

Three Canadian Regulatory Trends that will Fuel Competition for Advice Providers

Competition in the North heats up.



Canadian investors have benefitted greatly from the stability of our banking system for many decades, exemplified through the navigation of the Global Financial Crisis. However, the vertically integrated structure of our largest financial institutions has manifested into a deep-rooted oligopoly, with government, regulators, and investor advocacy groups increasingly questioning the value and competitiveness of advice offerings in Canada. Given these concerns, rule makers continue to push toward a more competitive landscape, ensuring retail investors are well served. These movements across the regulatory sphere have surmounted three distinct forces that will undoubtedly stoke competition amongst advice givers.

Morningstar's Direct Advisory Suite can help advisors stay competitive amid these 3 regulatory trends in Canada:

1. OEO Dealers, “Non-Tailored” Advice, and the Canadian Advice Continuum

Better Tools for Everyone.

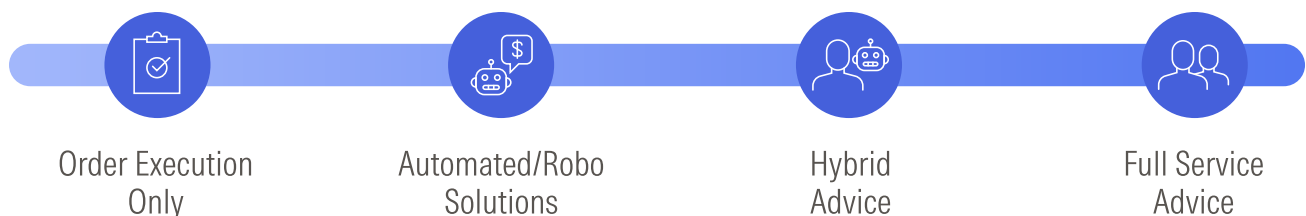
¹ Canadian Investment Regulatory Organization. CIRO Strategic Plan FY 2025–2027. CIRO, 2025. <https://www.ciro.ca/media/7981/download?inline>

² Canadian Investment Regulatory Organization. Non-tailored Advice in the Order Execution Only Channel. CIRO, 2024. <https://www.ciro.ca/newsroom/publications/non-tailored-advice-order-execution-only-channel>

³ British Columbia Securities Commission. DIY Investing National Survey Report. Innovative Research Group, 2024. <https://www.bcsc.bc.ca/-/media/PWS/New-Resources/About/Reports-and-Publications/2024-DIY-Investing-Full-Report.pdf>

In its 2025–2027 strategic plan, the Canadian Investment Regulatory Organization (CIRO) outlined its plans to expand service offerings across the “Advice Continuum,” referring to the various advice channels available to retail investors (order execution only, robo-advice, hybrid, full service) with the goal to increase the number of investors in Canada that have access to regulated advice¹.

As an early step, in February 2025 CIRO completed a public consultation to clarify what types of services should be made available to investors via Order-Execution-Only (OEO) dealers², with the underlying concern that do-it-yourself (DIY) investors are increasingly getting information and ‘advice’ from unverified sources like social media and online forums³. The consultation opined on the deployment of screening tools, self-applied risk assessment surveys, and the display of model portfolios that reference specific securities. Though [existing guidance](#) (last updated in 2018) touches on many of the same areas, a timely revisit is warranted given the meteoric growth of the DIY investor, in part due to the global pandemic in 2020.



Should CISO allow for a more robust set of tools be made available to the DIY investor via OEO platforms, it would logically follow that the rest of the advice continuum should, at minimum, offer comparable tools to advice givers. OEO platforms represent the minimum bar of service available to investors. Hence, when DIY investors graduate to other parts of the advice continuum as their assets and requirements grow, they should expect the same, if not better, level of analysis provided by their professional advice giver. The cost-conscious tech-savvy nature of today's evolving investor demographic further exemplifies the need for tomorrow's advice givers to be fully equipped to provide value-added service.

2. e-KYCs and Consumer-Driven Banking in Canada

Client data grows legs.

