



THE INVESTMENT FUNDS INSTITUTE OF CANADA  
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

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April 30, 2012

Marsha Manolescu  
Director, Capital Markets Policy  
Alberta Finance

Pierre Rhéaume  
Directeur, Direction de l'encadrement du secteur financier  
Ministère des Finances Québec

Dear Sirs / Madames:

**RE: Comments on Incorporation of Individual Representatives Project Update**

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The Investment Funds Institute of Canada ("IFIC") is the voice of Canada's investment funds industry, including fund managers, distributors and industry service organizations. We are writing to provide our comments with respect to the *Incorporation of Individual Representatives Project Update* ("Proposals").

IFIC has supported the Mutual Fund Dealers Association of Canada ("MFDA") in its development and codification of the directed commission model in its rulebook and continues to support the model. We are pleased to see progress on the issue of incorporation with the release of the Proposals and the introduction of Saskatchewan Bill 14. The new Proposals could be improved by recognizing that there are existing corporations with varying business structures that have been in operation for several years without regulatory issues under the MFDA directed commission model.

We are concerned with the restrictive nature of the corporate structure from two perspectives. The corporate restriction on a single purpose corporation does not take into account the common business practice in the industry where a single corporation will cover insurance and securities business. The MFDA directed commission model has operated under this fashion without raising investor protection issues being raised. Limiting the business of a registered professional corporation to securities-related business will require current advisor corporations registered to sell insurance products to establish a second corporation for securities-related business. This would present various administrative and operational difficulties for advisors with no apparent benefit or protection to a client. The policy rationale behind registering the corporation is for identification purposes which are accomplished whether or not the corporation is for securities only or not. We suggest that the corporation be limited to financial services business so as to encompass insurance, securities and fee based financial planning income.

The limitation on voting shareholders is also a concern to us. Although a primary purpose of incorporation is for tax planning there are also other reasons for incorporation such as succession planning. The restriction on shareholders eliminates the ability for succession planning for registered individuals to hold shares together in partnership with other registrants (e.g. a situation where a registered advisor has a registered assistant who is not a family member) and to plan for succession when an individual may retire or leave the business. There is no apparent policy reason to restrict the voting share ownership to one registered advisor. We suggest that the Proposals be amended to enable voting share ownership by one or more registered individuals. We do not feel that ownership restrictions should be unduly limiting, consistent with the overriding necessity of protecting the public.

In conclusion we appreciate the opportunity to comment on the Proposals and hope that the Proposals are updated to incorporate our suggested changes.

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If you have any questions, regarding anything in this letter please contact me directly by phone at 416-309-2300 or by email at [jdelaurentiis@ific.ca](mailto:jdelaurentiis@ific.ca) or Jon Cockerline, Director, Policy and Research by phone at 416-309-2327 or by email at [jcockerline@ific.ca](mailto:jcockerline@ific.ca).

Yours truly,

**THE INVESTMENT FUNDS INSTITUTE OF CANADA**



By: Joanne De Laurentiis  
President & Chief Executive Officer