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Dear Mesdames:

Re: Proposed Amendments to MFDA Rule 1.2.5 (Misleading Business Titles Prohibited)

On behalf of Advocis, The Financial Advisors Association of Canada, we are pleased to provide our comments in regards to the Mutual Fund Dealers Association of Canada's ("MFDA") proposed amendments to MFDA Rule 1.2.5 *Misleading Business Titles Prohibited* (the "Proposed Amendments").

About Advocis

Advocis is the largest and oldest professional membership association of financial advisors and planners in Canada. Through its predecessor associations, Advocis proudly continues over a century of uninterrupted history serving Canadian financial advisors and their clients. Our 12,000 members, organized in 40 chapters across the country, are licensed to sell life and health insurance, mutual funds and other securities, and are primarily owners and operators of their own small businesses who create thousands of jobs across Canada. Advocis members provide comprehensive financial planning and investment advice, retirement and estate planning, risk management, employee benefit plans, disability coverage, long-term care and critical illness insurance to millions of Canadian households and businesses.

As a voluntary organization, Advocis is committed to professionalism among financial advisors. Advocis members adhere to our published Code of Professional Conduct, uphold standards of best practice, participate in ongoing continuing education programs, maintain professional liability insurance, and put their clients' interests first. Across Canada, no organization's members spend more time working one-on-one with individual Canadians on financial matters than do ours. Advocis

advisors are committed to educating clients about financial issues that are directly relevant to them, their families and their future.

Our Comments

We begin by recognizing and applauding the MFDA for its efforts towards improving consumer protection within the financial services sector. We have always supported initiatives aimed at reducing investor confusion and enhancing clarity regarding the role and expertise of the individuals who serve those investors. And, as part of our ongoing push to professionalize the industry, we strongly believe in increasing advisor qualifications – in part, through the mandated achievement of high-quality designations by all consumer-facing representatives, including Approved Persons.

But on the whole, we cannot support the Proposed Amendments as the approach taken by the MFDA does not adequately address many of the key issues regarding the regulation of financial advisors arising from within the current regulatory framework. We discussed these issues in detail in our response to the MFDA's September 2015 consultation, "Standards for Use of the Title 'Financial Planner'".[1] We ask that you reconsider the arguments in our response,[2] along with the additional commentary below.

While the Proposed Amendments, if adopted, would be an improvement over the current situation, they would only serve as a part-measure: the new rules would only apply to MFDA registrants. We realize this is the structural limit of the MFDA's jurisdiction, as it has no regulatory authority over, for example, IIROC-licensed representatives, exempt market dealers, scholarship plan dealers and so on. While the scope of the MFDA's jurisdiction is nonetheless considerable, covering a sizable portion of the market that deals with retail investors, its reach is by no means comprehensive.

As you are aware, in recent years, provincial governments and regulators have been taking a serious look at reforming the advisor-client relationship. As you are also aware, enacting regulatory change can be extremely difficult due to the challenges of securing stakeholder consensus and the appetite for any change can be quickly extinguished. So we see the current alignment of regulatory and political interest in advisor regulation as a "once-in-a-decade" (or rarer) opportunity to fundamentally re-think and re-focus the regulation of the advisor-client relationship. The role of the advisor has changed greatly since our regulatory structure was established – what was once a transaction-focused gateway to product has become the basis of a holistic, long-term relationship that serves clients' long-term financial needs and objectives.

We are cognizant that the vision of advisor self-regulation that we have espoused since 2013,[3] based on the establishment of financial advisory and planning services as a true profession, can only be realized if a diverse set of stakeholders are willing to "buy in" to this change – which is admittedly a challenging endeavour. However, we truly believe that professionalization of the

[1] MFDA Bulletin #0656-P, "Consultation Paper on Standards for Use of the Title "Financial Planner" (September 4, 2015), available at http://mfda.ca/bulletin/Bulletin0656-P/ (the "2015 Consultation").
[2] Advocis' response to the 2015 MFDA Consultation is located at http://www.advocis.ca/regulatory-affairs/RA-submissions/2016/Advocis-submission-re-MFDA-Consultation-on-Use-of-Financial-Planner-Title-Dec-4.pdf (the "2015 Response").
[3] Advocis' *Raise the Bar* model of advisor professionalization was launched in 2013. Further details are located at http://www.advocis.ca/raisethebar/. This model was also discussed in detail in our 2015 Response.

sector is the best way forward for consumers and industry alike. Stated plainly, the existing product-focused regulatory framework does not reflect the way that most modern consumers access financial advice and it therefore creates significant gaps in consumer protection.

Given the current rare opportunity wherein governments and regulators are willing to consider fundamental change, we cannot endorse the Proposed Amendments. Even though they represent an improvement over the *status quo*, we are concerned that an incremental, yet incomplete, improvement could create a feeling of complacency; a feeling that the "job is done" or that "something is better than nothing" could detract from the current momentum that is so critical to achieving larger, but more meaningful change to the regulatory landscape.

We are also concerned that the Proposed Amendments could actually result in greater investor confusion and reduced transparency as they do not apply to all retail-facing advisors. In our view, most consumers do not have sufficient financial literacy to know whether their advisor is regulated from within the MFDA sphere or if he or she is regulated by another entity (or, in the case of fee-only planning services, perhaps not regulated at all).

