



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

October 6, 2008

Via email scorigall-brown@bcsc.bc.ca

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Dear Sirs and Madames:

Re: Request for Comments
Extension of MFDA Suspension of Rule 2.4.1 – Advisor Incorporation

I. Introduction

The Investment Industry Association of Canada (“IIAC”) thanks you for the opportunity to provide comments on the “Joint Notice and Request for Comment of Certain Recognizing Regulators of the Mutual Fund Dealers Association of Canada – Application to Amend Recognition Orders” (the “MFDA Notice”). The MFDA Notice was published for comments by the securities regulatory authorities in each of British Columbia, Ontario, Saskatchewan and Nova Scotia (the “Applicable

Jurisdictions”) on August 29, 2008. In the MFDA Notice, the Mutual Fund Dealers Association of Canada (the “MFDA”) requests another extension of the suspension (the “MFDA Suspension”) of MFDA Rule 2.4.1 (the “MFDA Incorporation Prohibition”), which currently expires on December 31, 2008, to December 31, 2010. The extension is being sought to give the MFDA time to develop proposed amendments that would presumably allow licensed financial advisors (“Advisors”) to direct remuneration in respect of business they conduct on behalf of MFDA members to personal non-registered corporations, subject to certain conditions (the “Redirection Model”).

The IIAC generally supports the MFDA’s request for the MFDA Suspension of Rule 2.4.1 until December 31, 2010, along with the direction by some of the Applicable Jurisdictions to the MFDA to submit its proposed amendments to Rule 2.4.1 by May 31, 2009.

However, to promote consistency and a level playing field in the Canadian financial services industry, any changes to MFDA Rule 2.4.1 should be considered along with proposed changes to Investment Industry Regulatory Organization of Canada (“IIROC”) rules in order to create a model that can operate for both the mutual fund and securities industries in a seamless and effective manner.

As such, the IIAC recommends that a committee be established with representatives from the MFDA, IIROC, the IIAC, the Canadian Securities Administrators (“CSA”) and the Industry (as defined below) to finalize, in a timely manner, a rule that achieves an appropriate regulatory, corporate and tax structure which would permit all Advisors to incorporate.

II. Canadian Retail Firms

Canadian retail financial services firms employ tens of thousands of financial professionals who look after financial savings of Canadians totaling over \$1 trillion and contribute greatly to the Canadian economy.

There are 152 MFDA firms with approximately 73,500 Advisors servicing approximately \$304 billion of investor assets. Of these firms, 106 are headquartered in Ontario servicing \$219 billion of the total MFDA investor assets.¹ A number of MFDA firms have affiliates that are IIROC members and/or managing general agencies. The origin of many MFDA Advisors is in insurance. Almost 80% of MFDA Advisors are dually-licensed for mutual funds and insurance. We estimate that more than 50% of MFDA Advisors have operated their business through a corporation for many years.

There are 209 IIROC firms with approximately 10,000 Advisors servicing over \$900 billion of investor assets. Of these IIROC Advisors, almost 50% are located in Ontario servicing more than 50% of the total IIROC investor assets. A number of IIROC firms have affiliates that are MFDA members and/or managing general agencies. More than two-thirds of IIROC Advisors are dually-licensed for securities and insurance. IIROC firms generate approximately \$16 billion in revenue annually with approximately \$8 billion being from retail activities.² IIROC Advisors have never been permitted to operate their business through a corporation.

We strongly believe and submit that all Advisors should be provided with the same opportunity to have the flexibility of using a corporation as a permitted business structure in a manner that permits them to take advantage of all the benefits that such a structure has to offer.

¹ Source is MFDA website.

² Sources are the IIAC and Investor Economics.

III. Background

1. Incorporation of All Other Professionals

Most other professionals in Canada such as insurance agents, doctors, dentists, veterinarians, lawyers, accountants, architects, engineers, nurses, specialist doctors, physiotherapists, midwives, speech pathologists, radiation therapists and hygienists (“Other Professionals”) are permitted to incorporate. The corporate model offers a tax-efficient structure for these groups to manage business cash flow and disbursements and provides for efficient succession planning and business transfer, tax planning flexibility and efficient governance. The incorporation business model was made available to Other Professionals including doctors, lawyers and insurance agents while maintaining the professional liability that has always existed on the part of these Other Professionals towards clients or patients.

