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The IAFP is pleased to provide continued feedback on the important topic of Title Protection in Ontario. We are heartened to see the depth and breadth of the proposed Framework and Guidance documents.

### **FP and FA Credentials**

- 1. FSRA is seeking feedback on the above approach and whether the Proposed Rule and FP and FA baseline competency profile adequately reflect the technical knowledge, professional skills and competencies that should be included in a credentialing body's education program to establish the minimum standard for FP and FA title users.**

As written, the Competency Profile for Financial Advisors and Financial Planners are very similar. As we understand it, Financial Advisors would have competencies in one or more 'silos' of knowledge whereas Financial Planners would have competencies in all of the silos of knowledge. Furthermore, Financial Planners would have the knowledge and ability to identify how these silos of knowledge interconnect.

The differences between the 2 competency profiles are subtle. Our concern is that they are too subtle for the average consumer to understand. Furthermore, we wonder how a Financial Advisor with competencies exclusively in Risk Management will be differentiated from a Financial Advisor with competencies in Retirement Planning or Tax Planning or Financial Management or all of these? How will a consumer easily identify the appropriate advisor for their needs?

Our specific recommendations with respect to the FA Competency Profile are:

1. Add 'Define the scope of the services to be provided and identify the qualifying credential' to the FA Competency profile / Client Outcomes
2. Add 'in writing' to the FA Competency profile / Providing Suitable Recommendations

The benefit of such an approach would be to clarify to the consumer the particular silos of competencies held, and perhaps more importantly, not held by the Financial Advisor.

As such, the FA Competency Profile would then read:

### **General Financial Services Knowledge**

Overview of financial services marketplace

Overview of the Canadian regulatory environment related to the sector in which the individual operates

Fundamentals of Economics

### **Ethics**

Ethics – Understanding of ethical practices and professional conduct in the financial services market, including identifying and managing conflicts of interest

## **Client Outcomes**

### Dealing with retail clients

- Gather sufficient detailed personal and financial information about the client
- Define the scope of the services to be provided and the qualifying credential
- Confirm a client's risk profile
- Establish financial objectives, priorities and areas of need relevant to the scope of services being provided
- Periodic review of the client's ongoing objectives, priorities and areas of need, as required, relevant to the scope of services being provided

### Providing suitable recommendations

- Ability to develop and present in writing suitable financial and investment recommendations to retail clients, relevant to the scope of services being provided

## **Technical Knowledge (KYP)**

The curriculum should provide the technical knowledge and competencies in one or more of the following: estate planning, tax planning, retirement planning, investment planning and alternatives, finance management and insurance/risk management

Our specific recommendations with respect to the FP Competency Profile are:

1. Add 'Define the scope of the services to be provided and the qualifying credential' to the FP Competency profile / Client Outcomes
2. Add 'written' to the FP Competency profile / Providing Suitable Recommendations
3. Add 'alternatives' to the FP Competency profile / Providing Suitable Recommendations
4. Add 'an action plan for implementation' to the FP Competency profile / Providing Suitable Recommendations.

The benefit of such an approach is to further differentiate Financial Planners from Financial Advisors. In addition, clients expectations would be set to a standard that is upheld by recognized financial planning designations.

As such, the FP Baseline Competency Profile would be expanded to read:

## **General Financial Services Knowledge**

Overview of financial services marketplace

Overview of the Canadian regulatory environment related to the sector in which the individual operates

Fundamentals of Economics

## **Ethics**

Ethics – Understanding of ethical practices and professional conduct in the financial services market, including identifying and managing conflicts of interest

## **Client Outcomes**

### Dealing with retail clients

- Gather sufficient detailed personal and financial information about the client
- Define, in writing, the scope of the services to be provided and the qualifying credential
- Confirm a client's risk profile
- Establish financial objectives, priorities and areas of need relevant to the scope of services being provided
- Periodic review of the client's ongoing objectives, priorities and areas of need, as required, relevant to the scope of services being provided

### Integrated financial planning

- Ability to develop and present an integrated *written* financial plan to clients, which includes a holistic analysis of a client's financial circumstances, suitable financial planning and investment *alternatives, as well as recommendations and an action plan for implementation.*

These changes would help create a more meaningful distinction between the two credentials and thereby increase consumer protection.

### Qualifying Curriculum

Another issue is how to assess whether the qualifying process or curriculum for a particular credential is sufficient to warrant competency in a particular silo of knowledge.

The IAFP strongly believes that under no circumstance should a licence to sell a particular product be considered sufficient to warrant approval for a particular silo of knowledge and granting of such a broad title as Financial Advisor or Financial Planner.

The IAFP recommends that only the following courses of study be recognized as providing the education required to determine competency in both the individual silos of knowledge and the synthesis / integration of that knowledge into financial planning capability:

- R.F.P. upgrade process
- IQPF Academic Training / Academic Equivalency
- CFP – the courses of study that allow candidates to successfully challenge the CFP exam.
- University or College degree or diploma in Financial Planning or a degree where a specialization in Financial Planning has been pursued. Eg. A BBA with a specialization in Financial planning.

We cannot comment on courses of study that would provide adequate education for a particular silo of knowledge in the FA Competency profile but recommend that the breadth and depth of the material covered should be equivalent to those listed for the FP Competency profile.

