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MFDA Bulletin

Policy

For Distribution to Relevant Parties within your Firm

Summary of Comments – MFDA Bulletin #0656-P Consultation Paper on Standards for Use of the Title “Financial Planner”

On September 4, 2015, the MFDA published, for a 90-day public comment period, its Consultation Paper on Standards for Use of the Title “Financial Planner”. The comment period ended on December 4, 2015.

A total of 29 submissions were received. Comments were made by MFDA Members, Approved Persons, education service providers, and investor and industry associations. Commenters provided general input and responded to specific questions that were raised in the Consultation Paper. A summary of comments received is attached as Schedule “A” to this Bulletin.

MFDA staff will consider the comments received in developing proposed Rule amendments. Proposed amendments will then be published for public comment in accordance with the MFDA’s regular Rule development process.

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SCHEDULE “A”

MFDA Bulletin #0656-P Consultation Paper on Standards for Use of the Title “Financial Planner”

Summary of Comments

The MFDA is considering amendments to Rule 1.2.1(d) that would establish minimum proficiency requirements for Approved Persons seeking to use the title “financial planner”. Input was specifically requested in respect of the questions set out below.

Submissions Received

A total of 29 submissions were received. Comments were made by MFDA Members, Approved Persons, education service providers, and investor and industry associations.

A majority of commenters expressed general support for the effort to provide investors with greater clarity regarding the role and level of expertise of individuals using the title “financial planner”.

Responses to Specific Questions

1(a) In Appendix “A”, we have set out some of the more commonly used financial planning designations. Input is sought, in particular, as to whether these designations would be appropriate for the purpose of meeting the MFDA’s proposed proficiency requirements.

A number of commenters indicated that the majority of the designations noted in Appendix “A” to Bulletin #0656-P would be appropriate for the purpose of meeting the MFDA’s proposed proficiency requirements. The majority of commenters expressed support for the CFP designation. The FPI, RFP, and PFP designations were also supported by a number of commenters.

1(b) Where commenters, in their response to 1(a), identify a designation as being appropriate, they are asked to also supply reasons in support of their selection (e.g. the designation is subject to course work, exam requirements, related work experience, continuing education requirements, etc.).

Designations Set out in Appendix “A” to Bulletin

With respect to the designations set out in Appendix “A” to the Bulletin, commenters noted that these designations, generally, focus on comprehensive planning, and have educational and examination requirements, requirements in the areas of continuing education and related work experience, a requirement to adhere to a code of ethics, and practice standards. A commenter highlighted the fact that individuals holding the CFP designation must pass two standardized

national examinations, have a minimum of three years of relevant financial planning work experience and, on an annual basis, must complete 25 hours of continuing education to maintain the certification. In addition to the foregoing, it was noted, with respect to the CFP and RFP, that these designations endorse a best interest standard and are offered by not-for-profit corporations.

Assessment of Designations Generally

A few commenters noted that any credible designation program should have: significant mandatory education that addresses all aspects of a client's financial situation (e.g. budgeting, net worth, retirement, debt and risk management, investment needs, taxation / estate planning, and creating comprehensive financial plans); a fair and valid certification examination; a relevant experience component; ongoing professional development; a disciplinary process; and require adherence to a code of ethics.

These commenters also noted that the organization granting the designation must have the ability to assess individuals, monitor compliance on an ongoing basis, and promote/uphold the standards of the designation. It was noted that such standards are set by recognized international bodies, such as the International Standards Organization ("ISO"). It was also noted that ISO 17024 contains principles and requirements for a body certifying persons against specific requirements, such as: standards for the competency profile; development and maintenance of a certification program; examination development and delivery; ethical behavior and dealing with consumer complaints; as well as organizational commitments to the quality of the designation. In this regard, a commenter noted, in particular, that both the CFP and PFP designations have ISO 17024 accreditation.