The Proposed Amendments would create a situation where a title serves as a meaningful proxy for education and skill for certain advisors, but remains unrestricted for other (non-MFDA) advisors to use. Consumers would have to know the difference in an advisor's regulatory structure for a restricted title to be meaningful. We find this to be unlikely, and we are concerned that non-MFDA advisors could use that title without merit to the detriment of unwary consumers. Regulation must be promulgated from the consumer's perspective, and thus focus steadfastly on all retail investors as a whole, rather than from the perspective or jurisdiction of any one regulator in the retail space.

Continuing our focus on the consumer experience, as discussed in detail in our 2015 Response, we believe that it is unhelpful to protect any single title – instead, efforts should be focused on ensuring that both an advisor's title *and* scope of professional activity are regulated so that both demand high standards of proficiency. Further, in our 2015 Response, we demonstrated that Financial Planning is a specialization within the broader general practice of Financial Advice – so these titles, as well as others, must be included in any initiative to restrict their use as consumers place confidence in all of these as being indicative of qualification and skill.

Considering the CH.F.C.

We note that the MFDA considered including the Chartered Financial Consultant, or CH.F.C., designation in the Proposed Amendments but ultimately decided against doing so. If the MFDA does proceed with this initiative, we strongly urge it to reconsider the CH.F.C. as a qualifying designation on par with those listed on Schedule "B" of the Consultation Paper.

While the CH.F.C. designation is currently not offered to new entrants, there are over 1,300 financial advisors who maintain this designation in good standing.[4] The CH.F.C. is a rigorous and

[4] As of January 2017.

challenging designation and, below, we demonstrate how it satisfies the six key criteria used by the MFDA in qualifying other designations for inclusion.

Focus on Comprehensive Financial Planning

The CH.F.C. designation is a financial planning designation that specializes in wealth accumulation and retirement planning. This is a comprehensive area of practice, covering insurance, income taxation, investments and estate planning, with a particular focus on real world applications of how these factors impact retirement readiness.

Education/Course Requirement

CH.F.C. holders have completed a wide variety of required courses, including courses addressing: wealth accumulation planning; financial planning applications; investment products and strategies; taxation; law; and professional practice.

Examination Requirement

As a final step before achieving the designation, CH.F.C. matriculants were required to complete a qualifying "capstone" course and pass a qualifying exam.

Code of Ethics/Standards of Professional Conduct

CH.F.C. holders are required to uphold The Institute for Advanced Financial Education's Code of Professional Conduct (the "CPC").[5] The CPC sets out a list of principles that the designation holder is expected to abide by in his or her business activities, including an overarching principle that recognizes the priority of the client's interests. Explanatory notes serve to provide a more in-depth explanation of each principle within the CPC.[6]

CE Requirement

CH.F.C. holders are required to complete at least ten continuing education credit-hours each calendar year.[7] Each credit-hour must be approved by The Institute for Advanced Financial Education in order to ensure the education completed is rigorous and relevant to modern practice needs. The IAFE will be conducting random audits of CH.F.C. holders to ensure that CE requirements are being fulfilled.

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[5] The Institute for Advanced Financial Education, *Code of Professional Conduct*, available at: http://www.iafe.ca/pdf/Institute-CPC.pdf.
[6] The Institute for Advanced Financial Education, *Code of Professional Conduct and Explanatory Notes*, available at: http://www.iafe.ca/pdf/InstituteCPC-ExplanatoryNotes.pdf.
[7] CH.F.C. holders who are members of Advocis and in active practice (i.e., not retired) comprise about 80% of all CH.F.C. holders and must complete at least 30 CE credit hours each year as part of their membership requirement.

Process for Revoking Designation/Certification

A CH.F.C. holder who fails to meet CE requirements risks having his or her designation revoked due to non-compliance. Only those who maintain their CH.F.C. appear on The Institute for Advanced Financial Education's Public Registry[8] as being a designation holder in good standing.

Any person, whether a client or otherwise, who feels that the designation holder has acted improperly may file a complaint with The Institute for Advanced Financial Education, upon which an investigation will commence. The Institute for Advanced Financial Education has developed a comprehensive investigation and disciplinary process that is applicable to holders of all of its designations.[9] Following the investigation, an array of sanctions can be applied to the designation holder, including private censure, public censure, an additional education requirement, reporting to regulatory authorities and suspension or expulsion from membership with The Institute for Advanced Financial Education, upon which event the person would cease to be a holder of the CH.F.C.

Given the foregoing, we are of the view that the CH.F.C. satisfies the criteria used by the MFDA in determining which designations should qualify under the Proposed Amendments. If the MFDA is to proceed with these reforms, we urge it to include the CH.F.C. alongside the CLU, CFP, CIWM, F.Pl., PFP and RFP.

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In conclusion, we wish to reiterate that we are appreciative of the MFDA's efforts to improve consumer protection – but given the rare opportunity that is before us to fundamentally re-align advisor regulation so it is more reflective of the modern consumer's experience, we cannot support the Proposed Amendments as they are limited in efficacy to MFDA-only registrants. Should you have any questions, please do not hesitate to contact the undersigned, or Ed Skwarek, Vice President, Regulatory Affairs and Public Affairs at 416-342-9837 or eskwarek@advocis.ca.

Sincerely,

Greg Pollock, M.Ed., LL.M., C.Dir., CFP
President and CEO

Wade A. Baldwin, CFP
Chair, National Board of Directors

[8] Public registry located at http://www.iafe.ca/practitioner/index.aspx.
[9] The Institute for Advanced Financial Education, *Disciplinary Procedures*, available at: http://www.iafe.ca/pdf/Disciplinary-Procedure-Oct10.pdf.