

VIA EMAIL: comments@osc.gov.on.ca

August 26, 2016

- Alberta Securities Commission
- Autorité des marchés financiers
- British Columbia Securities Commission
- The Manitoba Securities Commission
- Financial and Consumer Services Commission (New Brunswick)
- Nova Scotia Securities Commission
- Ontario Securities Commission
- Financial and Consumer Affairs Authority of Saskatchewan

In care of:

Joseé Turcotte, Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario
M5H 3S8

Dear Ms. Turcotte:

**RE: WRITTEN COMMENTS REGARDING THE CANADIAN SECURITIES
ADMINISTRATORS CONSULTATION PAPER 33-404: *PROPOSALS TO ENHANCE
THE OBLIGATIONS OF ADVISERS, DEALERS, AND REPRESENTATIVES
TOWARD THEIR CLIENTS***

Thank you for your request for submissions regarding this important consumer protection initiative to better align the relationship between registrants and their clients. CIFPs sees this as an opportunity to increase the quality of financial advice to financial consumers while maintaining the affordability and accessibility of this advice to enhance consumer protection and maximize consumer utility.

On behalf of its 7,500 + members, The Canadian Institute of Financial Planners (CIFPs) is pleased to provide you with this submission commenting on the above-noted issues, which are very important to its members. Further, our affiliate educational organization, The Canadian Institute of Financial Planning (CIFP) is pleased to represent the views of its 7,000 + students. We appreciate being asked to provide you with our views.

CIFPs is the professional association for financial planners in Canada. Many of the members of CIFPs are Certified Financial Planners (CFP®), which is the designation granted by the Financial Planning Standards Council (FPSC) to individuals who have met its educational standards, passed the FPSC Certified Financial Planner® Examinations, satisfied work experience requirements and agreed to abide by the FPSC Code of Ethics.

CIFPs provides its members with continuing education through courses and conferences, practitioner support services including mentoring, best practices and technical publications, regulatory support, and advocacy services on issues that have potential to impact financial planners. All members of CIFPs subscribe to the CIFPs Code of Conduct and Ethics.

As financial planners, the members of CIFPs include individuals registered as dealing representatives who are agents of firms registered as mutual fund dealers (members of the Mutual Fund Dealers Association of Canada) or as investment dealers (members of the Investment Industry Regulatory Association of Canada). CIFPs members can also be licenced insurance agents and many members are duly licenced as securities dealing representatives and as insurance agents. Our members operate in all provinces and territories of Canada, and individual members are registered and licenced in each of the provinces and territories where they work with clients residing in those provinces and territories.

CIFP has been involved in the delivery of high quality financial planning education to Canadian financial planners since 1972. Currently, CIFP offers educational programs in financial planning, retirement planning, and delivers customized financial education and training programs to many organizations in the financial services industry.

Additionally, CIFP through its CIFP Retirement Institute is the licensing body for the Registered Retirement Consultant (RRC®) and Registered Financial & Retirement Advisor (RFRA®) designations. These designations are supported by a rigorous educational program of study and

examination, work experience, annual continuing education, code of conduct & ethics, and standards of practice. Over 3,300 RRCs are currently licensed to provide the pre and post retirement, and lifestyle planning needs of Canadians. With over 3,000 students currently registered in the RRC program, CIFP expects over 6,000 RRCs serving Canadians within the next 18 months.

CIFPs is also a founding member of the Financial Planning Coalition which also includes the Institute of Advanced Financial Planners, the Financial Planning Standards Council and the Institut Québécois de Planification Financière. The Financial Planning Coalition has developed and is now promoting a common set of financial planning standards for Canada.

CIFPs and CIFP's strong focus and commitment to high standards of practice and education will guide and shape our comments to your questions in our submission. Further, as most of our members are also registrants through dealers under your jurisdiction, they are important stakeholders in this discussion, and therefore, we will address these issues in context of their role in the advice vale chain.

Please accept our following comments on your "Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives Toward Their Clients".

Thank you for considering our comments. Please contact Keith Costello, the President and Chief Executive Officer of CIFPs at 647-723-6447 or kcostello@cifps.ca if you have any questions about our comments or you would like to meet with us to discuss them further. We would be very pleased to meet with you and hope that you will include us in any further discussions or consultations that you decide to undertake.

Yours very truly,



Keith Costello, BADM, MBA-Strategic Planning
President & Chief Executive Officer

CIFPs’ responses are provided in “Red” under each specific section of your consultation paper:

Proposed Targeted Reforms	Description of Proposed Targeted Reforms	Consultation Questions
Conflicts of Interest – General obligation	<p>Part 13 of NI 31-103 would be amended to require that firms and representatives must respond to each identified material conflict of interest in a manner that prioritizes the interests of the client ahead of the interests of the firm and/or representative.</p> <p>Any disclosure given to a client about a conflict of interest must be prominent, specific and clear. The disclosure must be sufficient to be meaningful to the client such that the client fully understands the conflict, including the implications and consequences of the conflict for the client.</p> <p>Firms and representatives must have a reasonable basis for concluding that a client fully understands the implications and consequences of the conflict that is disclosed.</p> <p>Please refer to Appendix A for a description of potential guidance.</p> <p>CIFPs’ Response:</p> <p>All our members already prescribe to a code of conduct that puts the interests of the client first. Therefore, we do not see an issue with introducing this requirement. We prefer that the code of conduct be principled-based as it will need time to evolve and achieve an effective balance between representatives and the expectations of their clients. The main challenge will be to ensure that the conduct of the representative and their dealer are aligned.</p>	<p>1) Is this general approach to regulating how registrants should respond to conflicts optimal? If not, what alternative approach would you recommend?</p> <p>2) Is the requirement to respond to conflicts “in a manner that prioritizes the interest of the client ahead of the interests of the firm and/or representative” clear enough to provide a meaningful code of conduct? If not, how could the requirement be clarified?</p> <p>3) Will this requirement present any particular challenges for specific registration categories or business models?</p>
Know Your Client	<p>Section 13.2 of NI 31-103 would be amended by adding requirements that registrants must:</p> <ul style="list-style-type: none"> • ensure that the KYC process results in a thorough understanding of the client; • gather more client-centered information in respect of each of the three key elements of the KYC obligation, including: <ul style="list-style-type: none"> ○ investment needs and objectives: time horizon for their investments, how liquid they need their investments to be, and applicable investment constraints; ○ financial circumstances: the amount and nature of all assets and debts, employment status, basic tax position, and spousal and dependents’ status and needs; and 	<p>4) Do all registrants currently have the proficiency to understand their client’s basic tax position? Would requiring collection of this information raise any issues or challenges for registrants or clients?</p> <p>5) Should the CSA also codify the specific form of the document, or new account application form, that is used to collect the prescribed KYC content?</p> <p>6) Should the KYC form</p>

