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January 21, 2010

The Honourable Ted Morton  
Minister of Finance and Enterprise  
420 Legislature Building  
10800 97 Avenue  
Edmonton, AB T5K 2B6

Dear Minister,

On behalf of the entire Board of Directors of Advocis, we wish to congratulate you on your appointment as Minister of Finance and Enterprise.

Advocis, The Financial Advisors Association of Canada, is the largest and oldest voluntary professional membership association of financial advisors in Canada, with over 1,500 members in Alberta who provide financial advice to hundreds of thousands of Alberta consumers and businesses. Our association was founded in 1906 as the Life Underwriters Association of Canada.

Advocis members are provincially licensed to sell life and health insurance, mutual funds and other securities. They are entrepreneurs and primarily independent owners and operators of small businesses, and create thousands of jobs across the province. Advocis members provide advice in a number of key areas, including estate and retirement planning, wealth management, risk management, tax planning, employee benefits, critical illness and disability insurance. As such our members are directly regulated under the Alberta *Insurance Act* and the *Securities Act*.

Advocis has a long standing tradition of working cooperatively with the government and its regulatory bodies, namely the Alberta Insurance Council and Alberta Securities Commission, to ensure that consumers of financial services are adequately protected, have ample choice and access to professional financial advice, and that the financial advisory business continues to be an important part of Alberta's economy. Our members are a vital resource and have a great deal of expertise in areas of importance to the government such as in the fields of health care, retirement planning and pension plans. Over the past year alone, Advocis has made representations to the government on the *Insurance Act*, *Alberta-BC Trade, Investment and Labour Mobility Act*, *Credit Union Act*, and the *Civil Enforcement Act*.

Most recently, we engaged the government on the important issue of retirement income adequacy and pension reform after conducting a major research initiative on the subject. It is our understanding that the government intends to consult broadly on this important issue and we wish to be actively involved in this discussion to assist in shaping the retirement income system for Canadians.

In addition, we have been working with the Alberta Securities Commission and the Alberta Ministry of Finance over the past three years on the issue of advisor incorporation. Professionals within Alberta such as doctors, lawyers, accountants and real estate agents are allowed to incorporate their businesses. However, Alberta remains one of the last jurisdictions in Canada that denies financial advisors the right to incorporate. This means that advisors cannot take advantage of the benefits of running their business through a corporation.

Life insurance agents are permitted under Alberta's *Insurance Act* to incorporate their business. It makes little sense for a dual licensed advisor who sells both insurance and mutual funds/securities products to operate their insurance business through a corporation but not their mutual fund and securities business. This creates an administrative burden for a comprehensive financial advisory business dealing with the same set of clients, since the advisor must run two sets of books and administrative procedures.

Incorporation is beneficial to consumers as their affairs are dealt with by a corporate entity which provides continuity no matter what happens to the individual advisor. Accordingly, incorporation greatly assists in succession planning. Furthermore, our legal research suggests that consumers will not be harmed under a corporate structure for mutual funds and securities.

The inability of advisors to structure their business as a corporation is both costly and unfair. In most provinces, including British Columbia and Saskatchewan, provinces with which Alberta is harmonizing labour practices under formal agreements, financial advisors are allowed to incorporate both their insurance and mutual fund businesses. This places Alberta advisors at a severe competitive disadvantage.

For years industry has requested changes to address the inequity caused by denying advisors the right to incorporate their securities business. We have developed a comprehensive proposal outlining the necessary legislative changes in the *Securities Act* that allows advisors to incorporate. Our proposal has been shared with the Alberta Securities Commission, Alberta Finance and your predecessor, the Honourable Iris Evans. Specifically, we have asked for:

- Legislative amendments to the *Securities Act* that would allow financial advisors (mutual fund and securities representatives) to incorporate, and
- An exemption from the requirements in the *Securities Act* that requires a corporation to be registered, given that the individual financial advisor is already a registrant under the Act. This exemption already exists in a number of provinces including BC and Manitoba.

By way of background, the following outlines our efforts with regulatory and government officials on this issue:

- In a letter dated May 11, 2007 Advocis advised the Alberta Securities Commission (ASC) that they were one of the few remaining jurisdictions in Canada not to provide a temporary solution to advisor incorporation to the disadvantage of advisors in the province. We offered to work cooperatively with the ASC to arrive at a solution and directed them to a number of securities orders addressing this issue on a temporary basis.
- In November of 2007 we met with the ASC to discuss our position. We also met with the Minister of Finance at the time, the Honourable Lyle Oberg, who indicated the province would consider allowing financial advisors to operate their businesses through corporations.

- In a letter dated June 25, 2008 Advocis provided the ASC with our proposed permanent solution to the advisor incorporation matter, as they were not open to moving to a temporary solution like many other provinces, and welcomed the establishment of a dialogue to move forward.
- Advocis met with the ASC in November of 2008 to discuss the permanent solution. We were informed that a proposal was being developed for consideration by Alberta Finance. The proposal was never shared with Advocis and we did not receive comments on our proposal by the ASC or Alberta Finance.
- On April 6, 2009, a letter was sent to your predecessor, the Honourable Iris Evans, outlining all of our efforts to date on this issue and to seek the necessary legislative changes.

We would like to continue the dialogue with an aim to resolving this important, long standing issue. We would appreciate an opportunity to meet with you to discuss the issue of advisor incorporation and other important matters impacting advisors and consumers of financial services.

We wish you all the best in your new role as Alberta's Minister of Finance and Enterprise and we look forward to working with you and your officials in the future.

Regards,



Greg Pollock  
President and CEO



Terry Zavitz, CFP, CLU, RHU, GBA, EPC  
Chair, National Board of Directors