Generally, incorporation was permitted for various Other Professionals over the years in response to the Other Professionals’ governing bodies and professional associations that had lobbied for the same incorporation opportunities as other businesses. These initiatives to permit incorporation for regulated Other Professionals were approved as they were viewed by provinces as incentives directed towards continued economic growth, the encouragement of business investment and the generation of revenue while maintaining professional liability.

It is critical to note that the regulatory structure used by Other Professionals, where public protection and ability to hold the professionals liable is of the utmost importance, just as it is in the securities industry, is not a Redirection Model. Instead, Other Professionals carry on the registrable activities in respect of which they earn revenue through their personal corporation.

2. Current Status for MFDA and IIROC Advisors

The issue of incorporation of Advisors has been under review since at least 1997. In 1999, the initial MFDA Suspension was temporarily implemented in recognition of corporate structures having existed in the industry for some time and the MFDA Incorporation Prohibition being extremely prejudicial to these industry structures which, if prohibited, would result in significant restructuring to the industry.

Currently, under the MFDA Suspension, the Applicable Jurisdictions temporarily allow MFDA Advisors to re-direct commissions to personal corporations. The Applicable Jurisdictions have previously extended the MFDA Suspension on a number of occasions on the understanding and condition that Advisors are conducting all activities requiring registration on behalf of and through the facilities of MFDA members, as employees or agents of these members, and not on behalf of or through the non-registered corporation (i.e. not as an employee or agent of the non-registered corporation). More specifically, these personal corporations are not permitted to carry on registrable activities but only to receive the sales commissions earned from the MFDA Advisors carrying on the registrable activities. The Manitoba and New Brunswick securities commissions have recently published notices which allow Advisors to redirect commissions to personal corporations on certain conditions, however, they do not permit the personal corporations of Advisors to carry on the registrable activities. IIROC Advisors have never been permitted to redirect commissions to personal corporations.

The MFDA Suspension, is currently scheduled to expire on December 31, 2008. A number of MFDA firms, IIROC firms, the IIAC, the Investment Funds Institute of Canada (“IFIC”) and Advocis (collectively the “Industry”) have been pressing securities regulators for over ten years to work with the Industry to achieve a permanent solution to permit both IIROC and MFDA Advisors to incorporate rather than to re-direct commissions to a personal corporation. The Industry initiatives

over the years have included various proposals, presentations, submissions, tax opinions, legal opinions, meetings with securities regulators, an IIROC incorporation rule (the "IIROC Incorporation Rule") and proposed amendments to securities legislation. Attached as Appendix "A" to this letter is a chronology detailing all of the efforts undertaken by the Industry and the responses of the CSA thereto from 1997 to date.

The IIROC Incorporation Rule, completed following a two-year consultation and review process, was approved by the board of directors of IIROC which includes public directors and was presented to the CSA for approval in January 2006. In connection with the review by the CSA, IIROC and the Industry presented to the CSA various materials including tax and legal opinions confirming, among other things, that there would be no change in a firm's liability to a client because the firm would expressly assume liability for the actions of the individual Advisor and his/her personal corporation. The CSA advised in the summer of 2007 that it was not prepared to approve the IIROC Incorporation Rule. The CSA was of the view that the proposed structure would compromise investor protection as the IIROC Incorporation Rule did not provide for the corporation to be registered and so the liability and obligations between the sales company and the client would only be provided through contractual arrangements. We note that the CSA recognized that the legal opinions presented in connection with the IIROC Incorporation Rule indicated that there would be no change in a firm's liability to a client. The CSA suggested three alternative courses of action that could be pursued as follows:

- (a) Certain CSA member jurisdictions are prepared to entertain the Redirection Model as a permanent solution.
- (b) The CSA is willing to consider proposals relating to a type of introducing broker within the current introducing broker/carrying broker arrangements with the equivalent of the carrying broker being liable for the actions of the introducing broker (the "Introducer Model").
- (c) Incorporation of Advisors prescribed through legislative changes in which case the CSA appears to be directing the Industry to lobby the applicable legislatures for these amendments rather than proceed through the CSA (the "Incorporation Model").

