

Financial Planner / Financial Advisor (FP/FA) Title Protection Framework

FSRA

Financial Services Regulatory
Authority of Ontario

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Ontario

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Agenda

1. Rationale and Key Principles
2. 2020 Public Consultation – Key Themes
3. What has changed?
4. What is new?
5. Next Steps
6. Questions and Answers
7. Contact details for more information
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Rationale and Key Principles



Rationale and Key Principles

The goal of the framework is to ensure that individuals using the Financial Planner (FP) / Financial Advisor (FA) titles are appropriately qualified, promoting confidence and professionalism in the sector

Key Principles

Increase Consumer Confidence

- Establish minimum standards for FP and FA titles
- Ensure only qualified individuals will be permitted to use the FP/FA titles in Ontario
- Require individuals using FP or FA titles to meet conduct requirements and professional standards
- Minimum standards will reflect acceptable practices common to more established Credentialing Bodies (CBs), with other CBs given time to improve.

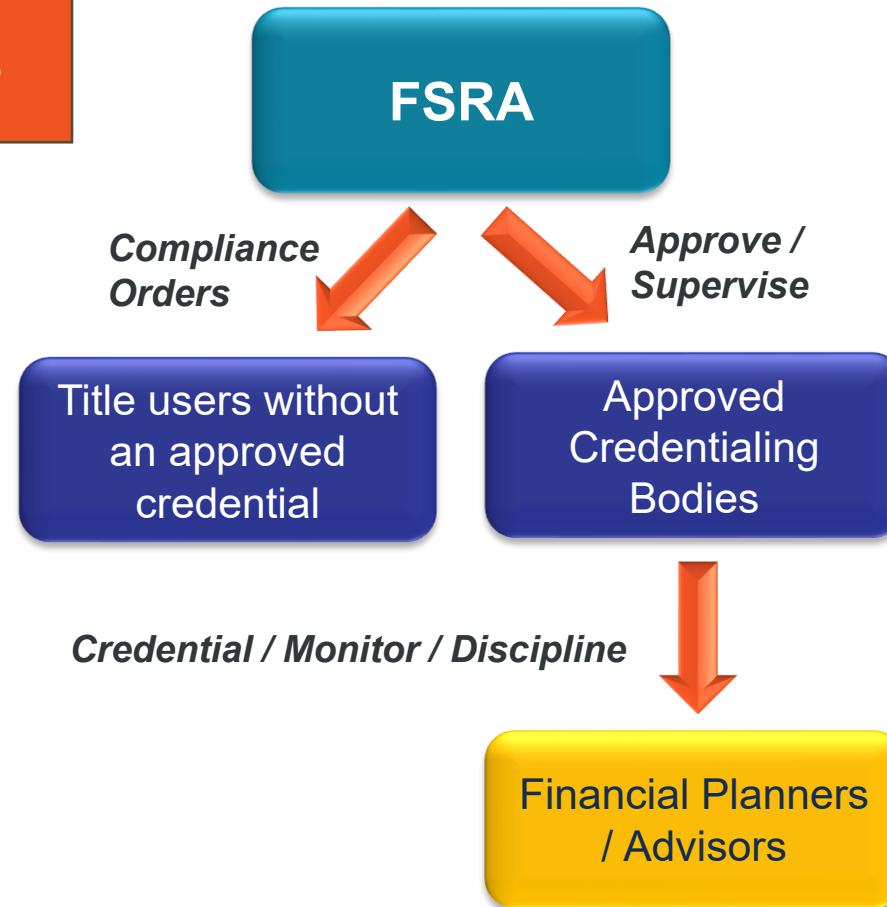
Support Regulatory Effectiveness and Efficiency

- Allow existing licensing and professional designation bodies to become approved CBs
- Granting individuals with existing licences or designations the right to use the FP or FA titles
- Conduct will continue to be overseen by the approved CBs
- Provides a national model for adoption in other Canadian jurisdictions.