A commenter also noted that a certifying body must have a public interest mandate that is demonstrated in its governance structure (e.g. it should be legally registered as a not-for-profit corporation, and governed by a Board of Directors that includes both financial planning practitioners and consumers).

1(c) Comment is also sought as to what other designations might be appropriate for an individual seeking to use the title "Financial Planner".

A number of commenters suggested that the Chartered Life Underwriter ("CLU") designation would be appropriate for an individual seeking to use the title "financial planner". In support of this suggestion, it was noted that to qualify for the CLU designation, an individual must first have achieved a CFP designation. This comment was also made in respect of the Chartered Financial Consultant ("ChFC") designation, which was recommended by a few commenters.

A few commenters recommended the Certified International Wealth Manager ("CIWM") designation, noting that holders of the CIWM designation must also meet prescribed educational requirements, pass a certification examination, adhere to a code of ethics and meet ongoing continuing education requirements.

The CFA designation was also recommended by a few commenters. In support of this designation, it was noted that its rigorous exam and work experience requirements, code of

ethics, and standards of conduct would serve to safeguard the interests of investors and ensure a high level of proficiency for CFA charterholders.

2(a) Should amendments to Rule 1.2.1(d) include a grandfathering provision?

Support for Grandfathering Provision

A few commenters expressed support for a grandfathering provision. It was generally noted that, where an individual has been competently practicing financial planning for a significant period of time, their existing proficiencies, accumulated knowledge, and practical industry experience should suffice.

Commenters not Supportive of a Grandfathering Provision

A number of commenters expressed the view that Rule 1.2.1(d) should not include a grandfathering provision. In support of this view, commenters generally noted that such a provision would defeat the purpose of requiring that one achieve a certain level of proficiency and experience before being able to use the title “financial planner”. In addition, it was noted that the MFDA is not proposing to require that an individual achieve a financial planning designation in order to continue in their licensed activities. Rather, as proposed, new MFDA requirements in this area would only restrict Approved Persons from using the title “financial planner”. As a result, it was noted that not including a grandfathering provision in Rule 1.2.1(d) would not be particularly onerous.

Support for Transition Period

The majority of commenters who indicated that they were not supportive of a grandfathering provision also noted that they would support the adoption of a reasonable transition period. In this regard, it was generally noted that such a transition period would allow time for individuals to become appropriately credentialed, and for any necessary changes to signage, marketing, and advertising materials. It was also noted that a long transition period was not advisable. In this regard, a commenter indicated that advisors who do not have the prescribed proficiency and experience should no longer receive the benefit of using the “financial planner” title.

2(b) Where commenters, in their response to 2(a), indicate that such a provision should be included, they are also asked to identify the criteria that should apply (e.g. grandfathering based on prior work experience and/or credentials/designations held by the individual, etc.).

As noted above, commenters who indicated support for the adoption of a grandfathering provision generally noted that such a provision should apply to individuals who have been competently practicing financial planning for a significant period of time. It was also suggested that grandfathering might be available where individuals satisfy any newly established continuing education requirements.

General Comments

Best Interest Standard

A few commenters expressed the view that, in addition to proficiency and experience requirements, financial planners should be held to a best interest standard.

Coordination with other Regulators/Initiatives

Some commenters noted that there is a need for uniformity of financial planning regulations and standards across industry sectors and all jurisdictions in Canada, as all providers of financial advice should be held to the same standards. In relation to this comment, these commenters, referenced the Expert Committee to Consider Financial Advisory and Financial Planning Policy Alternatives - Ontario (“Expert Committee”) and indicated that the MFDA should defer its initiative until such time as the Expert Committee has come to a final determination in respect of its mandate. It was also suggested that regulation in this area might be better addressed by the Delegated Administrative Authority (“DAA”) model put forward by Advocis in its September 21, 2015 submission to the Expert Committee.

Next Steps

MFDA staff will consider comments received and develop proposed amendments to Rule 1.2.1(d). These amendments will then be published for public comment in accordance with the MFDA’s regular Rule development process.

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