3. Why Not the Redirection Model

The Redirection Model has been proposed as a permanent alternative course of action. Under the *Income Tax Act*, the Canada Revenue Agency ("CRA") may recognize a corporation as carrying on a professional practice unless provincial law or the regulatory body for the particular profession provides that only individuals may practice the profession. If provincial law or the regulatory body for the profession precludes the practice of the profession by a corporation, income derived from the profession will normally be considered to be earned by the individual who rendered such professional services and not by the corporation.^{3 4}

CRA has indicated that in cases where the corporation might not in fact carry on the business and where it might perform few or no services, the income purported to be that of the corporation can be taxed as income of the individual professionals who have, in fact, carried on the business.⁵ Therefore, the Canadian tax system does require the corporate entity to carry on the business earning the taxable revenue in order for the corporate entity to properly recognize the revenue.

³ Income Tax Bulletin #IT-189R2 "Corporations Used by Practising Members of Professions".

⁴ Income Tax Technical News #22.

⁵ Income Tax Technical News #22.

At this time, securities legislation across Canada provides that only individuals may engage in registrable activities. Notwithstanding the MFDA Suspension which temporarily allows the Redirection Model, the securities regulators have been clear to indicate that the commissions being redirected to the personal corporation are being earned by the MFDA Advisors conducting all activities requiring registration and not by such personal corporations.

The IIAC and others in the Industry, on a number of occasions, have expressed concerns to the MFDA and the CSA about the tax implications of the Redirection Model where commissions are redirected to personal corporations rather than “earned” by such personal corporations. Although the CSA indicated that it will leave any concerns regarding potential tax implications of the Redirection Model to IIROC to consider, the current tax and business structure utilized under the MFDA Suspension or in a permanent solution structured along the lines of the Redirection Model creates uncertainty for Advisors operating in this structure and appears to not allow such Advisors to take advantage of all of the benefits associated with the corporation structure. We also note that for the reasons set out above, IIROC has indicated that it would not permit the Redirection Model to be used by IIROC Advisors. A permanent solution is needed similar to structures that permit the incorporation of Other Professionals.

4. Why Not the Introducer Model

The CSA has proposed the Introducer Model as an alternative course of action, in part, as this regulatory model already exists. In the existing model, introducing brokers have to go through a lengthy and cumbersome registration process in each province in which they operate including an application process to join one of Canada’s self regulatory organizations (“SROs”), IIROC or the MFDA.

In the existing model, as actual members of one of the SROs, introducing brokers have onerous, costly and complex registration and regulatory requirements (the “Introducer Requirements”) including: (i) strict capital requirements ranging from \$75,000 and up, (ii) strict insurance requirements including the requirement to contribute to the investor protection fund associated with the SRO, (iii) prescribed regular monthly, quarterly and annual financial reporting requirements which include the requirement to file audited financials with the SRO and a structure that necessitates having a registered chief financial officer with proficiency requirements, (iv) the requirement for a section 5970 audit relating to the introducing brokers which translates into additional annual audit costs for introducing brokers of \$3,000 to \$20,000, and (v) establishing and maintaining a rigorous compliance regime within the introducing broker as well as the carrying broker.

The Introducer Model was created to (i) permit small firms to be established and to carry out their business with decreased capital and insurance requirements when compared to larger firms, and (ii) to permit firms of all sizes to take advantage of certain operational efficiencies by processing their business through larger firms. The size of introducing brokers varies from a \$1 million in serviced client assets to \$10 billion in serviced client assets. The Introducer Model was not created to permit individual Advisors to operate in personal corporate structures. Although the Introducer Model has been available for years, Advisors have not taken advantage of it to achieve incorporation status as the Introducer Requirements are prohibitive. The number of IIROC firms has generally remained the same over the past number of years and the number of MFDA firms has decreased. In addition, we anticipate that if Advisors pursued incorporation through the current Introducer Model, this would place a great regulatory cost and resource burden on the CSA and the SROs who would have to register and regulate all of these new introducing brokers in accordance with the Introducer Requirements.

In contrast, the regulatory requirements applicable to Other Professionals which permit them to incorporate provide for a less complex and costly structure when compared to the Introducer Requirements including no requirements for financial or other audits or capital requirements. Certain examples are set out below.