In February of 2025, the British Columbia Securities Commission alongside regulators from Alberta, Saskatchewan, Manitoba, New Brunswick and Nova Scotia commenced a three-phase consultation and pilot program to simplify the process of verifying client identities⁴ under registrants know-your-client (KYC) obligations. The consultation aims to reduce the time and effort for advisors to onboard new clients and contemplates the idea of an "e-KYC" or a digital onboarding process through which client identifications are verified. The consultation aligns closely with CISO's strategic plans to create a central KYC repository that the SRO itself will oversee and own. Enhancement of core KYC data portability allows clients to transfer their information seamlessly between advisors, making it easier to add, switch, and compare service offerings.

Separate, but related, is the Federal government's Open Banking initiative⁵, which will allow consumers to securely share their financial data with various financial service providers. The implementation of this initiative is slated for September 2026 with a data standard expected from the Federal Conduct Authority of Canada (FCAC) a year earlier. By enabling customer data sharing, Open Banking fosters the development of innovative financial products and services, encouraging advisors to differentiate themselves and offer unique solutions that weren't previously possible. New advisors can enter the market more easily, as open banking lowers the barriers to accessing consumer data, promoting a more competitive environment.

For retail consumers of financial services, these two regulatory pushes will equate to fewer barriers when switching providers or adding new services. In turn, advisors should expect to face increased competition and an expectation of more personalized advice.

⁴ British Columbia Securities Commission. eKYC Pilot Programme Consultation Paper. BCSC, 2024. https://www.bcsbc.ca/-/media/PWS/Resources/Securities_Law/Policies/Policy5/51405-CSA-Consultation-Paper-January-9-2020.pdf

⁵ Financial Consumer Agency of Canada. Open Banking. Government of Canada, 2025. <https://www.canada.ca/en/financial-consumer-agency/services/banking/open-banking.html>

3. Total Cost Reporting

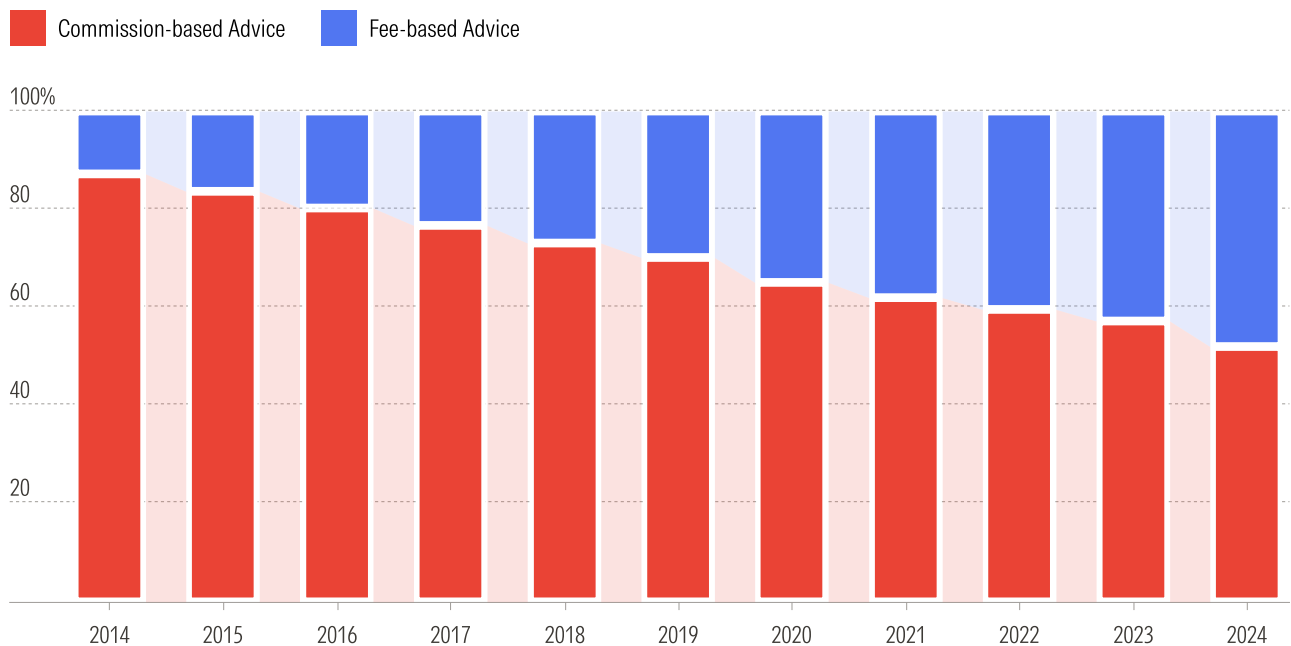
Even more fee transparency.

