



November 21, 2019

Via email: tim.miflin@fsrao.ca

Financial Services Regulatory Authority (FSRA)
5160 Yonge Street, 16th Floor
Toronto, Ontario M2N 6L9

Attn: Tim Miflin

Re: Approval Criteria for Credentialing Bodies – Consultation Meeting Questions

On behalf of Canada's *Institute of Advanced Financial Planners* (the IAFP) and its hallmark designation (the R.F.P.), we thank you for this opportunity to make recommendations to FSRA on its criteria for credentialing organizations to qualify under the *Financial Professionals Title Protection Act, 2019* (FPTPA). Our recommendations are offered below under each of your six areas of approval criteria for credentialing bodies.

1. Administration

We understand and fully support FSRA's expectation that credentialing bodies will have the necessary mechanisms in place to ensure effective administration of their credentialing program. The IAFP supports the qualification requirements identified by FSRA, and believes that any credentialing bodies should be able to demonstrate:

- a) A transparent decision-making process for granting and maintaining professional credentials
- b) Freedom from inherent conflicts of interest in the organization's mandate that might impinge on disciplinary processes and the upholding of credentialing standards designed to protect the public. (For example, they are not a for-profit firm whose mission is to sell courses, nor are they an organization or related to an organization that lobbies on behalf of trade interests that may at times be in conflict with the interests of the general public)
- c) Scheduled periodic review of each organization's credentialing program to ensure content and criteria are up-to-date and relevant (for example, to reflect new regulatory requirements or evolving best practices in the profession)
- d) Appropriate administrative expertise and adequate technological, financial and human resources to support the infrastructure needed for effective administration of a credentialing program
- e) Built-in mechanisms to assure designee privacy and the safety and security of records
- f) Organizational accountability overseen by a suitable governance framework.

2. Credentialing Program

We understand that FSRA expects credentialing bodies will have a program in place to help ensure individuals obtain and maintain the required knowledge, skills and expertise to use the Financial Planner or Financial Advisor titles. The IAFP recommends that all credentialing bodies be able to demonstrate that their credentialed financial planners have suitable work experience and also:

- a) Are required to adhere to a robust code of ethics and professional standards based on the primary objective of serving the client's best interest
- b) Are required to adhere to the six-step financial planning process
- c) Complete, or have as a prerequisite for their credential, a core education program, that provides the technical knowledge, skills and core competencies required to qualify an individual to use the FP/FA titles
- d) In the case of financial planners, submit a sample financial plan of suitable complexity for review and adjudication
- e) Pass an examination which tests the individual's knowledge of the core education program
- f) Not exceed barriers to entry, such as the number of times an individual is allowed to challenge an exam or submit an acceptable sample plan
- g) Pass an examination on the credential's Code of Ethics and Practice Standards.

3. Conduct Oversight Capabilities

To protect the integrity of the *Financial Planner* or *Financial Advisor* titles, credentialing bodies should provide some recurring mechanism for current competency assurance. Otherwise, individuals who may have qualified for one of those titles in the past but has not maintained those qualifications could mislead consumers into believing that their title reflects a current standard of competency and ethics.

To address this, the IAFP recommends that FSRA require credentialed professionals to:

- a) Periodically demonstrate adherence to credential requirements through proactive compliance reviews on Practice Management standards as well as Continuing Education
- b) Attest annually that they meet the requirements to continue holding their professional title, including continued adherence to the credentialing body's Code of Ethics and Practice Standards
- c) When requested, provide proof of annual assurances that they have completed sufficient continuing education each year to maintain their professional competency
- d) Agree to allow the credentialing body to provide public access to disciplinary decisions on individuals credentialed
- e) Provide clients a full disclosure in writing of the method and amount of compensation to be received in the client engagement.

4. Oversight of Title Users Who are Licensed / Registered

We would like to reiterate that true financial planning has nothing to do with the sale of a product, and therefore any licence to sell a product provides little assurance that the consumer of financial planning services is being well served. In fact, it often results in the opposite due to sales incentives and a lack of disclosure of compensation amounts and methodologies.

On the other hand, true financial planning is a process by which the need for a product may or may not be recommended. Some of the best financial planners in Canada hold no licence to sell a product. It is only when a financial plan is implemented that products need to be contemplated, and only then when regulations based on licensing might come into play. Therefore, certification and oversight of financial planning is best left to credentialing bodies committed to the integrity of what financial planning truly is. In Ontario, that would include only the *Institute of Advanced Financial Planners* and *FP Canada*.

