The Financial Planning Association of Canada

Official Commentary Submitted to

The Financial Services Regulatory Authority of Ontario

Regarding

Proposed Amendments to
Proposed Rule 2022-001 – Assessments and Fees
(the proposed Fee Rule).

June 2023

About this Submission

This commentary is submitted to the Financial Services Regulatory Authority of Ontario in response to their request for commentary on Proposed Amendments to Proposed Rule 2022-001 – Assessments and Fees (the proposed Fee Rule).

We at the Financial Planning Association of Canada welcome the opportunity to participate in this process and lend our perspective on this critical change within the Canadian financial industry regulatory landscape.

About the Financial Planning Association of Canada

The Financial Planning Association of Canada (FPAC) is a new industry association founded in 2019, dedicated to professionalizing the Financial Planning industry. We aim to make financial planning a profession with the highest possible practice standards, fiduciary responsibility, and competency. It is our core belief that Financial Planners are uniquely positioned to help improve the lives of Canadians through comprehensive financial planning.

FPAC's founding Charter expressly prohibits us from issuing any credentials. We are, therefore, participating in this commentary solely from the perspectives of consumer protection and industry professionalization. We believe that only once Financial Planners are held to the highest standards, which would, in turn, lead to greater consumer confidence and trust, will FPAC be able to achieve its mission to professionalize the financial planning industry fully.

Areas of Concern

The proposed changes to the fee rule constitute a material change to the title protection framework and one that raises several significant concerns, including but not limited to the following:

- Inclusion of the SRO as a Credentialing Body
- Reversal of position on fee policy
- The economic viability of the framework

Inclusion of the SRO as a Credentialling Body

The inclusion of the SRO as a credentialing body is, in the opinion of the Financial Planning Association of Canada, a betrayal of the principle at the core of the Title Protection Act.

At its core, the effort to protect titles was not about protecting industry interests but was instead about protecting consumers. The lack of clearly defined titles leaves consumers to fall prey to unqualified financial advice. Clearly defined titles should only be used through sufficient education and certification.

One of the key points that FPAC made in its earlier submissions is that there is a fundamental difference between industry licensing standards and professional financial planning and advising credentials. Licensing standards are designed to ensure sufficient knowledge in the sale of a product and do not include the areas of knowledge required to ensure the advice dispensed fits the client's comprehensive needs. Simply put: The knowledge required to sell a product does not constitute the knowledge required to deliver advice.

The inclusion of the SRO in the title protection framework not only ignores this difference but effectively rubber stamps all licensed salespeople in the province with the financial advisor title. **Proceeding with this initiative effectively provides for a new, and unearned, level of credibility to be conferred on licensees without merit.** Doing so effectively eliminates any potential consumer protection that this act could have provided and betrays the primary purpose of the act.

Reversal of FSRAs Position on Fee Policy

Through the research and implementation process of the title protection framework, the FSRA made it clear on multiple occasions that:

- No fee exemptions were being considered
- The SROs would not be granted a separate fee schedule
- The number of credential holders would be the primary methodology for determining the benefit garnered from the framework and the basis for the assessment of fees.

We supported these positions as they represented a balanced, reasonable, and fair approach.

The current proposed change to the fee structure represents a complete reversal of course on all of these points. Most troubling is the violation of the third point regarding the methodology of attributing costs based on the number of credential holders in the framework. The proposed fee change abandons this entirely and instead creates a preferred class of credential holders who would reap the benefits of this framework at a fraction of the cost assessed to other credential holders.

This two-class system is completely unjust and unwarranted. Why should one class of credential holders, let alone those who hold actual professional credentials and not just licences, be penalized and made to subsidize the framework for SRO licensees, who make up a disproportionate number of the credential holders in the framework?

Furthermore, this proposed change effectively eliminates the need in the vast majority of cases for anyone to obtain or maintain any of the other FA credentials. Given these credentials' primary value proposition was the ability to use the FA title and that the approved designations are new and unrecognized by the Canadian public, it is unlikely most holders will choose to continue to hold them. That means that it will be the holders of the FP credentials that will bear the weight of the cost of this framework.

Again, we ask, how is this just?

Economic Viability of The Framework

As stated, the proposed fee rule will put a disproportionate financial burden on the non-SRO credentialing bodies. The number of credential holders certified by these CBs is estimated to be somewhere between 10 to 13 thousand. Given the budget for the framework is in the millions, asking this smaller body to accept the majority share of the cost creates a significant risk for the framework's economic viability and the CBs' continued participation in the framework.

The first consideration is that this change will result in higher dues assessed to credential holders. This will, in turn, increase disincentives to obtain or hold these credentials. This is exacerbated by the fact that FSRA needs to address the issue of certificants paying multiple dues to the framework when holding multiple credentials. This compounding of the cost will cause many to contemplate abandoning credentials, especially if the perceived benefit of the credential is the use of the title. Why pay multiple times for this benefit when they can pay for it once?

Should this combination of increasing and duplicate costs lead to a reduction in holders of multiple credentials under this framework, this, in turn, would result in financial stress for the credentialing bodies, an increased probability of the credentialing body leaving the framework, and the potential of setting off a negative feedback cycle of fewer credential holders, equaling higher costs per holder, resulting in fewer credential holders, equaling higher costs, etc.

This has the potential to jeopardize the financial viability and future of the framework.

Recommendations

In light of the above, we at the Financial Planning Association of Canada respectfully recommend the following actions to resolve these issues:

1. We call on the Ontario Minister of Finance not to sign off on the proposed rule changes, given the unjust, financially punitive, and potentially damaging nature of the proposed change.

2. That a new formal, transparent, and just budget that is fair to all CBs and certificants be developed collaboratively with the CBs and the advisory committee that was struck to advise FSRA regarding this framework.

3. The process and justifications regarding the development of the current proposed fee change be made public and transparent as part of developing a new fee rule.

4. That no one certifying body or credential holder be given preferential treatment on fees.

5. In the future, all budget considerations be handled through a diligent process of open consultation with its advisory committee and the CBs.

Closing Summary

In closing, we at the Financial Planning Association of Canada thank you for the opportunity to provide commentary regarding this important issue. We hope that you have found our submission to be in keeping with the intended spirit of consumer protection and in keeping with our goal of the professionalization of the financial planning industry. We hope that you will see fit to implement our recommendations as outlined. We will also continue to make ourselves available for further input and support of this initiative.