area, disrupt the smooth operations of approved persons and have a major impact on their established business practices. As already stated, a business may adopt the structure of a financial services firm comprising a diversity of registered professionals. In this context, it is important to note that not all owners of such a corporation are necessarily registered in securities. Registrable activities are solidly integrated into this model and efficiently managed by each registrant on behalf of the dealer member, with the corporation essentially acting as a small business. In view of these considerations, imposing limitations on the activities that can be carried out and restricting share ownership would cause a major disruption to overall business operations.

It is crucial that CIRO fully consider the impact on clients when selecting the option to be adopted. Limiting share ownership to registered persons creates a major constraint that is almost impossible to implement. Such a restriction could jeopardize the quality of service offered to clients, who can currently receive a full range of financial services under one banner. The needs of such clients are met by competent, well-supervised professionals who offer a wide range of financial services, such as investment advice, insurance, portfolio management and even mortgage brokerage. It is important to note that all these professionals are subject to strict rules set by regulatory bodies. If the current approach were abandoned, clients would be harmed, at risk of losing the benefit of working with such a range of qualified experts and they would be billed higher fees, proportional to the increasing operational costs.

Moreover, this artificial separation of activities into registerable and non-registerable does not reflect the reality of business operations in the financial sector. Activities are often interdependent and require seamless integration to function effectively. A division between registerable and non-registerable activities would create complex and unnecessary fragmentation, leading to operational and regulatory complications for approved persons. As a result, such a two-step approach would be difficult to implement, would be subject to interpretation and would not benefit the financial industry as a whole.

### **3. Question 3 – Other matters not discussed in the paper that CIRO should consider when assessing which option to pursue**

#### **Share ownership**

It is imperative that CIRO consider the matter of shareholder diversity within registered corporations. It is crucial to recognize that such corporations may be owned by both registered and non-registered individuals. For example:

- As we have already pointed out, some firms have shareholders registered in different fields: one shareholder may be in the insurance sector, another in the financial planning sector and still another in the mutual fund sector;
- Some corporations have a single shareholder, with a compensation model based on a fixed salary for registrants engaged in mutual fund activities, treating them as employees rather than self-employed workers. In this context, registrants redirect all their commissions to the sole-shareholder firm.

Such share-ownership diversity raises important questions about the regulation and governance of registered corporations and requires that CIRO take a nuanced, flexible approach to ensure adequate regulation while fostering innovation and diversity in the financial sector. If CIRO does not allow such flexibility, it will have to put in place specific guidelines to help the industry comply.

Moreover, the greater the distance from large cities, the more dispersed financial services establishments become, creating a fragmented landscape. This context makes it all the more crucial not to restrict access to share ownership, as it could significantly disadvantage clients outside urban areas. By enabling greater access to share ownership, we can ensure equal financial opportunities for all, regardless of where they live.

## **Oversight**

In the current environment, all securities-related activities, whether they are registerable or non-registerable, are recorded in the books and records of dealer members. We are of the view that this existing requirement is adequate to ensure investor protection. Dealers already oversee the approved persons attached to them, and their oversight will be just as effective whether or not such persons are registered as corporations. Even though you referred to possible enhancement of investor protection, we are of the view that dealers already oversee their approved persons adequately, provided that the broker will have access to all the books and records that the corporations maintain or will be maintained on their behalf.

We are also of the view that it would be inappropriate to impose on corporations additional obligations that could be similar to those imposed on dealers. Corporations already have to comply with the requirements issued by the dealers with which they are affiliated, such requirements having been put in place by dealers to meet their multiple regulatory obligations. Therefore, we see no justification for imposing the same requirements on corporations.

## **International Comparisons**

It would be important for CIRO to conduct thorough research to analyze the current regulations regarding the compensation of financial advisors in other comparable countries, such as the United States, the United Kingdom, and Australia. This comparative analysis will enable CIRO to ensure that the rules to be adopted will not be more restrictive than those of its international counterparts. On the contrary, it is essential to aim for the implementation of comparable rules that will position Canada as a model of best practices, on par with its global peers. Indeed, by adopting an approach aligned with international standards, Canada will be better positioned to compete in the global economy.

### **Trade names**

Finally, CIRO must also take into consideration the diversity of business practices within the financial industry. Many mutual fund representatives conduct business under trade names that are not owned by the dealer with which they are affiliated, as permitted by the MFDA. This practice, properly supervised, allows such representatives to develop their own brand image and to build client loyalty. Therefore, it is imperative that CIRO allow this practice to be extended to all approved persons. Otherwise, prohibiting this practice could lead to widespread confusion and administrative difficulties for approved persons who have already built a presence under a specific trade name. Moreover, it could jeopardize their ability to maintain client trust and loyalty, which would have a negative impact on the financial industry as a whole.

## **4. Conclusion**

In conclusion, a careful analysis of CIRO's advisor compensation options demonstrates the need for a combined approach to meet the financial sector's complex requirements. Leveling the compensation rules will strengthen investor confidence and stakeholder protection. We strongly recommend immediate adoption of the enhanced directed commission approach, adjusted to allow firms receiving commissions to carry on any activity, followed by the registered corporation approach, the whole with no limits on ownership. Such initiatives will promote transparency and regulatory compliance. Working collaboratively with provincial regulators and the CSA, CIRO can lay the foundation for a stronger, more adaptable regulatory framework that supports the stability and efficiency of Canada's financial market.



---

**Erika Tatiana Fernandez**

Chief Operating Officer, *PEAK Financial Group*

---

**Élisabeth Chamberland**

Compliance Director, *PEAK Financial Group* and Chief Compliance Officer, *PEAK Investment Services*

---

**Martin Boileau, CIM**

Chief Compliance Officer, *PEAK Securities*

CC: Market Regulation, *Ontario Securities Commission*, by email to [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

Capital Markets Regulation, *British Columbia Securities Commission*, by email to [CMRdistributionofSROdocuments@bcsc.bc.ca](mailto:CMRdistributionofSROdocuments@bcsc.bc.ca)