Overview of the Title Protection Framework

FSRA oversight & powers

- Approval of applications for FP/FA credentials and CBs
- Transitional matters
- Implement consumer protection standards as the framework evolves
- Enforcement powers, including ability to revoke CB approval and issue compliance orders
- Develop a consolidated public registry



Credentialing bodies (CBs) oversight & powers

- Direct oversight of FP/FA title users, including:
 - Granting credentials, and thereby title use
 - Requirements for maintaining credentials (e.g., continuing education)
 - Monitoring of conduct
 - Disciplinary action for breaches of its code of ethics/conduct

2020 Public Consultation Key Themes

2020 Public Consultation – Key Themes

Overall, stakeholders supported the establishment of new minimum standards for FP/FA title users.

The framework could introduce additional burden and duplicative oversight.

Considerations with respect to making exemptions for existing licensing bodies.

FSRA's powers to enforce the framework are not sufficient.

FSRA should consider a harmonized approach with other jurisdictions.

The proposed transition periods are too long.

FSRA should develop and implement a public registry.

Questions regarding the fee structure for the framework.

What has Changed?

Financial Professionals Title Protection Rule (FPTP Rule)

Transition Timelines

- FSRA has amended the FPTP Rule to:
 - Shorten the transition period for Financial Planners from **five years** to **four years**.
 - Shorten the transition period for Financial Advisors from **three years** to **two years**.
- The revised transition periods will reduce the time in which individuals who do not hold an approved credential can continue using the FP/FA title.
- Stakeholder feedback from the 2020 public consultation suggested the initially proposed transition timelines were too long.

Public Registry

- FSRA has amended subsection 4(4) of the FPTP Rule to require approved credentialing bodies to provide FSRA with information necessary to maintain a consolidated public registry.
- During the public consultation, most stakeholders expressed support for a single source of information, which would provide consumers with confirmation of financial services representatives who hold an approved credential that permits them to use the FP/FA titles.

Application Guidance

- The Application Guidance sets out FSRA's approach to administering applications under the FPTPA.
- Several clarifications and enhancements were made to the Application Guidance as a result of feedback received during the 2020 public consultation.
 1. Adding the minimum education requirements and how FSRA will assess the curriculum for FP/FA credentials
 2. Amending the technical knowledge standard for FA title use to include, at a minimum, knowledge of investment products.
 3. Lengthening the application review period to 60 days
 4. Enhancements to the processes and procedures that CBs must demonstrate, including:
 - i. Ensuring the suitability of credential holders, both at the time of obtaining the credential and if enforcement action has been taken by another approved CB/regulatory body
 - ii. Information sharing with other approved CBs and regulators
 - iii. Conflicts of interest

What is New?

Supervision Guidance

- The Supervision Guidance sets out FSRA's approach to supervision under the title protection framework.
- This includes providing guidance on how FSRA will:
 - Monitor and supervise approved CBs;
 - Handle complaints;
 - Take action against individuals who use the FP/FA titles without an approved credential;
 - Assess "titles that could reasonably be confused with" FP/FA; and
 - Enforce breaches of the FPTPA.

Titles that “could reasonably be confused with” FP/FA

- The title restrictions under sections 2 and 3 of the FPTPA extend to the use of the FP and FA titles in another language, an abbreviation, or a title that “could reasonably be confused with” the FP or FA title.
- Appendix 1 in the new Supervision Guidance outlines illustrative examples of titles that FSRA considers could reasonably be confused with FP/FA, and titles that likely would not be confused with FP/FA.
- FSRA will review any concerns or complaints brought forward about the use of titles that could reasonably be confused with the FP or FA titles on a case-by-case basis.