Over the past decade, assets in commission-based share classes of mutual funds (those where the cost of distribution and advice are bundled into the management expense ratio) have fallen dramatically relative to fee-based share classes (where an annual asset-based fee for advice is charged distinctly and separately). This trend might be the decoupling of advice fees from the sale of the mutual fund arguably aligns the motivations of the investor and advisor.

The growth of the Canadian-listed ETF market and the arrival of robo-advice platforms have provided opportunities for a new or smaller investors to gain broad market exposure without having to go through traditional fund distribution channels, contributing to this continued dynamic. At the end of 2024, the split between fee-based and commission-based share classes neared 50/50, a stark contrast to a decade earlier.

Canadians Increasingly Tilt Away from Bundled Fees

Over the past decade, the assets in fee-based mutual fund share classes continue to grow relative to commission-based share classes, though still in the slight minority.



n=21219 | Excludes fund of funds | Includes merged or liquidated funds | Only includes share classes marked as either commission-based advice or fee-based advice per Canadian Investment Fund Standards Committee (CIFSC) framework to identify distribution channel.

Chart: Ian Tam, CFA • Source: Morningstar Direct | Data as of Dec 31, 2024

These asset levels reflect nearly a decade of consistent outflows from commission-based share classes of Canadian-domiciled mutual funds, and fairly consistent inflows into fee-based share classes.

⁶ Canadian Securities Administrators. "Canadian Financial Regulators Announce Establishment of Total Cost Reporting Implementation Committee." Canadian Securities Administrators, 13 June 2023, www.securities-administrators.ca/news/canadian-financial-regulators-announce-establishment-of-total-cost-reporting-implementation-committee/. Accessed 8 Apr. 2025.

This trend away from bundled-advice arrangements may accelerate further in January of 2027 when the requirements of the Total Cost Reporting⁶ regulation come to fruition. This joint initiative between the Canadian Securities Administrators (CSA) and the Canadian Council of Insurance Regulators (CCIR) ensures that Canadian investors' Annual Report on Charges and Compensation (ARCC) includes detailed breakouts of dollar cost of investing over the trailing year, and importantly, to whom these costs are paid. This added transparency will highlight one-time fees, commissions paid to advisors, and amounts paid to fund managers. With fee discussions already a point of contention with investors, advisors should be prepared to clearly justify their fee schedules and highlight the value provided to investors.

How Direct Advisory Suite helps advisors stay ahead

Open banking, portable client data, and total cost reporting will undoubtedly stoke competition across Canadian advice channels in the coming years. By lowering switching costs and further increasing transparency on fees, investors might find additional motivations to re-consider existing relationships. When coupled with the changing demographic landscape and the great wealth transfer, today's Canadian advisors must ensure that their value is made clear to investors.

Direct Advisory Suite was designed to help advisors stay competitive and empower advisor success with these 3 capabilities:

1. The Morningstar Risk Ecosystem brings together our industry leading risk tolerance questionnaire with our powerful holdings-based portfolio risk score, eliminating much of the guesswork around suitability determinations as required through Canadian Client Focused Reforms. Morningstar's world-class investment data ensures advisors can keep abreast of significant changes in investments across the portfolio.
2. An easy to use know your product (KYP) workflow enables advisors to keep track of the due diligence required prior to an investment recommendation and is connected to a firm-wide compliance dashboard within Enterprise Analytics. The Enterprise Analytics dashboard offers insights by account, households, and investment products to provide a holistic view into advisor's practices.
3. Digital investment proposals and reports are a tool for advisors to create detailed, customized investment plans that align with a clients' financial goals, risk tolerance, and personal values. Direct Advisory Suite is the modern evolution of Advisor Workstation with an improved interface and digital reports to impress clients.

Learn more about [Direct Advisory Suite](#)