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October 15, 2010

Select Standing Committee on Finance
and Government Services
Room 224, Parliament Buildings
Victoria, BC V8V 1X4

Sent via email: financecommittee@leg.bc.ca

Re: British Columbia 2011 Pre-Budget Consultation – Building B.C for Your Family

Advocis appreciates the opportunity to make a pre-budget submission to the Legislative Assembly of British Columbia Select Standing Committee on Finance and Government Services (the “Committee”).

Advocis – who we are

Advocis is the Financial Advisors Association of Canada. We are the largest and oldest voluntary professional membership association of financial advisors and financial planners in Canada. Our association was founded in 1906, as the Life Underwriters Association of Canada.

We have two thousand members in British Columbia who provide comprehensive financial planning and investment advice, retirement and estate planning, risk management, employee benefit plans and disability coverage, to more than a million British Columbia households and businesses.

Our members are provincially licensed to sell life and health insurance and mutual funds and other securities, and are primarily independent owners and operators of small businesses, entrepreneurs who create thousands of jobs across the province.

Advocis financial advisors maintain lasting relationships with their clients based on trust. They take a long-term planning perspective and help guide clients, young and old, individuals, families and businesses during these tough times of economic downturn and financial market turmoil.

British Columbia Families need professional financial advice

Advocis believes that:

- Consumers in British Columbia should have ample access to professional financial advice and planning, and should be able to choose among a diverse range of financial service providers.

- Independent-minded, entrepreneurial, small business professional financial advisors provide valuable service to consumers in delivering professional financial advice, products and services and have a significant place in the expansive financial services sector.
- Public policy should foster a diverse range of choices for consumers. Unfortunately, the existing regulatory framework imposes heavy compliance burdens on independent small business professional financial advisors.

Saving, Investment and Retirement Planning

Professional financial advisors and financial planners are a vital component of the British Columbia financial services sector. They help Canadians save, invest and plan intelligently.

Given anticipated revenue pressures on governments and the apparent inadequacy of savings rates among British Columbians, financial advisors and planners have a critical role to play when it comes to helping build retirement savings.

It is no less important for individual Canadians and business enterprises, than it is for their governments, to be served by professional financial advisors, to help them understand their financial needs and prospects, to save, to invest prudently, to address a variety of risks, and to meet future financial needs.

We believe that government can play a constructive role in promoting a diverse financial services sector and financial services regulation that serves British Columbians effectively.

Access to Financial Advice should be a British Columbia government priority

Advocis believes that qualified, professional financial advisors and planners offer British Columbians vitally important services to help them save, invest and plan for their financial future.

Consumers need access to professional financial advice, in order to meet crucial financial challenges.

A large percentage of the many thousands of active financial advisors in Canada (dealing in all financial products and services such as life and health insurance, mutual funds, comprehensive financial planning), are small business, often sole proprietor, financial advisors. These professional financial advisors are a vital part of the financial services marketplace. Advocis believes that it is extremely important that a strong and healthy financial advisory sector continues to serve the needs of British Columbia and Canadian consumers of financial products, services and advice.

Direct and indirect regulation of financial advisors, particularly in the securities sector, is highly prescriptive (rules-based). Increasingly costly compliance burdens and prescriptive rules that suit the business model of large financial institutions make it increasingly difficult for smaller firms and for independent financial advisors to serve the public.

The ever-increasing regulatory compliance burden is putting professional financial advice out of reach for many consumers. Financial institutions, investment dealers, mutual fund dealers, insurance brokers and agents, independent financial advisors and financial planners are obliged

to cover the cost of regulatory compliance. These costs include legal and regulatory advice, regulatory fees, membership in self-regulatory organizations, printing and mailing costs, increased liability risks, and the costs of completing forms and explaining forms and providing disclosure to clients.

The threshold level of revenue that is required to cover overhead and regulatory compliance costs continues to rise. This threatens to make advice unaffordable and inaccessible to many.

The net effect of increasing regulatory compliance burdens that make it difficult for small business providers of financial advice to remain viable, will be increased concentration in the industry. This means fewer, larger financial institutions, and less choice and diversity in the marketplace for British Columbia consumers.

We believe that the government of British Columbia has an important role to play in ensuring that British Columbians continue to have ample access to professional financial advisors and to a range of choices in the financial services marketplace.

Financial services regulation has a direct impact on market participants in terms of costs, the way they can deliver products, services and advice. The regulatory approach can ultimately shape the financial services industry and consumer choice. Without clear guidance on how regulation should encourage consumer choice and diversity in the marketplace, these matters are left largely with regulators, which typically have a narrow mandate and perspective.

RECOMMENDATIONS to the Government of British Columbia:

RECOMMENDATION 1: The British Columbia Ministry of Finance should make it a priority to ensure that small business, entrepreneurial financial advisors and planners continue to be a vital segment of the financial services sector in order to create diversity in the marketplace, provide ample choice for consumers and allow consumer to access professional, independent financial advice.

RECOMMENDATION 2: The Ministry of Finance should encourage its financial services regulators (including the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA), to ensure that regulation is appropriate to a range of business models, and is not biased in favour of the business model of large integrated institutions, to the detriment of small business financial advisors.

RECOMMENDATION 3: The Ministry of Finance should encourage financial services regulators to consider taking less prescriptive, principles-based approaches to regulation, in respect of small business financial advisors that do not primarily operate within the framework of a large institution.

RECOMMENDATION 4: The Ministry of Finance should develop policies and procedures for financial services regulators to ensure that financial advisors (e.g., insurance agents, and Approved Persons of IIROC dealer members and of MFDA dealer members) who are likely to be directly affected by regulatory proposals are consulted at an early stage in the policy development process.

RECOMMENDATION 5: The Ministry of Finance should, in order to fulfill its mission to regulate financial services more effectively, encourage research concerning a number of issues relating to the effectiveness of financial services regulation. The subject matter of such research could include:

- how consumers actually make financial decisions;
- whether financial disclosure is effective in helping consumers make good decisions;
- how consumers long-term financial outcomes can be improved;
- the effectiveness of existing financial services regulation in protecting consumers from fraud; and
- the impact of major reforms in the United Kingdom, Australia and the USA, as they are implemented, on consumer access to financial advice.

We look forward to working with the Ministry of Finance throughout its Pre-Budget Consultation.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Skwarek". The signature is fluid and cursive, with a prominent initial "E" and a long, sweeping underline.

Ed Skwarek B.A., LL.B., LL.M.
Vice President, Regulatory and Public Affairs