Examples of titles that could reasonably be confused with FP/FA	Examples of titles that likely would not reasonably be confused with FP/FA
Any variation in spelling, abbreviation or language of the FP and FA titles (e.g., Financial Adviser, FP, FA)	Adviser
A title using Financial Planner/Planning in combination with another term (e.g., Financial Wealth Planner, Financial Planning Advisor)	Wealth Advisor/Wealth Planner
A title using Financial Advisor/Advising in combination with another term (e.g., Senior Financial Advisor, Financial Advising Coach)	Senior Advisor/Advising Coach



Approach for Establishing the FP/FA Fee Structure

- To enable implementation of the title protection framework, FSRA must establish a fee structure that supports its mandate to operate as an independent, self-funded regulator.
- FSRA is proposing the following fee structure for the title protection framework:
 - **Application Fees**
 - \$10,000 for an application for approval of a CB
 - \$5,000 for each application for approval of an FP/FA credential
 - **Annual Assessment**
 - FSRA anticipates that it will cost approximately \$1.1 million annually to oversee the FP/FA sector.
 - FSRA will also need to recover approximately \$3.1 million in costs incurred to design and implement the title protection framework up to March 31, 2022 (“start-up costs”).
 - FSRA proposes to recover these costs through an annual assessment that would include:
 - A fixed annual CB fee;
 - A variable annual CB assessment based on a CB’s number of credential holders; and
 - An amount to enable FSRA to recover its start-up costs (temporary assessment for 5 years).
- The proposed fee structure would result in a combined average annual cost of \$22 per credential holder (based on the relevant assumptions).

Next Steps

Next Steps

- **Second Public Consultation on the FPTP Rule and guidance**

- Continue to engage with stakeholders during the 40-day consultation period.
- Consider feedback and determine whether additional amendments to the proposed Rule and guidance are required.
- The consultation period is open until June 21, 2021.

<https://www.fsrao.ca/engagement-and-consultations/financial-professionals-title-protection-rule-and-guidance-second-consultation>

- **FP/FA Fee Rule**

- Summer 2021 – Post proposed FP/FA Fee Rule for public consultation.
- Engage with stakeholders during the 90-day public consultation period.
- Consider feedback and determine whether amendments to the proposed FP/FA Fee Rule are required.

- **Finalize Rules and submit to Minister of Finance for approval (Fall 2021 – TBD)**

- **Engagement with credentialing bodies**

- FSRA will engage with prospective credentialing bodies to help inform the design of the application process and set benchmarks and expectations for credentialing bodies approval and supervision.

Your Questions Answered

For more information please contact:

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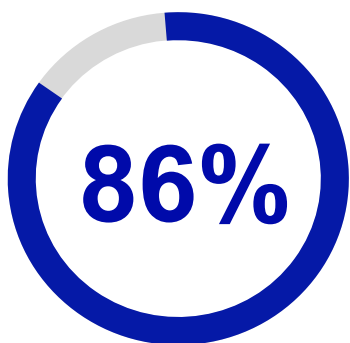
Kirubel.Abebe@fsrao.ca

Appendix

Consumer Research

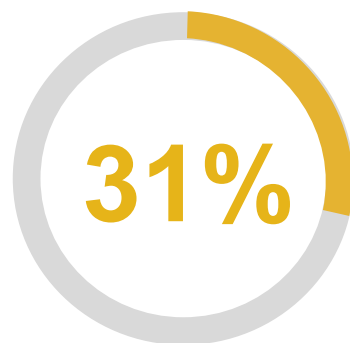
Consumer Research Findings – Summary

- In late 2020, to support the work on the design of the title protection framework, FSRA commissioned Forum Research to conduct a consumer research survey.
- The purpose of the survey was to gain insight into Ontario consumers' expectations and knowledge regarding individuals who hold themselves out as FPs and FAs.
- The consumer research survey was conducted online between November 12 and December 3, 2020, through a random sample of approximately 800 – 1,000 Ontario respondents over the age of 18.



