



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

June 17, 2016

Expert Committee to Consider Financial Advisory and Financial Planning Policy Alternatives
Ontario Ministry of Finance
C/O Frost Building North, Room 458
4th Floor, 95 Grosvenor Street
Toronto, Ontario
M7A 1Z1

RE: FINANCIAL PLANNING/ADVICE CONSULTATION

Dear Sirs/Mesdames:

The Mutual Fund Dealers Association of Canada (“MFDA”) thanks the Ontario Ministry of Finance for this opportunity to provide our comments on the preliminary recommendations of the Expert Committee to consider Financial Advisory and Financial Planning Policy Alternatives.

Background

The MFDA is the national self-regulatory organization that oversees mutual fund dealers in Canada. MFDA Members are mutual fund dealers that are licensed with provincial securities regulatory authorities. MFDA Members administer approximately \$632 billion in assets and employ 83,000 Approved Persons (partners, directors, officers, compliance officers, branch managers, employees, and agents of the dealer who are subject to the jurisdiction of the MFDA). MFDA Members are responsible for managing a significant portion of the Canadian wealth management landscape, overseeing more than half of the over \$1 trillion mutual fund assets in Canada. MFDA Members primarily service mass market retail clients who represent approximately 80% of Canadian households.

MFDA Regulation of Advice

The jurisdiction of the MFDA is not limited to regulating product sales. The MFDA regulates the advice provided by Members and their Approved Persons to clients in relation to their accounts at the MFDA Member. In the course of providing advice in relation to client accounts at the Member, many Approved Persons of MFDA Members engage in activities that may be considered financial planning in nature. These activities are part of the advisory process and subject to MFDA oversight and MFDA Rules, including requirements with respect to business conduct, know-your-client, suitability, marketing and advertising, and conflicts of interest. The MFDA regulates on a national basis and its regulatory standards apply equally to all MFDA Members and their Approved Persons.

MFDA Comments on Preliminary Recommendations of Expert Committee

Regulation of Financial Planning Activity

We are supportive of the Expert Committee's recommendation that financial planning be regulated as a discreet activity within the existing framework, which will avoid the potential for duplication and overlap of regulatory efforts. The MFDA regulates Approved Persons as well as the firms responsible for their supervision. As a regulator with an investor protection mandate, the MFDA has an established regulatory framework with robust policy, compliance, and enforcement functions. The creation of a new body to regulate only the financial planning activities of Approved Persons, without a consideration of the overall dealer supervisory framework or an established regulatory infrastructure, would cause fragmentation, duplication and added costs for industry and consumers. The objectives of the Expert Committee can be achieved more expeditiously and effectively by leveraging the existing regulatory framework.

We currently collaborate, consult, and share information with other financial services regulators in conducting our regulatory activities. We look forward to working with these regulators to harmonize and enhance regulatory standards that apply to financial planning activities.

Definition of Financial Planning

We have concerns with the recommendation to base the regulation of financial planning on a definition of the activity. A major problem with an activity-based approach is determining a suitable definition of financial planning that is not overly broad or narrow. As an activity, financial planning may span across multiple professions and regulatory regimes such as accounting, law, insurance, and banking. An unintended consequence of the definition included with the preliminary recommendations is that it may capture individuals that are performing aspects of financial planning as part of their regulated profession or license/registration, adding costs and regulatory burden with little or no benefit. As an alternative, the Expert Committee may wish to consider a regulatory approach that focuses on the use of the title "Financial Planner". This approach has been adopted by the Institut québécois de planification financière and would create greater certainty with respect to which individuals and firms would be subject to regulation. Such an approach, accompanied by targeted investor education with respect to the qualifications and regulatory standards applicable to individuals who use the title, will more effectively address the objectives of the Expert Committee.

Harmonized Standards and Title Restrictions

We support the preliminary recommendations with respect to harmonized standards for education, training, credentialing, and licensing of financial planners and title restrictions, which we believe would reduce consumer confusion and enhance investor confidence. As noted in our previous submission to the Expert Committee, the MFDA is currently considering Rule proposals that would prohibit Approved Persons from using the title "Financial Planner" unless they have appropriate proficiency. This MFDA policy initiative will apply to all 83,000 Approved Persons under MFDA jurisdiction and is aligned with the Expert Committee's preliminary recommendations. We will monitor the work of the Expert Committee as it progresses and make any necessary amendments to our Rule as a result of this process.

Central Registry

We support the recommendation of the Expert Committee that an online, comprehensive, central registry be created jointly by financial service regulators. This will provide a “one-stop” location for consumers to access information they need to make informed decisions on the individuals and firms they choose to manage their financial assets. Both the CSA and CCIR maintain websites that provide access to information on registration, licensing and disciplinary activity. We welcome the opportunity to work together with other regulators to centralize this function and expand it to include other financial service providers.

Best Interest Standard

We note the recommendation of the Expert Committee that a Statutory Best Interest Standard be applied to all individuals and firms that provide financial product sales and advice and/or financial planning in Ontario. We are mindful of the CSA’s current initiative on this matter and urge that any initiatives undertaken in Ontario should be done in concert with the CSA to allow for a harmonized and consistent national approach. Individuals and firms servicing clients in different provinces should be subject to the same standard of conduct.

Yours truly,



Paige L. Ward
General Counsel, Corporate Secretary & Vice-President, Policy

cc: Mark Gordon, President and Chief Executive Officer

DM487712