



**FPSC** FINANCIAL  
PLANNING  
STANDARDS  
COUNCIL®

May 29, 2012

Robert Day  
Manager, Business Planning  
Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario M5H 3S8

Sent via Email: rday@osc.gov.on.ca

CC: The Honourable Dwight Duncan  
Minister of Finance  
financecommunications.fin@ontario.ca

Dear Mr. Day,

On behalf of Financial Planning Standards Council (FPSC®), I am pleased to submit our comments on the 2012/2013 Ontario Securities Commission (OSC) Statement of Priorities. We believe that the 2012/2013 Statement of Priorities, and the OSC's adherence to them, will allow the OSC to continue to serve its mandate effectively throughout the year.

### **About FPSC**

Financial Planning Standards Council<sup>1</sup> (FPSC®) is a not-for-profit organization which develops, promotes and enforces professional standards in financial planning through CERTIFIED FINANCIAL PLANNER®/CFP® certification and raises Canadians' awareness of the importance of financial planning. FPSC's vision is to see Canadians improve their lives by engaging in financial planning. FPSC has received ISO 17024 accreditation for the Standards Council of Canada (SCC) for its role as the certifying body for the CFP® certification program in Canada.

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<sup>1</sup> FPSC was incorporated on November 10, 1995 as a not-for-profit organization on the initiative of organizations whose members deal with the personal finances of individuals. It continues to be supported by its seven member organizations: The Financial Advisors Association of Canada (Advocis); Canadian Institute of Chartered Accountants (CICA); Canadian Institute of Financial Planners (CIFPs); Certified General Accountants Association of Canada (CGA), Certified Management Accountants of Canada (CMA); Credit Union Institute of Canada (CUIC); and the Institut québécois de planification financière (IQPF).



In Ontario, there are currently almost 9,100 CFP professionals and an additional 300 Registered Candidates on the path to CFP certification. The CFP marks are recognized in 24 countries around the world with Canada having the most CFP professionals per capita of any affiliate. There are over 140,000 individuals across the globe who currently hold CFP certification making it one of the most popular and recognizable designations throughout the world.

### **FPSC's Perspective**

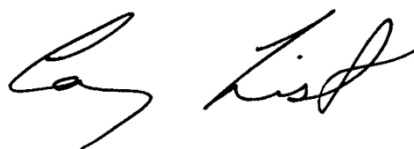
Ontarians rely on CFP professionals' expertise, guidance and know-how to ensure that their financial planning needs are well served. As such, there is a great amount of client trust placed upon CFP professionals.

As the standard-setting leader for financial planning in Canada, it is FPSC's duty to the public to ensure that CFP professionals meet appropriate levels of competence and professional ethics, through adherence to FPSC's *Standards of Professional Responsibility for CFP® Professionals and FPSC® Registered Candidates*.

Like the OSC, we take our responsibilities seriously. We regularly review our own standards of certification requirements, professional competency and ethical standards and enforcement processes to ensure that they meet accepted best practices and evolves to better protect the interests of all Ontarians.

We firmly support the OSC mandate to protect investors and hope that our comments will provide additional insight to your efforts in this area. Enclosed, please find our comments on the OSC's 2012/2013 Statement of Priorities. We look forward to another productive year for the OSC and hope we can continue to find opportunities to collaborate with the OSC in the future.

Yours Truly,



Cary List, CA, CFP®  
President & CEO  
Financial Planning Standards Council

## **FPSC's Comments on Ontario Securities Commission 2012/2013 Statement of Priorities**

### **Goal 1: *Deliver Responsive Regulation***

Financial Planning Standards Council believes that sound public policy is based on evidence and information gathered through research and consultations with stakeholders. As such, we are pleased that the OSC will be expanding its research and analytical capabilities to support its policy and operational decision making.

The proposed research and analysis of the cost of owning mutual funds in Canada is welcomed. We hope this research will also examine the perspectives of average Canadian investors, in particular their expected costs of financial products or services, how investment or advisory fees impact their financial decisions, and whether fees should vary based on the level of quality or depth of financial advice they expect to receive.

The research should also examine the current commission fee structure, and whether changes need to be made to better protect consumers. We will be monitoring the results from the OSC's research and, if appropriate, will provide comments in a forthcoming discussion paper.

### **Goal 2: *Deliver Effective Enforcement and Compliance***

A greater focus on mitigating non-compliance through active enforcement will further assure investors and the public that its needs are being looked after. This will be accomplished through effective oversight, enforcement and compliance by individuals and firms to the standards and policies set by the OSC.

An investor's rights, as well as his financial plan and short and long-term financial well-being, can be violated by malpractice or non-compliant acts. We believe the OSC's active enforcement practices will further protect consumers, minimizing their frustrations when seeking retributions from non-compliant individuals or firms which often can be a difficult process for average investors to navigate.

The OSC's emphasis on prevention through compliance will grant Ontarians a greater certainty about their investments. This emphasis will also assure Ontarians that they are adequately protected from the acts of unscrupulous advisors.