Insurance Agents Incorporation

The life agent and his/her personal corporation (the “agency”) must register with the provincial insurance regulators through the completion of the necessary application. There is a requirement that any shareholder that owns more than 50 percent of any class of shares in the agency be insurance licensed. The licence of the agency rests on the licence and proficiency of the individual insurance agent who is employed or otherwise engaged by the agency. Certain provinces require an agency to appoint a designated representative to provide liaison with the insurance regulator and carry out certain reporting functions and has responsibility to the insurance regulator for all insurance activities undertaken by the agency and its representatives.

Doctors, Dentists and Lawyers Incorporation

The specific requirements and how the incorporation structure is achieved varies by profession and by province.

Doctors and dentists in British Columbia and Ontario, pursuant to the applicable provincial legislation, must submit an application to allow their personal corporations to provide medical or dentistry services to the public. The application process simply requires them to make certain representations about the structure of their personal corporation, agree to certain restrictions and acknowledge that practising medicine or dentistry as a representative of their personal corporation does not, among other things, relieve them of professional liability or compliance with the requirements of their respective regulatory and professional obligations.

The *Business Corporations Act* (Ontario) (“OBCA”) allows for professional corporations where (a) the practice of a profession is governed by an Act which permits the practice of the profession by a corporation subject to the provisions of that Act, or (b) the profession is governed by a prescribed Act which includes one of the following: *Certified General Accountants Association of Ontario Act, 1983; The Chartered Accountants Act, 1956; The Law Society Act, Social Work and Social Service Work Act, 1998; Veterinarians Act, 2000* or an Act named in Schedule 1 if the *Regulated Health Professions Act, 1991*. The OBCA eliminates any limits that may exist on professional liability by specifically indicating that the professional liability for acts of the shareholders, employees or agents of the corporation is not affected by the fact that the member is practicing the profession through a professional corporation.

Lawyers and licenced paralegals in Ontario, under the OBCA and the *Law Society Act* (Ontario), are permitted to carry on the practice of law or the provision of legal services through a professional corporation. The simple application process involves the annual filing of an application similar to doctors and dentists together with a copy of the articles of incorporation and a fee.

5. *Incorporation Model*

As described in section 5 of this letter, the Industry has made numerous efforts to work with the CSA, IIROC and the MFDA to achieve a permanent appropriate structure to permit both IIROC and MFDA Advisors to incorporate similar to Other Professionals. The CSA has most recently suggested the Industry to lobby the applicable legislatures for legislative amendments to allow for

the Incorporation Model rather than proceed through the CSA, if the Industry believes that the Incorporation Model is the appropriate model. However, the Industry believes that any legislative amendment ultimately requires the involvement of the CSA, IIROC and the MFDA. As an example we point to the experience in British Columbia. In 2003, an amendment to the British Columbia *Securities Act* was passed by the British Columbia Parliament to permit Advisors to incorporate. The reasons provided for the amendment related to the creation of flexibility for Advisors and their firms and ensuring that they have choices and options rather than just an employer-employee relationship. These reasons were noted to be in line with the government's objective of more efficient and effective regulation that will contribute to the economic competitiveness and, ultimately, the economic growth of the province. The British Columbia Securities Commission was tasked with coming up with rules surrounding the Incorporation Model in order for the Securities Act amendment to come into effect. This never took place.

IV. Conclusion

The corporate structure is not new to investment professionals including to MFDA Advisors that have operated in these structures for years and insurance agents who are permitted to operate through a corporation under appropriate regulation. We believe that a strong business case has been demonstrated by the Industry for an incorporation structure that gives the same business and tax benefits to Advisors as are available to Other Professionals. We also believe that a proper structure is integral to the cost-effective delivery of financial services, the facilitation of fair and open competition in the overall wealth management business, and the standardization of industry structures while ensuring that appropriate tax and other benefits are achieved in compliance with all applicable legislation including securities and tax.

We do recognize that any business structure related to investment services must meet the required standard of integrity to protect the investing public. The CSA has noted in the past that public protection, which is one of the mandates under securities legislation, had not been put forward as a purpose of Advisor incorporation. We believe, however, since public protection would be maintained, that regulations should not impose barriers to flexibility in business structures where the result does not undermine the integrity of the marketplace.

The CSA has also expressed concern in the past that not all Advisors and their firms would take advantage of the Incorporation Model if it is approved. We strongly believe that Advisors and their firms should have the flexibility to choose their business model like all Other Professionals, provided the public continues to remain protected, and that regulations should not restrict Advisors and their firms to an employer-employee relationship simply because some firms have determined to structure their business operations in this manner.

