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VIA the FSRA website

June 18, 2021

Re: Proposed Rule [2020-001] – *Financial Professionals Title Protection* (“FPTP Rule”)

The Investment Industry Association of Canada (the “IIAC”) appreciates the opportunity to provide input to the Financial Services Regulatory Authority of Ontario (“FSRA”) on its second consultation of the FPTP Rule and accompanying materials, which introduces minimum standards for use of the Financial Planner (“FP”) and Financial Advisor (“FA”) titles in Ontario.

The IIAC’s 115 IIROC-regulated investment dealer member firms are the key intermediaries in Canadian capital markets, account for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations. The IIAC provides leadership for the Canadian securities industry with a commitment to a vibrant, prosperous investment industry driven by strong and efficient capital markets.

As outlined in previous stakeholder consultations and submissions, the IIAC supports additional clarity and standardization for the provision and supervision of financial planning in the industry. We recognize that there are many individuals who may hold themselves out as financial planners but may not have the necessary proficiency requirements and appropriate oversight.

Clarity and protection for investors being served by a wide variety of people who call themselves financial planners is welcome. It is imperative to ensure that those involved in financial planning have the necessary proficiency and meet minimum acceptable standards, thereby increasing confidence in the Canadian capital markets. This would be beneficial for all industry participants and, most importantly, for Canadian investors.

Exemptions

The IIAC is extremely disappointed to see that FSRA is still considering the feedback it has received with respect to exemptions.

Again, we urge FSRA to consider an exemption for both IIROC and MFDA registrants. We note FSRA has stated its commitment to avoid duplicative oversight and unnecessary regulatory burden on market participants, yet this framework will do exactly that for SRO registrants.

The SROs, with the mandate of protecting investors and the integrity of the Canadian capital markets, have rigorous proficiency requirements and business and financial conduct oversight of their registrants.

We remind FSRA that the IIAC is advocating for an exemption for both FPs and FAs employed by registrants who are subject to the oversight of an SRO and either:

- i) hold a recognized financial planning credential from a recognized credentialing body (for FP title users); or
- ii) include specificity as to the services the individual is licensed to provide (for example, Financial Advisor – Investments or Financial Advisor - Insurance).

Such an approach achieves the stated intention to enhance consumer protection without introducing unnecessary regulatory burden, while being mindful of the current regulatory oversight of licensees and registrants.

It is important to note that today, IIROC and the MFDA do not bestow the FP title, credentials or designations on individuals using the FP title. The CBs are and will continue to be FP Canada and IQPF (Québec) for both SRO registrants and non-SRP, FP-only persons.

Titles that Can be Reasonably Confused with the FP/FA Title

We appreciate that FSRA has issued its Supervisory Framework guidance, which contains *Appendix 1 Titles that could reasonably be confused with financial planner and financial advisor*. While this Appendix includes examples of titles that would not reasonably be confused with FP and FA titles, such as wealth manager and investment counsellor, it would be helpful to also include titles such as “investment advisor”, “wealth advisor” and “securities advisor” for additional clarity. We recognize that the list is not meant to be exhaustive, however, these three titles are widely used in the financial services industry and if included, would result in a more complete and fulsome list for industry participants.

In addition, FSRA has indicated that title usage will be complaints-based and FSRA will make its determination on inappropriate title usage subject to the specific facts and circumstances in those cases. While that approach may appear reasonable on its face, it provides no certainty to a firm who may have thousands upon thousands of registrants using a certain title that, based on Appendix 1, the firm was under the belief that the title would not likely be confused with the FP or FA titles. Clarity and transparency on appropriate title usage is necessary prior to the enactment of the title protection framework.

Baseline Competency Profiles (BCP)

The IIAC recognizes that the BCPs are intended to be minimum standards for FP/FA title use and FSRA has used a principles-based approach in order to accommodate the many diverse education programs already in existence. We appreciate that the BCPs now recognize some of the differences between the role and activities of an FA and an FP. For example, the BCP for FAs now states that an education program should provide *adequate knowledge* of tax planning, estate planning, retirement planning, finance management and insurance/risk management, whereas an FP education program should provide a *comprehensive understanding* of these items in addition to investment planning.

We hope that as Credentialing Bodies (“CBs”) implement their curriculums to satisfy the FP/FA credential approval criteria, they will recognize that not all items listed in the two tables in Appendix 1 will necessarily be applicable to those that hold the FP or FA title. For example, as the IIAC set out in our previous submission, some FPs will not conduct a periodic review of the client’s ongoing objectives, priorities and areas of need as these FPs would not have an ongoing relationship with the client, but instead meet them to prepare a one-time financial plan that may be reviewed if there is a change to their personal and financial circumstances.

