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Remarks to Expert Committee to Consider
Financial Advisory and Financial Planning Policy
Alternatives | May 3, 2016

Good morning. I'm Cary List, President & CEO of the Financial Planning Standards Council. Thanks to the Committee members for your time and for allowing me to comment on your preliminary recommendations.

FPSC was formed in 1995 with the support of the accounting profession, among others, to establish standards for the financial planning profession in Canada. Between financial planners in Quebec, RFPs, and CFP® professionals across the country, there are approximately 22,000 financial planners, including 9,000 in Ontario, who have met and continue to meet the national standards established by FPSC and IQPF. Through IQPF, these standards are effectively law in Quebec.

To begin, I applaud the Committee for taking a consumer-focused approach to its recommendations. This must be at the core of any solution.

I'm going to share our key areas of alignment with the recommendations, but also identify recommendations that may not in fact be in keeping with the Committee's consumer-focused approach.

First, we support the recommendation that standards be specific and harmonized. We're also pleased that the Committee has attempted to address the knowledge asymmetry between advisors and clients, by identifying a duty of care and loyalty advisors should owe their clients.

Further, the Committee's identification of consumer confusion as a key concern stemming from the multitude, and potential misuse, of titles, is a critical observation. Its corresponding recommendations that the use of the title "Financial Planner" be restricted and regulated, and that measures be taken to prevent the use of other misleading titles, will certainly help alleviate this confusion.

Finally, the introduction of a comprehensive and accessible central registry for consumers seeking out financial advice, if implemented in conjunction with the other recommendations, would be of great benefit to consumers.

We do however have a number of concerns with several of the recommendations.

First, the lack of clarity as to what the regulation of financial planning activity would mean in practice may open up several hornets' nests.

In fact, attempts to introduce sweeping activity-based regulation may well lead firms and planners away from providing financial planning services because their planning could be subject to scrutiny in a way no that no other professional practice is.

Further, handing regulation of activity to not less than four regulatory bodies would make the Committee's principle of regulatory cohesion and consistency unachievable in practice, since each body would independently determine how it chooses to regulate.

Finally on this issue, by regulating all financial planning activity, you may be unintendedly requiring regulation of individuals such as non-profit community credit counsellors, adding cost and burden with questionable added benefit.

In our view, the most significant regulatory gap lies in the fact that consumers don't understand the difference in knowledge, skills and abilities of financial advisors and planners, and don't know what they should be able to expect from them. Restricting the use of titles and holding out

to those who are qualified and credentialed, rather than attempting to regulate activity, is a far more tenable solution.

While FPSC supports the Committee's recommendation to restrict the title financial planner to only those who have met a harmonized set of standards, we caution that there is no reason to recreate the wheel in establishing such standards in Ontario, when well-accepted national standards already exist.

Further, the most effective way to apply and enforce these standards is through certification and oversight by a duly qualified credentialing body, or bodies if necessary.

Professional credentialing is the core of competency assessment and professional oversight for most professional services in North America. It's also well-established as a key element of furthering the public interest.

Professional certification is the most efficient solution to eliminate regulatory arbitrage and to ensure consistent oversight of the competence and ethics of financial planners, regardless of other regulatory license. In overseeing the members of the profession, professional certification appropriately relies on the expertise of those whose core competencies are in that field.

In order for such a system to work however, implementation must look beyond letters, and look at the capacity, governance, expertise, and certification practices of the credentialing body, and recognize only those organizations that meet clearly defined and accepted criteria, in the public interest.

By instituting a professional certification model, and requiring that all who are appropriately certified be part of a central registry, it would be unnecessary and duplicative to require further oversight by the proposed FSRA of financial planners who are not otherwise licensed.

Our final concern, on the issue of best interest, is that we are mindful of the CSA's current initiative on this matter. It is our view that any initiatives undertaken in Ontario should be done in concert with the CSA.

In closing, FPSC recommends the following:

1. That the Committee focus its final recommendations on the regulation of title and holding out as "financial planners", rather than attempt to regulate all financial planning activity;
2. That they recommend the adoption of the already established Canadian Financial Planning Definitions, Standards & Competencies, rather than reinvent the wheel;
3. That they explicitly recognize that the solution to these issues should include professional certification and the establishment of a formal mechanism to determine which certification body or bodies will be accepted; and
4. That they work with the CSA on their current best interest initiative to align recommendations across Canada.

Thank you for your time and I look forward to FPSC's ongoing participation in this discussion in the months ahead.