



June 17, 2016

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Expert Committee to Consider Financial Advisory
and Financial Planning Policy Alternatives
c/o Frost Building North, Room 458
4th Floor, 95 Grosvenor Street
Toronto ON, M7A 1Z1

Dear Sirs and Mesdames:

RE: Financial Advisory and Financial Planning Alternatives

We are writing to provide comments on the Preliminary Policy Recommendations of the Expert Committee to Consider Financial Advisory and Financial Planning Policy Alternatives (“Consultation”).

The industry supports the regulation of financial planning in order to address an important regulatory gap in investor protection and to enhance investor confidence in the providers of financial services. IFIC provided extensive commentary in our joint submission with the IIAC dated September 21, 2015 in response to the Expert Panel’s initial consultation paper. We note that the recommendations contained in the current consultation paper reflect and acknowledge a number of IFIC’s representations. We will not repeat those arguments here, but rather limit our comments to specific questions raised in your Preliminary report.

Specific Comments

Harmonization of Standards

We support the harmonization of standards across distribution channels so Ontarians can receive a consistent client experience when they receive financial planning services; however, many of our member firms operate across all provincial jurisdictions and have continued concerns over the potential balkanization of rules if Ontario acts alone. Instead, we recommend that Ontario take a leadership role in collaborating with its provincial counterparts to create a nationally-harmonized set of rules to govern financial planning, regardless of the specific regulator that may oversee any particular individual’s conduct of financial planning activity.

Ensuring the use of appropriate business titles by those providing financial services is a major focus of the self-regulatory organizations (“SROs”) as well as the Canadian Securities Administrators (“CSA”). Consistent with objective of nationally-harmonized rules, the work to regulate the use of the title “Financial Planner” (discussed in the next paragraph), must be harmonized with the efforts of the CSA and the SROs to ensure a consistent approach to permitted titles in financial services, regardless of the distribution channel, to ensure clarity for clients.

Clarify Definitions

The definitions of “financial planning” and “financial product sales and advice” proposed in the Consultation are too broad and risk encompassing activities that are already well-regulated by securities and insurance regulators and would be inconsistent with the Consultation’s goal of

minimizing duplication. A new financial planning regulatory framework should focus on regulating the use of the title “Financial Planner” and the activities of those who hold themselves out as financial planners. We refer the Committee to the clear definition put forward by the Financial Planning Coalition, which we attach as Appendix A.

Prevent Regulatory Duplication

We appreciate the care the committee has taken to recommend against regulatory duplication and to support a framework that would require any new financial planning regulation to be conducted through regulatory organizations where these exist, e.g. IIROC and the MFDA, and to bring unregulated financial planning activities under the auspices of the newly structured Financial Services Regulatory Authority.

Steps should be taken to ensure there is no regulatory overlap or a doubling up of regulations or processes, particularly for planners who are dually-licensed under both insurance and securities regulation. To guard against any overlap, the Expert Panel should recommend protocols be written and adopted that will ensure good communication and information exchanges between regulators, and that will require a single regulator to take the lead throughout any matter at hand, e.g. an investor complaint. This will provide a simple and unencumbered path for investors, rather than a confusing array of doors through which they must maneuver. It will also provide clear regulatory direction to industry participants and be more cost-efficient.

Best Interest Standard

The report recommends adoption of a statutory best interest duty. On April 28, 2016 the CSA released Consultation Paper 33-404: Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives toward their Clients. The paper explicitly rejects the adoption of a statutory best interest duty for advisors and puts forward detailed targeted reforms that propose to strengthen the registrant-investor relationship. As any solutions that emerge from the consultations on those proposals will have broad application and will apply across all jurisdictions, the Expert Panel may want to recognize that the CSA is best positioned to lead a discussion on a best interest standard.

Referral Fees

The recommendation on referral fees appears overly broad. We support restrictions and regulation of referral fees in line with the requirements of National Instrument 31-103. The Committee’s recommendation will prohibit many forms of referrals that pose no threat to investors, such as those commonly made by associations, charities and alumni organizations that refer their members to commercial partners in exchange for fee revenues. Many Ontarians are happy to use those services and many choose to use a provider when it is aligned with an organization that they endorse.

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We thank you for providing us with the opportunity to consult on these preliminary recommendations and would be pleased to and would be pleased to provide further information or answer any questions you may have. Please feel free to contact me by email at rhensel@ific.ca or by phone at 416-309-2314.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA



By: Ralf Hensel
General Counsel, Corporate Secretary & Vice-President, Policy

Appendix A

Definitions

(developed by the Financial Planning Coalition)*

Financial Planning:

Financial planning is a disciplined, multi-step process of assessing an individual's current financial and personal circumstances against his future desired state and developing strategies that help meet his personal goals, needs and priorities in a way that aims to optimize the allocation of his financial resources. Financial planning takes into account the interrelationships among relevant financial planning areas in formulating appropriate strategies. Financial planning areas include financial management, insurance and risk management, investment planning, retirement planning, tax planning, estate planning and legal aspects. Financial planning is an ongoing process involving regular monitoring of an individual's progress toward meeting his personal goals, needs and priorities, a re-evaluation of financial strategies in place and recommended revisions, where necessary.

Financial Planner

A financial planner is an individual who possesses the requisite knowledge, skills, abilities and professional judgment to capably provide objective financial planning advice at the highest level of complexity required by the profession. He must agree to be accountable to a professional oversight organization's practice standards and code of ethics that include an obligation to put his clients' interests before his own.

*Formed in 2009 its members are: Canadian Institute of Financial Planners (CIFPs), Financial Planning Standards Council (FPSC), the Institute of Advanced Financial Planners (IAFP), and the Institut québécois de planification financière (IQPF).