We believe that it's not enough to focus on the curriculum but should also include the process for obtaining and maintaining a qualifying credential. For FAs, that process should involve:

1. Testing on the Code of Ethics
2. Testing on the Practice Standards
3. Testing on Technical Knowledge
4. Demonstrating the application of the silo of knowledge in client situations using narrative answers based on case study
5. Annual CE requirements

For FPs, that process should involve:

1. Testing on the Code of Ethics
2. Testing on the Practice Standards
3. Testing on Technical Knowledge
4. Demonstrating the application and integration of the silos of knowledge in client situations using narrative answers based on case study
5. Compliance with the ISO:22222 standard for the 6-step Financial Planning Process
6. Annual CE requirements

### Disclosure

2. **FSRA is seeking comments on whether FP and FA title users should be required to disclose to their clients the credential they hold that affords them the right to use an FP or FA title. FSRA is seeking feedback on the form that this disclosure could take and the overall consumer benefits it could achieve.**

As FSRA is now aware, the IAFP believes strongly, and in fact, requires disclosure from its RFPs.

Given the subtleties between the FA and FP competency profiles, and the separate silos of knowledge that are covered by the FA title, it is apparent to us that disclosure would have to extend beyond just the credential and title and include the particular competency(ies) indicated.

We can identify two immediate benefits from requiring this type of disclosure. First, it would help consumers identify whether they are working with the advisor / planner with the competencies they require. This would solve for FSRA's objective of consumers having confidence in the quality of the services they receive. Second, it would support FSRA with their consumer education campaign.

The Financial Services Industry is awash in disclosures. Where they have mainly fallen short, in our opinion, is that they occur at the point of sale, rather than at the start of an engagement with a client. Whatever format this disclosure is to take, the maximum benefit to the consumer is achieved if it is made upon initial contact with a client. Adding the designation disclosure to these documents would have the benefit of providing standardized verbiage vs. every FA / FP putting their own slant/definition on it.

### Exemptions

- 3. FSRA is seeking comments on whether the framework should allow for any exemptions. In particular, FSRA is requesting comments on the principles governing an exemption regime, the extent to which exemptions may be required, to whom they should be made available (if at all), and the benefits and drawbacks of permitting exemptions.**

The IAFP can see no reason why exemptions would be *required* for either title. We can appreciate that exemptions might be granted for the FA title. It would be hard to argue that a CPA doesn't have sufficient knowledge in the Tax Planning silo to qualify to use the FA title. Likewise, for an LL.B. in the Estate Planning silo.

The drawback of doing so would be confusion as to the extent of knowledge held by any FA granted an exemption. Going back to our example above, is a consumer likely to misconstrue that a CPA using the FA title is also qualified to advise on Risk & Insurance Management? What about Investment Planning? We think the chances are high that this type of confusion will happen.

Given that the FP title requires a competency to be able to synthesize and integrate knowledge from ALL silos, we can't support exemptions to use the FP title.

### Fees and Assessments

- 4. The FPTPA requires credentialing bodies to collect from approved credential holders any fees FSRA requires those individuals to pay, and to remit those fees to FSRA. FSRA has the authority to make rules regarding the collection, holding and remittance of such fees. FSRA is seeking comment on this fee structure, including whether it allows for fair cost recovery, or if there are any operational challenges that credentialing bodies may experience with such a fee structure.**

The IAFP can identify a number of situations where requiring credentialing bodies to collect their fees could present a difficulty.

How will the fees be assessed if a FA or FP is a member of 2 credentialing bodies?

What fees would apply if the individual qualifies for both the FA and FP title?

To deal with these issues it seems inevitable that some sort of identifying code or number would have to be issued to each Advisor / Planner. In which case, using the infrastructure and oversight capabilities that FSRA

already has in place is likely a more effective and streamlined process than downloading onto credentialing organizations.

### **Transitional Matters**

As we understand the Framework as it is written, FSRA is proposing that individuals using the FA title would be given 3 years in which to obtain a qualifying credential and FPs would be given 5 years. The transition period for both would start January 1, 2020.

The IAFP believes that the starting date of January 1, 2020 for the transition period is appropriate.

The IAFP would recommend a shorter transition period to the FP title of 3 years, purely to protect the interests of the public. The move towards Title Protection has been known for a number of years, so we wonder at the motivation, or lack thereof, of an advisor who has done nothing towards achieving a credential suitable for the scope of their business practices. The consequence of further delay only prolongs a state of confusion and risk for clients working with an inadequately qualified advisor.

### **Consumer Education**

- 5. FSRA is seeking input on options for consumer education campaigns to support and follow implementation. As mentioned above, FSRA is also seeking feedback from stakeholders on how government, regulators, credentialing bodies and industry can educate consumers on financial planning and financial advising services in Ontario and on FP and FA title use.**

The IAFP can identify 2 difficulties in any education program. If the competency profiles are accepted in their current form, the first difficulty will be trying to educate the public on a very nuanced distinction between the two titles. The second difficulty will be the transition period. It may be construed during that period that you are deliberately leading the public to believe that an unqualified FA/FP has skills that they do not. It is interesting to note that there is currently no attempt to distinguish between a financial planner and a practicing financial planner (only slightly more than 50%+ of CFPs are practicing financial planners, <https://www.fpcanada.ca/findaplanner> ). The IAFP believes the public is best protected by clearly understanding the difference between who is qualified to do the work and who is both qualified and performs the work on a regular basis.

The IAFP has always mandated full disclosure before an engagement and continues to believe that this is the best way to educate consumers.


We hope these comments are helpful as you continue to build out the framework and guidance for this important legislation.

We would be pleased to discuss further if warranted.

Respectfully submitted,

***INSTITUTE OF ADVANCED FINANCIAL PLANNERS***

  
Jacquie Skinner, President

  
Melanie Twietmeyer, Board Chair