### **Goal 3: *Deliver Strong Investor Protection***

FPSC believes that investor protection is built on three pillars: strong regulators who enforce standards and ensure consumer interests are protected from unscrupulous individuals, businesses or firms; increasing the knowledge and information (financial literacy) available to consumers; and having financial planners and advisors who are duly qualified to provide responsible and ethical advice.

Regulators should always consider investor protection the foundation for all of their regulatory policies. This consideration includes ensuring that current and future regulations are aimed to protect the most vulnerable investors (i.e. individuals who are new to the market or who may have lower level of financial literacy).



Establishing the Office of the Investor will provide the OSC with the valuable investor perspective in the creation and amendments to OSC policies. We are encouraged that this new office will work with the Investor Education Fund and the OSC's Investor Advisory Panel, supporting their mandate and efforts.

FPSC noted in the recent Ontario budget that the government proposed to:

“Facilitate the OSC playing a greater role in educating investors and strengthening financial literacy — financial literacy is one of the building blocks that equips Ontarians to make informed investment decisions and protect their own interests.”<sup>2</sup>

We are encouraged by government's commitment to equip consumers with this important building block and its support for the OSC to play a greater role in this area. We believe that the Office of the Investor should explore working collaboratively with national efforts in the area of investor protection, particularly in the area of improving investors and Canadians' financial literacy.

As such, we would encourage the OSC and the Office of the Investor to collaborate with our organization on improving Ontario's financial literacy. As a national standard-setting body for financial planning, FPSC offers a unique perspective on financial literacy. FPSC is a proponent of seeing Canadians improve their lives through financial planning and actively tries to ensure Canadians better understand their relationship with money through a variety of ways. FPSC has made formal submissions to governments at both the federal and provincial levels, has reviewed curriculum for the Ontario Ministry of Education, co-founded the Financial Literacy Action Group (FLAG) and the first annual Financial Literacy Month, and annually encourages CFP professionals to hold pro-bono public events to demonstrate the value of financial planning to Canadians.

FPSC believes there is great importance of ensuring financial planners or advisors are always acting in their client's interest ahead of their own. As such, we are interested in the results of the OSC's current research exploring whether an explicit fiduciary duty or other standards should apply to all advisors and dealers in Ontario. It is our belief that a fiduciary duty should not be imposed across the board, since most investor-advisor relationships vary significantly and are not necessarily truly 'fiduciary' in nature. We still do encourage codification of a "client interest first" obligation, however.

FPSC believes that the "fiduciary debate" needs to examine the underlying and more practical problem: that of ensuring that a financial planner or advisor is placing the client's interest ahead of their own and ahead of all other interests. Placing a client's interest first includes full disclosure to clients of real and or perceived conflicts of interests and how to properly mitigate or avoid conflicts when needed. This "client first" principle has been formally codified in the FPSC<sup>®</sup> Code of Ethics (part of the *Standards of Professional Responsibility for CFP<sup>®</sup> Professionals and FPSC<sup>®</sup> Registered Candidates*), which every CFP professional must adhere to. FPSC would be happy to elaborate and clarify our position in any forthcoming consultation papers that are put forth by the OSC on this subject.

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<sup>2</sup> "Strong Action for Ontario: 2012 Ontario Budget"  
[http://www.fin.gov.on.ca/en/budget/ontariobudgets/2012/papers\\_all.pdf](http://www.fin.gov.on.ca/en/budget/ontariobudgets/2012/papers_all.pdf) p.55

FPSC also encourages the research and data analysis group to conduct research into the level of investor knowledge of titles used within the financial services industry, and what level of knowledge, expertise and service investors expect from people with specific titles and roles. As a member of the Coalition for Professional Standards for Financial Planners (the Coalition), FPSC has been addressing how to ensure that those who hold themselves as financial planners have met a common set of competency standards, adhere to a common set of professional obligations, and are held accountable for such. This action would ensure that the public is not at the mercy of unqualified or unscrupulous people holding themselves out as financial planners.

We find the blurring between roles and titles throughout the financial services industry alarming. Our research indicates that many Canadians are confused about titles. They don't know what the titles mean, are unsure about what titles and roles are regulated, or which titles require what level of skill and knowledge. We believe this information will be extremely valuable in guiding the OSC in developing policies that protect investors.

**Goal 4:** *Run a modern, accountable and efficient organization*

The OSC's internal coordination efforts, especially in regards to policy development, are applauded by FPSC. Additionally, the proposed expansion of the OSC's research and data analysis capabilities will help the long-term success of the organization and be instrumental in crafting policies that best protect investors.

Crafting a highly functional workplace that is both goal- and performance-oriented will hopefully create a successful work environment that will allow OSC employees to better carry out the mandate of the OSC. As such, we are encouraged about the OSC's move to electronic hearings, development of IT tools and expansion of the use of e-discovery tools. We believe these tools will allow the OSC to be a more modern and effective regulator.

**Goal 5:** *Support and Promote Financial Stability*

We are encouraged that the OSC will continue to work with other regulators in Canada and in the international community to increase financial stability within Ontario. The decline of trade barriers and integration of international markets provides the opportunity and need to collaborate with other jurisdictions. We are confident that the OSC will continue to be seen as an international leader in regulation and will continue its pursuit of more formal working relationships with other regulators in Canada and abroad.

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