



Advocis  
390 Queens Quay West, Suite 209  
Toronto, ON M5V 3A2  
T 416.444.5251  
1.800.563.5822  
F 416.444.8031  
[www.advocis.ca](http://www.advocis.ca)

December 17, 2009

The Honourable Dwight Duncan  
Minister of Finance  
7 Queens Park Crescent, 7<sup>th</sup> Floor  
Toronto, Ontario  
M7A 1Y7

Dear Minister,

**Re: Incorporation of Registered Salespersons**

In follow up to our meeting with you on November 24, 2009, where we discussed a number of important issues impacting consumers of financial services and advisors, we appreciated the opportunity to raise issues around the impediments to the Incorporation of Registered Salespersons.

Advocis is a national professional association of financial advisors that is committed to preparing, promoting and protecting financial advisors in the public interest. We do this by providing a professional platform including career support, designations, best practices direction, education, timely information and professional liability insurance. This strengthens the relationship of trust and respect between financial advisors and their clients.

It is customary practice in Ontario for professionals to incorporate. Incorporation allows professionals to take advantage of the beneficial tax treatment extended to incorporated entities and the administrative and succession planning benefits that corporations accommodate. Care has been taken to ensure that professionals who incorporate remain fully accountable to their clients. However, due to restrictions in the Ontario Securities Act, financial advisors are one of the last professions unable to take advantage of the corporate structure. Stated another way, current securities law and regulation has not kept pace with modern business models, resulting in financial advisors being disadvantaged in comparison to most other professionals.

With the approval of the Ontario Securities Commission (OSC) and a number of other members of Canadian Securities Administrators (CSA), the Mutual Fund Dealers Association of Canada (MFDA) has issued a temporary exemption that allows financial advisors to incorporate. Over this period of time, the MFDA has advised the CSA that the incorporation of financial advisors has in no way harmed consumers. While a number of extensions to the original MFDA exemption orders allowing for incorporation have been granted, the most recent extension is set to expire in March 2010. A number of jurisdictions, including Ontario, have clearly stated that a permanent solution to the incorporation issue must be presented prior to this date as no further extensions will be granted.

The permanent solution presented by Advocis to the OSC in October 2008 calls for legislative amendments to the Ontario Securities Act that would allow financial advisors to incorporate.

Further, our solution calls for an exemption from the requirement in the Ontario Securities Act that requires a corporation to be registered, given that the financial advisor is already a registrant under the Act. Such a structure would allow the advisor to benefit from the ability to incorporate and is consistent with the policy intent under the Ontario Insurance Act and the Ontario Mortgage Brokers Act (2006) which allows insurance advisors and mortgage brokers to incorporate, respectively.

Because of the uncertainty that exists under the soon to expire temporary exemption order issued by the MFDA, many advisors have not been incorporating out of concern for the potential risks and tax exposure that exists under that order. We are seeking the necessary legislative changes in the Ontario's *Securities Act* as outlined in our detailed proposal that allows advisors to incorporate to solve this inequity which the industry has been seeking for years.

A final legislative solution to this long standing issue will mean that financial advisors, like most other professionals, will be able to take advantage of the benefits of being able to structure their businesses as corporations in Ontario.

Sincerely,



Greg Pollock  
President and CEO



Roger McMillan, CFP, CLU, CH.F.C.  
Chair, Ontario Provincial Advocacy Committee