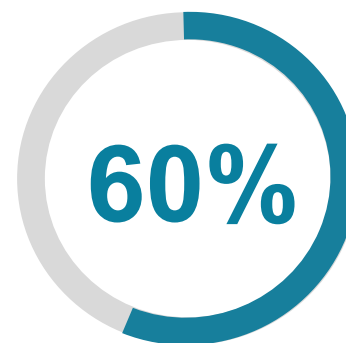
Support

Consumers agree that there is a need for minimum standards for the use of the FA and FP titles in Ontario



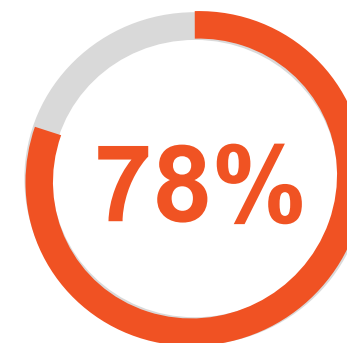
Confidence

Consumers able to confidently explain the difference between FPs and FAs



Public Registry

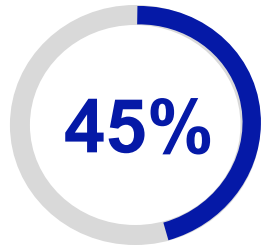
Consumers preferring a single source to verify whether individuals are qualified to use the FA and FP titles in Ontario



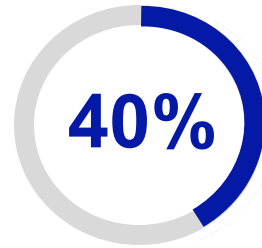
Credential

Consumers think it is important to know about the FP/FA's financial services credentials

Consumer Research Findings – Summary



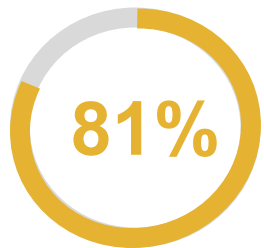
Disclosure



40%

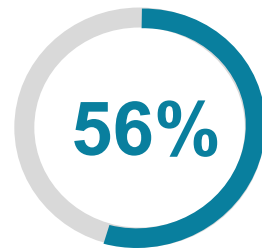
FA clients that say their FA disclosed the licence/credential they hold during the first engagement

FP clients that say their FP disclosed the licence/credential they hold during the first engagement



Decision Making

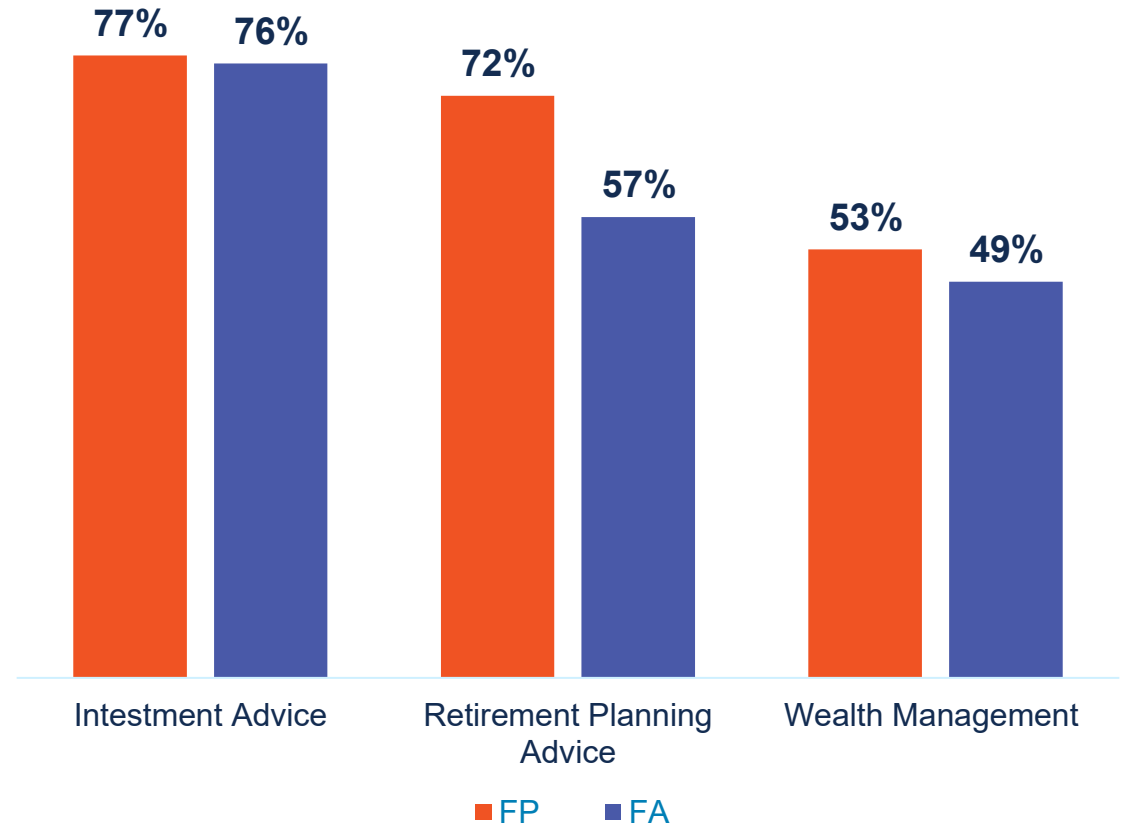
Consumers who consider ongoing / up-to-date training and specific education in finance as most important in their final decision when hiring an FP or FA