The Applications Guidance does state that the tables are intended to provide CBs with additional guidance on the type of content that should be reflected in their curriculum but is not intended as a comprehensive and complete checklist.

Despite some of these changes, the IIAC wishes to reiterate that we remain unclear as to which individuals are meant to be encompassed under the FA title. There is little information to assist in distinguishing between the FP and FA title, as well as the scope of activity that FSRA envisions for FAs. If this is not clear to industry, it is unlikely to be clear to the investing public, thereby undermining one of the key rationales of the initiative (i.e. reducing investor confusion).

Disclosure

The IIAC is concerned that FSRA has stated that its intent is that a CB’s code of ethics and professional standards would include policies and standards with respect to the disclosure of credentials when its credential holders use an FP/FA title. FSRA outlines that this could include disclosure in websites, business cards, marketing material, contracts with clients and letterhead on correspondence.

As we stated in our previous submission, we support FP and FA title users disclosing their credentials, but we do not believe any additional mandated disclosure requirements are necessary.

Furthermore, such an approach is contrary to the principles that FSRA has continually stated with respect to effectiveness, efficiency and unnecessary regulatory burden for market participants. It should be noted the immense cost and effort it would take to implement the disclosure of titles

on contracts, marketing materials, business cards or letterhead on correspondence. It is also unclear how SROs, such as IIROC and the MFDA, would go about implementing the disclosing of credentials. It is also unclear what credential holders would have to do to confirm to the CB that clients have been provided with appropriate disclosure of credentials. This proposal simply imposes an additional financial burden on our member firms without any corresponding advancement of the FFTP Rule's policy rationale. Member firms will incur substantial costs to meet the disclosure requirements as stated, but CBs will also incur costs in monitoring mandatory disclosure. These costs will then ultimately flow-back to member firms. Additionally, it is not clear how mandatory disclosure will reduce investor confusion especially given the likelihood multiple CBs in the marketplace.

FSRA has stated in its Consultation Summary Report that it wishes to introduce requirements that will complement existing regulatory frameworks without imposing duplicative or overlapping regulatory requirements on individual title users. While FSRA stated that CBs will be required to have a code of conduct, as well as appropriate complaints and disciplinary proceedings, it acknowledged that these are already common elements of the existing licensing and designation programs in the marketplace. However, asking CBs to amend codes of conduct and impose requirements on individual registrants to confirm their compliance to the CB regarding the disclosure of credentials, goes beyond what exists today. FSRA stated that its framework does not introduce new conduct standards for firms and individuals registered with IIROC or the MFDA. We are unclear how this statement can be made given these new disclosure standards.

We strongly urge FSRA to remove this requirement.

Fees and Assessments

We look forward to commenting on the detailed fee structure that FSRA is planning to issue in the coming months.

As indicated previously, the IIAC support FSRA's approach to fees based on the principles of simplicity, consistency, fairness, effectiveness and efficiency. We remind FSRA that when considering the details, we wish to highlight the importance of keeping fees low or providing a reduced fee to those SRO registrants currently subject to SRO fees.

Transitional Matters

The IIAC supports the shortened transition periods to obtain an approval credential from four years for FP title users and two years for FA title users.

However, we have concerns with subsection 7(1) of the FFTP Rule, which allows individuals to continue to use the FA of FP for a transitional period provided that immediately prior to January 1, 2020 and up to the date this rule comes into force, used that title in Ontario.

We agree that a transitional period is necessary to allow individuals sufficient time to obtain an approved credential, but we are unclear as to the rationale that the individual must have been using that title on or before January 1, 2020. We believe the transitional period should apply to any individual who was using the title immediately before the rule comes in force and FSRA should set an "on or before" date once a proposed in force date is determined.

As currently drafted, any individual who started using the FP or FA title in 2020 or 2021 would only be permitted to continue using that title if he or she obtains a FSRA-approved FP/FA credential. The rationale for using the date of January 1, 2020 is unclear.

As we move further and further away from January 1, 2020, the FPTP Rule as currently drafted would exclude a number of registrants. Further, with changes to titles under the Canadian Securities Administrators' Client Focused Reforms ("CFRs"), there may be registrants who chose (or their firms requires them) to use the FA or FP title, and given that the CFRs do not come into force under December 31, 2021, FSRA's January 1, 2020 will impact many registrants.

We encourage FSRA to consider amending the January 1, 2020 date contained in subsection 7(1) of the Act to a date that more closely aligns with the coming into force date.

Yours sincerely,

A handwritten signature in cursive script that reads "M. Alexander".