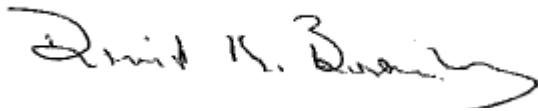
Extending the ability to incorporate to MFDA and IIROC Advisors:

- (a) would bring Advisors in alignment with Other Professionals in Canada in terms of business structures,
- (b) would level the playing field between investment professionals, insurance agents, mutual fund and securities licenced Advisors, in Canada in terms of permitted business structures,
- (c) would no longer represent an obstacle to an Advisor considering migration from being mutual fund licenced to being securities licenced which allows the Advisor to be able to offer a greater array of products and solutions to clients;
- (d) would be in line with the current ongoing movement of the regulators towards uniformity in regulations;

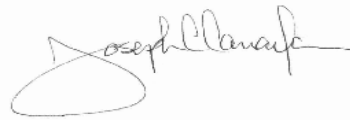
- (e) would enable restructuring of firms for the cost efficient delivery of financial services by standardizing acceptable regulatory business structures across different regulatory and distribution platforms;
- (f) would reduce complexity and expense of regulatory compliance while at the same time providing for a structure in place under SRO by-laws that ensures compliance with applicable laws, public disclosure and protection;
- (g) would reduce regulatory arbitrage and the possible movement of Advisors towards certain products due to business structures; and
- (h) would not impact the current protections in place for the public including no change in services and reporting, no change in liability to a client by the firm and no impact on investor protection fund coverage.

To re-iterate, as the matter of Advisor incorporation has been under review for over 10 years, we recommend that a committee be established with representatives from the MFDA, IIROC, the IIAC, the CSA and the Industry to finalize, in a timely manner, a rule that achieves an appropriate regulatory, corporate and tax structure which would permit IIROC and MFDA Advisors to incorporate.

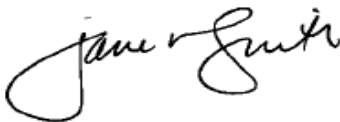
Yours truly,



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 Chair and CEO
 Assante Wealth Management



Jane M. Smith
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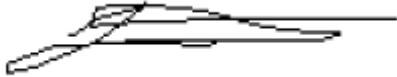
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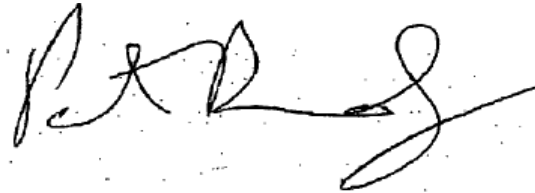
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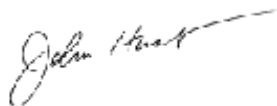
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Enclosure – Appendix 'A'

APPENDIX “A” TO MFDA EXTENSION REQUEST

Review of Financial Advisors Incorporation Regulatory Initiative

The following is a chronology of the initiatives to achieve the business structure of incorporation for financial advisors.

<u>Date</u>	<u>Event</u>
1990s	<ul style="list-style-type: none">• Insurance agents are permitted to incorporate pursuant to the Insurance Act.• Mutual fund advisors, although not technically permitted under regulatory requirements, operate as agents of their dealers or under corporate structures.• Securities advisors licensed with securities firms that are governed by the Investment Dealers Association of Canada (the “IDA”) are only permitted to operate as employees of their firms.
1997	<ul style="list-style-type: none">• Canadian Securities Administrators (“CSA”) appoint the CSA Distribution Structures Committee (“CSA Distribution Committee”) comprised of representatives of the securities commissions of British Columbia, Alberta, Saskatchewan, Ontario, Quebec and Nova Scotia. The mandate of the CSA Distribution Committee is to:<ul style="list-style-type: none">○ develop policy positions to address the regulatory issues that had arisen due to changes that were occurring in the manner in which securities firms structured their business; and○ facilitate the commercial provision of securities trading and advising services to the public.
August 1999	<ul style="list-style-type: none">• CSA Distribution Committee releases its Position Paper. The Position Paper<ul style="list-style-type: none">○ recognized that there were a number of different structures of non-registered corporations in existence for a number of years who were receiving commissions from the sale of securities;○ articulated seven concerns relating to financial advisors operating through a non-registered corporation; and○ concluded that, in the absence of legislation that allows a financial advisor to render registerable services through a corporation while preserving the advisor’s and the dealer’s liability to clients, advisors would be not allowed to incorporate in order to conduct registerable activities.
August 1999	<ul style="list-style-type: none">• The Mutual Fund Dealers Association of Canada (the “MFDA”), the newly established self-regulatory organization for mutual fund dealers, is advised that the MFDA rules must conform to the positions articulated by the CSA Distribution Committee and prohibit the incorporation of financial advisors.
December 1999	<ul style="list-style-type: none">• The MFDA, as part of its rules, develops a rule which requires all remuneration in respect of business conducted by a financial advisor on behalf of a mutual fund dealer to be paid by the dealer directly to and in the name of the financial advisor (the “MFDA Incorporation Prohibition”).
Spring 2000	<ul style="list-style-type: none">• The MFDA receives a significant number of opposition comments to the MFDA Incorporation Prohibition.• Commentators indicate that unless the MFDA rules are revised to allow financial advisors to operate within a corporate structure, the MFDA rules would be extremely prejudicial to industry structures in existence at that time and would, therefore, result in significant harm to the industry.