Awareness

Consumers who assume that FP and FA title users hold credentials which are regulated by a government regulator

Top Three Expected Services



2020 Public Consultation Key Themes

2020 Public Consultation – Key Themes

Overall, stakeholders supported the establishment of new minimum standards for FP/FA title users.

The framework could introduce additional burden and duplicative oversight.

Considerations with respect to making exemptions for existing licensing bodies.

FSRA's powers to enforce the framework are not sufficient.

FSRA should consider a harmonized approach with other jurisdictions.

The proposed transition periods are too long.

FSRA should develop and implement a public registry.

Questions regarding the fee structure for the framework.

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Questions regarding the fee structure for the framework.

- The primary objective of the framework is to create minimum standards for title usage, without creating unnecessary regulatory burden for title users.
- FSRA intends to leverage existing frameworks for licensing and designating financial professionals to ensure efficient and effective regulation.
- This will enable certain individuals to continue to conduct business using the FP and FA titles without significant disruption.

2020 Public Consultation – Key Themes

Considerations with respect to making exemptions for existing licensing bodies.

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Questions regarding the fee structure for the framework.

- The proposed Financial Professionals Title Protection Rule does not contemplate exemptions.
- The purpose of the title protection framework is to establish a common minimum standard across title users.
- Allowing for exemptions could increase the potential for unqualified individuals to use the FP and FA titles.
- Exemptions would also impact FSRA's ability to raise education standards for all title users.
- FSRA's approach allows for licensing/designation bodies to leverage their existing structures in order to obtain approval as a CB, and to offer an FP/FA credential. This approach removes the need for FSRA to provide exemptions for existing licenses/designations under the framework.