Credentialing for financial planners must not be confused by the public with financial advice from someone with a sales licence or simply a membership in a trade association, especially if that association grants diplomas, licences, registrations, or any other form of certification. It is unrealistic to expect the consumer to investigate what type of membership a licensee has in an organization in order to understand whether the licensee actually has the skills inferred by their membership in that organization.

To ensure adequate protection for both consumers of financial planning and consumers of financial advisory services, the IAFP also recommends that all credentialing bodies be able to show proof of continuous monitoring mechanisms in place, designed to ensure prudent oversight of their credential holders. Mechanisms would presumably include regular compliance checks such as:

- a) Annual attestations of continuing eligibility to retain the professional title(s)
- b) Mandatory annual continuing education in the subject of ethics as it relates to the profession
- c) Periodic testing of the credential holders' knowledge and ability to apply the credentialing body's Code of Ethics and Practice Standards
- d) Systematic random (or rotating) Practice Management audits of a significant percentage of credential holders, e.g., each year
- e) Systematic random (or rotating) Continuing Education reviews of a significant percentage of credential holders, e.g., each year
- f) Requirement for the credential holder to provide evidence of adequate Errors & Omissions insurance.

5. Complaints and Disciplinary Action

The first of three aspects in the IAFP's Mission Statement is "To provide a level of assurance to the general public when seeking advisors dedicated to comprehensive financial planning, and capable of providing advanced financial planning solutions." This has always been part of our Mission Statement, providing guidance to our organization in decision making and policy development.

We believe that fulfilling that responsibility to the public requires credentialing bodies to provide easy access to a robust and transparent procedure for the investigation and resolution of complaints, allegations of misconduct, or any serious concerns the credentialing body itself may have about a credential holder's compliance with the required Code of Ethics or Practice Standards. If warranted, investigations when concluded should provide a clear path to corrective or disciplinary action, or the withdrawal of the right to use the professional title conferred.

As an illustrative example, the IAFP's *Complaint Adjudication Procedure* includes the following steps: assignment of an impartial IAFP representative and initial response; validation of the complaint for consideration; formation of a sub-committee of the *Ethics & Practice Standards Committee* to assess and adjudicate the complaint; opportunity for the accused to provide additional information; mediation or arbitration if warranted; written judgement if complaint has not been resolved through mediation; penalty assigned if required; opportunity for the accused to appeal the decision to a separate body; appeal deliberations and decision; assignment of penalties if warranted (including revocation of the R.F.P. designation); and publication of the disciplinary action if warranted.

Credentialing bodies should also be required to provide permanent public access to the disciplinary records of credential holders both past and present (with the possible exception of a single instance of minor corrective discipline). The IAFP has revoked its R.F.P. designation twice, and the names of the two individuals and reasons for the revocations are readily accessible on our public website in the section entitled *How to Submit a Complaint and the Adjudication Process*.

6. Consumer Education

The IAFP is encouraged to see that FSRA intends to promote the advantages of working with credentialed individuals. The IAFP will support FSRA in this objective, as we assume that the IAFP will qualify as a designated credentialing body and that the title *Financial Planner* will be restricted to only those individuals who hold either or both of the CFP or R.F.P. designations, and should you deem it beneficial, the Pl. Fin. designation granted in Quebec.

The IAFP has always offered educational resources for the consumer to better understand financial planning and specifically how that differs from financial advice. This has sometimes been through print media, but has primarily been offered through many pages on our website at www.iafp.ca in the section designed specifically for the public.

In addition, a core requirement of a sample financial plan that the IAFP deems acceptable is the inclusion of educational material for the client as well as alternative strategies that a client could choose to implement.

7. Additional Remarks

We will take this opportunity to state that the *Institute of Advanced Financial Planners* meets all of the criteria for a credentialing body that we described in the above recommendations, and it has done so since its inception in 2003 (also, to a great extent, prior to that when our R.F.P. designation was administered by the now defunct *Canadian Association of Financial Planners*). In this manner, the IAFP and its R.F.P. designees are committed to improving the financial literacy of Canadians.

We will also take this opportunity to reiterate that the IAFP represents experienced financial planners who have demonstrated their ability to apply their technical knowledge at an advanced level. Established in 1987, the IAFP's Registered Financial Planner (R.F.P.) designation remains the longest-standing and most stringent financial planning designation in Canada. The R.F.P. designation differs from the CFP designation in a number of ways – most importantly, every R.F.P. must affirm each year that their primary vocation is financial planning.

We hope you will find these recommendations helpful in determining your next steps.

Yours truly,

INSTITUTE OF ADVANCED FINANCIAL PLANNERS



Jacquie Skinner, President



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