- Various solutions are proposed including amendments to securities legislation to allow for incorporated financial advisors.
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May 2000

- MFDA recognizes that the implementation of the MFDA Incorporation Prohibition could result in significant disruption to the industry.
 - MFDA proposes a three-year transition period for the MFDA Incorporation Prohibition.
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December 2000

- Ontario Securities Commission (“OSC”) and Saskatchewan Securities Commission (“SSC”) agree to allow a three-year transition period for the MFDA Incorporation Prohibition.
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2000

- Independent firms governed by the IDA start lobbying for equal regulatory treatment with MFDA firms relating to the business structures.
 - Independent IDA firms pursue permission to operate in agency business structure with their financial advisors.
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2000

- The government of Ontario, through *Bill 152 - Balanced Budgets for Brighter Futures Act, 2000*, extends the right to incorporate to a number of other professionals such as lawyers, doctors, dentists and accountants.
 - The initiative provides the same incorporation opportunity for these professionals as had been in place for other professionals such as architects and engineers.
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March 2001

- MFDA Incorporation Prohibition is officially suspended in Ontario and Saskatchewan for a period of three years ending in March 2004.
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Spring 2001

- OSC, SSC, British Columbia Securities Commission (“BCSC”) and Alberta Securities Commission (“ASC”) indicate that they intend to develop and, if possible, implement regulatory changes that would allow dealers to pay commissions to personal corporations of advisors provided that these arrangements are structured such that they do not impede regulatory scrutiny of their business or shield them from obligations or liability to clients.
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November 2001

- IDA board of directors approves IDA rule allowing firms to operate in agency business structure with their advisors (the “IDA Agency Rule”) bringing IDA firms on equal footing with MFDA firms.
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February 2002

- MFDA Incorporation Prohibition is officially suspended in British Columbia.
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2001 to June 2003

- Independent IDA firms work with the CSA and in particular the OSC to have the IDA Agency Rule approved by the CSA.
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2002 to 2003

- Independent MFDA firms work through the Investment Industry Association of Canada (“IFIC”) to develop regulatory framework to allow MFDA advisors to incorporate.
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2003

- British Columbia Securities Act amendment passed by Parliament to permit advisors to incorporate or operate as independent contractors.
 - Reasons provided to Parliament for the amendment is to create flexibility for financial advisors and their firms and ensure they have choices and options they may want to pursue rather than just an employer-employee relationship.
-

- Reasons noted to be in line with the government's objective of a more efficient and effective regulation that will contribute to the economic competitiveness and, ultimately, the economic growth of the province.
- BCSC is tasked with coming up with rules surrounding the advisor incorporation in order of the BC Securities Act amendment to come into effect.

