



**FP Canada**<sup>TM</sup>

*Advancing Professional  
Financial Planning*

# RESPONSE TO CSA CONSULTATION PAPER 25- 402 – *CONSULTATION ON THE SELF-REGULATORY ORGANIZATION FRAMEWORK*

October 2020

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# INTRODUCTION

FP Canada™ is pleased to respond to CSA Consultation Paper 25-402 – Consultation on the Self-Regulatory Organization (“SRO”) Framework (“Consultation Paper”).

A national professional body working in the public interest, FP Canada is dedicated to championing better financial wellness for all Canadians by certifying professional financial planners and leading the advancement of professional financial planning in Canada. There are approximately 21,000 professional financial planners in Canada who, through CERTIFIED FINANCIAL PLANNER® certification and QUALIFIED ASSOCIATE FINANCIAL PLANNER™ certification, meet FP Canada’s standards.

## COMMENTS ON THE CONSULTATION PAPER

FP Canada supports the establishment of a single SRO. We believe consolidation of the existing two-SRO structure is long overdue and stands to create significant benefits for both consumers and industry participants. We urge the CSA to move forward with consolidation in a timely manner.

With respect to the issues with the current framework identified in the Consultation Paper, we generally agree with the concerns raised by stakeholders through the CSA’s consultation process and support the CSA’s targeted regulatory outcomes.

There are several issues identified in the consultation paper we wish to provide brief additional comment on.

### Issue 2: Product-Based Regulation

We agree that the current environment, characterized by the existence of different sets of rules (and different interpretation of similar rules) for similar products and services, leads to confusion for many industry participants, and in some cases may be contributing to negative outcomes for consumers.

For example, based on our experience overseeing CFP® professionals and QAFP™ professionals employed at SRO-registered firms, confusion or misinterpretation around the myriad of rules by dealers and their compliance staff may be limiting the ability of consumers to obtain critical financial planning services. For example, we have heard several instances over the years of some firms, based on their interpretation of existing rules, restricting the ability of CFP® professionals to hold out to consumers as such, or to provide financial plans to consumers due to concerns around how those plans would be treated by various regulatory staff, thus depriving consumers of critical financial planning services.

We believe a single, consolidated SRO, with a single set of rules and guidance, would provide much-needed clarity and consistency to firms and SRO staff, and would ultimately benefit consumers.

## Issue 3: Regulatory Inefficiency

We agree with the concern raised by stakeholders that in the current two-SRO environment, there is a lack of efficient access to low-cost ETFs for registrants. As the consultation paper notes, “mutual fund dealers are not able to easily distribute [ETFs] because they have limited access to the necessary back-office and clearing systems servicing primarily investment dealers,” and workarounds “are typically more costly for the investor.”

In our view, with the growing popularity of ETFs, and the important role ETFs can play in the portfolios of mutual fund investors, this is a matter of public interest that should be quickly addressed. Given the outsized role that independent mutual fund dealers play in serving mass-market investors and investors in smaller geographic areas, it is imperative that they can offer their clients ETFs when appropriate, just as IIROC dealers can today. We strongly support SRO consolidation as a means to facilitate this.

## Issue 5: Investor Confusion

We firmly agree that the current regulatory environment is confusing for investors. Investors generally do not, nor should they be expected to, understand the differences between the two SROs. Specific sources of confusion identified by stakeholders, including registration categories and titles, and the complaints process, are particularly problematic. We believe SRO consolidation can play a key role in mitigating these concerns, as discussed below.

### Registration Categories and Titles

As mentioned, consumers do not generally understand the differences between various financial professionals and registration categories, the titles they use, or the products and services they are qualified and authorized to offer.

Reducing investor confusion is paramount to ultimately instilling public confidence in the regulatory framework (as per Issue 6 of the Consultation Paper). Consumers seeking help with investment decisions or other financial matters must understand the differences among the various financial services titles in the marketplace, and the products and services individuals are qualified to offer. Consumers cannot have confidence in a framework they fundamentally do not understand.