2020 Public Consultation – Key Themes

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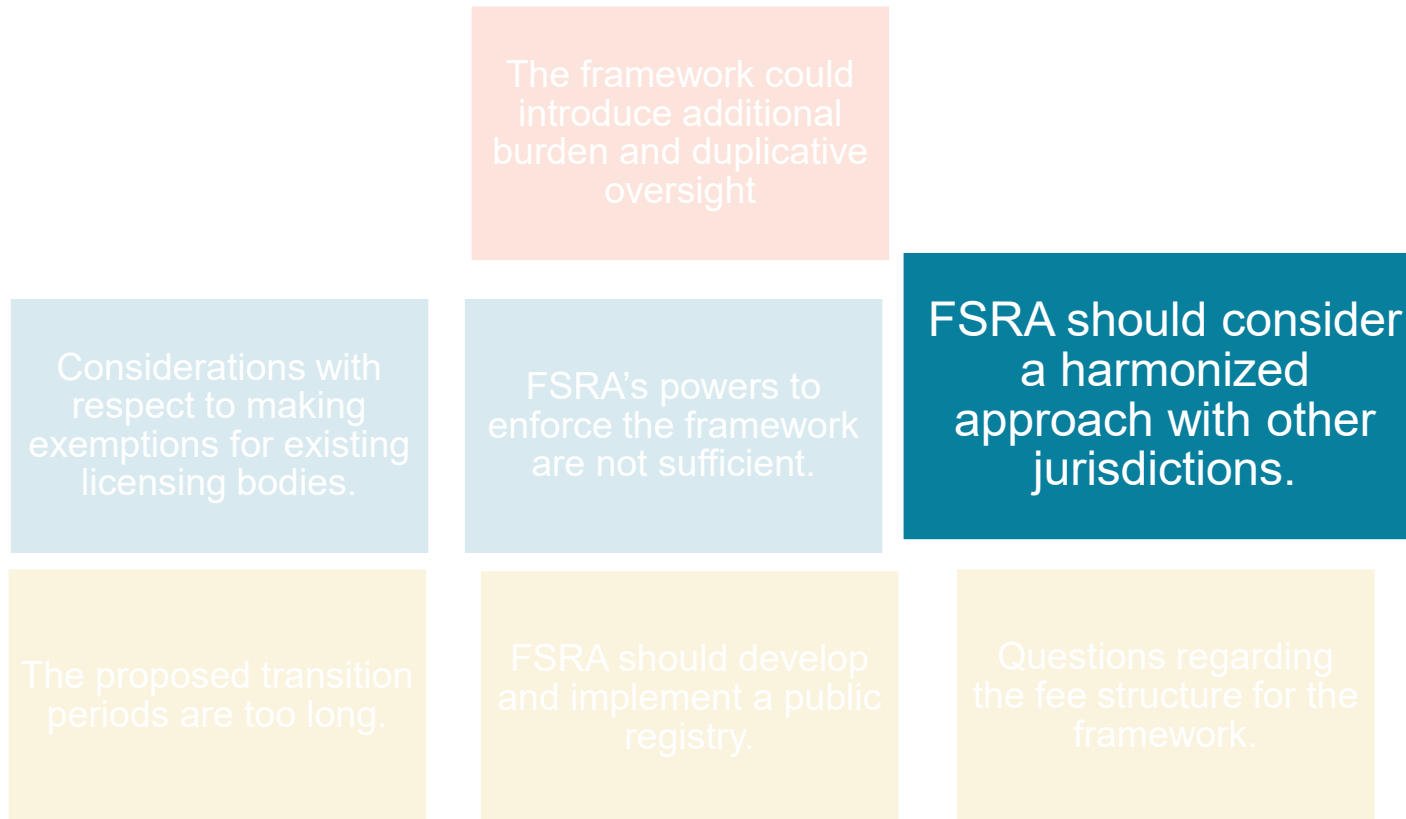
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Questions regarding the fee structure for the framework.

- FSRA is implementing the framework within the parameters set out in the FPTPA.
- FSRA's enforcement tools with respect to CBs under the FPTPA include:
 - Ability to revoke the approval of a CB; or
 - Issue a Compliance Order.
- Under the FPTPA, FSRA also has the authority to issue Compliance Orders against individuals who use an FP/FA title without an approved credential.
- FSRA will post the details of enforcement actions, including any Compliance Orders, on the FSRA website.

2020 Public Consultation – Key Themes



- In designing the FP/FA framework, FSRA has considered how the different requirements could be harmonized with other Canadian jurisdictions.
- The approach allows for the recognition of existing national designations/licences, which would likely help foster harmonization across Canada. This is expected to provide a more efficient transition for title users and potential CBs to obtain recognition in other Canadian jurisdictions.
- FSRA will continue to engage with other provinces that have indicated they will be implementing a title protection framework, to seek harmonization with other provinces' frameworks to the extent possible.

2020 Public Consultation – Key Themes

- As part of the second public consultation, FSRA has proposed changes to the transition periods.
- FSRA is considering implementing a public registry of FP/FA credential holders, to be made available on the FSRA website.
- FSRA has included a high-level overview of its proposed approach to establishing the FP/FA fee structure in the consultation released on May 11, 2021.

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