June 2003	<ul style="list-style-type: none"> • CSA approves IDA Agency Rule.
June 2003 to December 2005	<ul style="list-style-type: none"> • Independent IDA firms work with the IDA to develop regulatory framework to allow IDA advisors to incorporate.
February 2004	<ul style="list-style-type: none"> • Nova Scotia Securities Commission ("NSSC") accepts the suspension of the MFDA Incorporation Prohibition
February 2004	<ul style="list-style-type: none"> • The suspension of the MFDA Incorporation Prohibition is extended for another two years to December 31, 2006 to provide provincial securities regulators additional time to work with the industry to consider this matter further. • MFDA advisors continue to be able to operate under the corporate structure. IDA advisors continue to not be able to incorporate.
January 2006	<ul style="list-style-type: none"> • Incorporation approved by IDA board of directors. • IDA Incorporation rule (the "IDA Incorporation Rule") filed with the CSA for approval together with tax and legal opinions.
Summer/Fall 2006	<ul style="list-style-type: none"> • Investment Industry Association of Canada (the "IIAC") (the newly created trade association for securities firms) and industry follow-up with the OSC on the IDA Incorporation Rule.
Fall/Winter 2006	<ul style="list-style-type: none"> • Presentations, additional submissions and additional legal and tax opinions provided to the OSC on the IDA Incorporation Rule.
Fall/Winter 2006	<ul style="list-style-type: none"> • The suspension of the MFDA Incorporation Prohibition is extended for another two years to December 31, 2008. • MFDA advisors continue to be able to operate under the corporate structure. IDA advisors continue to not be able to incorporate.
Winter 2006	<ul style="list-style-type: none"> • Rejected request to the CSA to also allow IDA advisor incorporation structure in the interim period until CSA makes final determination on advisor incorporation.
January 2007	<ul style="list-style-type: none"> • Separate presentations to the ASC and OSC (including the QSC) and further submissions relating to liability, supervision, structure and public interest relating to the IDA Incorporation Rule.
February 2007	<ul style="list-style-type: none"> • CSA releases new proposed registration requirements (Registration Reform Project). • CSA comments that it has not reached a decision on the request by industry to permit advisors to operate through incorporated entities and that it intends to address this issue in 2007.
Spring 2007	<ul style="list-style-type: none"> • Change in personnel at the OSC results in incorporation initiative stalling.
Summer 2007	<ul style="list-style-type: none"> • CSA advises the IDA that it cannot approve the IDA Incorporation Rule in its current form.

Summer 2007	<ul style="list-style-type: none"> • IFIC restarts incorporation initiative by establishing new industry committee.
Summer/Fall 2007	<ul style="list-style-type: none"> • Advocis continues to lobby provinces that had not agreed to adopt the suspension of the MFDA Incorporation Prohibition (Manitoba, New Brunswick, Alberta).
Fall 2007	<ul style="list-style-type: none"> • Manitoba Securities Commission (“MSC”) announces it is permitting incorporations. • Industry concerns whether MSC structure meets Income Tax Act (“ITA”) requirements as the corporation is prohibited from carrying on the securities business.
Winter 2007	<ul style="list-style-type: none"> • IDA responds to the CSA that it disagrees with reasons why the CSA rejected proposed IDA Incorporation Rule and advises that the IDA will no longer be pursuing the initiative.
February 2008	<ul style="list-style-type: none"> • The CSA republishes for comments the registration reform rules - there is no mention of advisor incorporation.
2008	<ul style="list-style-type: none"> • Industry continues to work through IFIC towards an incorporation structure that meets the Income Tax Act requirements and satisfies regulatory matters.
April 2008	<ul style="list-style-type: none"> • CSA confirms that the registration reform rules would not include a proposal on the issue of advisor incorporation and advised that the MFDA would need to consider whether it would seek an extension of the December 31, 2008 deadline as well a develop its own proposal on the issue.
May 2008	<ul style="list-style-type: none"> • New Brunswick Securities Commission (“NBSC”) announces it is permitting incorporations. • Industry concerns whether NBSC structure meets Income Tax Act requirements as the corporation is prohibited from carrying on the securities business.
December 31, 2008	<ul style="list-style-type: none"> • Suspension of the MFDA Incorporation Prohibition will expire. • The CSA will likely extend the suspension of the MFDA Incorporation Prohibition again without a definitive acceptable structure. • Eleven years have passed since the appointment of the CSA Distribution Committee that reviewed incorporation of advisors as a business structure. • Insurance agents can incorporate. • MFDA advisors in Ontario, British Columbia, Manitoba, Saskatchewan, Nova Scotia and New Brunswick have been permitted to operate through a corporate structure under an eight year suspension of the MFDA Incorporation Prohibition. • IDA advisors are not permitted to incorporate.