While recent legislation in Ontario and Saskatchewan that restricts the titles “financial planner” and “financial advisor” will provide a significant step forward for clarity related to financial advice generally, and financial planning more specifically, there is still much work that needs to be done to eliminate consumer confusion.

A single, consolidated SRO would be well-positioned to immediately begin to address this confusion. Under a single SRO, titles and qualifications for representatives could much more easily be addressed in a coordinated, thoughtful manner. In fact, to maximize investor clarity, we recommend that the SRO regulatory framework explicitly align titles to licensure. In other words, it should be clear to consumers based on an individual’s title, what products or services they are actually qualified and authorized to provide. Further, a consolidated SRO could easily adopt the requirements established through Ontario’s

and/or Saskatchewan’s financial professionals titling legislation to ensure consistent use of “financial advisor” and/or “financial planner” titling requirements across Canada.

## Complaints Process

A clear, easily-accessible complaints process is critical to consumer confidence in the regulatory framework.

While consolidation of the two-SRO structure alone will not solve all the confusion that exists today regarding where and how to file complaints, merging the complaints processes of the MFDA and IIROC into a single, seamless process would certainly help. Moreover, a single SRO would be better positioned to coordinate with other regulatory and professional certification bodies where appropriate, and to help consumers manage the complaints process.

## Issue 6: Public Confidence in the Regulatory Framework

We agree with other stakeholders that there are ways to enhance public confidence in the current SRO regulatory framework.

Ensuring the efficacy of the public interest mandate is paramount to maintaining consumer confidence in the SRO model. It is crucial that such a mandate is clearly defined, embedded throughout the entire SRO, understood by all and unencumbered in its delivery. There should be no conflicts to the successful delivery of a public interest mandate, and we recommend that it continue to evolve and improve through continued enhanced governance and ongoing dialogue with the CSA and other stakeholders.

With respect to other specific SRO governance enhancements, we agree with the notion of establishing more formal investor advocacy mechanisms. To this end, we note that IIROC recently announced plans to establish an “Expert Investor Issues Panel” to enhance investor input into IIROC’s mandate to protect investors and support healthy capital markets.<sup>1</sup> We suggest this initiative is a good step, and should be carried forward into a new consolidated SRO.

Finally, we would note that when it comes to fostering public confidence in the regulatory framework, one issue we feel has not been represented in stakeholder feedback to date is the positive impact consolidation can have on the standards and competencies of licensed individuals. Consolidation provides an opportunity for the new SRO to review existing, and establish new competency profiles, and enhance and unify standards as appropriate, for the benefit of both consumers and industry.

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<sup>1</sup> IIROC to form expert investor issues panel for valuable input on consumer issues: [https://www.iiroc.ca/documents/2020/a75ad083-294d-49b8-95c3-16f8942ef95f\\_en.pdf](https://www.iiroc.ca/documents/2020/a75ad083-294d-49b8-95c3-16f8942ef95f_en.pdf).

## Issue 7: Market Surveillance

Notwithstanding the concerns raised by some stakeholders, we believe there is consensus around the notion of maintaining the market surveillance function within IIROC, and eventually a consolidated SRO.

It is not clear to us how moving responsibility for market surveillance from a single, national SRO to individual securities regulators would address the concerns of regulatory fragmentation and structural inefficiency identified by stakeholders in the consultation paper. In fact, these issues seem likely be exacerbated by such a transfer of responsibility (at least in the short to medium term).

Moreover, we firmly believe consolidation of the two SROs should move forward in a timely manner, and we are concerned that the process of transferring market surveillance responsibility to securities regulators could significantly delay this process, with questionable added benefit.

## CONCLUSION

FP Canada would like to thank the CSA for the opportunity to provide comment. We would take this opportunity to reiterate our support for consolidation of IIROC and the MFDA into a single SRO. Given the significant potential benefits, we urge the CSA to move forward with consolidation without delay.



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