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	<ul style="list-style-type: none"> ○ risk profile: the client's risk profile for investment purposes, based on concepts including risk attitude, risk capacity and loss aversion (terms to be defined for client); • ensure that KYC forms and a record of the risk profile, both at initial account opening and upon material changes, are dated and signed by both the client and the representative and a copy is provided to the client; and • take reasonable steps to update their client's KYC information (and related form) at least once every 12 months, and more frequently in response to material changes in circumstances affecting the client or the client's portfolio. <p>Please refer to Appendix B for a description of potential guidance.</p>	<p>also be signed by the representative's supervisor?</p>
	<p>CIFPs' Response:</p> <p>We support an enhanced KYC process. Most of our members already use an enhanced client engagement process as financial and retirement planners. We do believe there is a proficiency gap in the licensing courses in dealing with the investment and financial circumstances of clients in the KYC process.</p> <p>Therefore, we recommend a review of the proficiency courses, especially the mutual fund courses, to determine any required enhancements. As per your questions 5 & 6, we believe the KYC process and compliance should be standard and clear. Therefore, the CSA should codify the form requirements and specify supervisory approval of completion of such forms. This clarity will reduce omissions and risks involved in the KYC process for all participants.</p>	
<p>Know Your Product – Representative</p>	<p>Part 13 of NI 31-103 would be amended by explicitly setting out that representatives must have sufficient knowledge of a product, together with the KYC information about the client, to support a suitability analysis.</p> <p>This would include requirements for representatives to:</p> <ol style="list-style-type: none"> (1) understand and consider the structure, product strategy, features, costs and risks of each security on their firm's product list, (2) understand and consider how a product being recommended compares to other products on the firm's product list, and (3) understand and consider the impact on the performance of the product of all fees, costs and charges connected to: <ul style="list-style-type: none"> • the product, • the client's account, and • the product and account investment strategy. <p>Please refer to Appendix C for a description of potential guidance.</p>	<p>7) Is this general approach to regulating how representatives should meet their KYP obligation optimal? If not, what alternative approach would you recommend?</p>

	<p>CIFPs' Response:</p> <p>We observe that you are proposing more of a financial planning approach under both the KYC and KYP processes. Again, our members do consider these broader issues when doing a suitability analysis for their clients that may lead to a product purchase recommendation. Effectively, the analysis is independent of the product, and subsequently, only products meeting the investment strategy are selected. Therefore, we accept your recommended approach.</p>	
<p>Know Your Product – Firm</p>	<p>Part 13 of NI 31-103 would be amended by explicitly requiring that firms:</p> <ul style="list-style-type: none"> • ensure, through policies and procedures, training tools, guides or other methods, that their representatives have the information and ability to comply with their KYP obligation; and • identify whether they have a proprietary or mixed/non-proprietary product list. <ul style="list-style-type: none"> ○ A “proprietary product list” would be defined as a product list that includes only proprietary products. ○ A “mixed/non-proprietary product list” would be defined as a product list that includes both proprietary and non-proprietary 	<p>8) The intended outcome of the requirement for mixed/non-proprietary firms to engage in a market investigation and product comparison is to ensure the range of products offered by firms that present themselves as offering more than proprietary products is representative of a broad range of products suitable for their client base. Do you agree or disagree with this intended</p>

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	<p>products, or only non-proprietary products, that the firm is registered to advise on or trade in.</p> <p>Mixed/non-proprietary firms would be required to select the products they offer in accordance with policies and procedures that include a fair and unbiased market investigation of a reasonable universe of products that the firm is registered to advise on or trade in; a product comparison to determine whether the products the firm offers are appropriately representative of the reasonable universe of products most likely to meet the investment needs and objectives of its clients, and an optimization process where the firm makes any necessary changes to the range of products it offers to achieve a range of products that is appropriately representative of the products most likely to meet the investment needs and objectives of its clients, based on the securities products that the firm is registered to advise on or trade in.</p> <p>Please refer to Appendix D for a description of potential guidance.</p> <p>CIFPs' Response:</p> <p>We agree with your general premise to ensure consumers know what product that they are buying and further, that they are being given a reasonable selection of solutions to meet their needs when dealing with mixed/non-proprietary firms. It is obvious that these mixed/non-proprietary product firms will experience higher compliance costs under your proposed changes than proprietary product firms, and may reduce their product shelf and/or move away from this business model. This will lead to less consumer choice in direct contrast to the CSA's stated objective.</p> <p>We fully support that firms offer the range of products that their clients' need to realize their financial goals but this requirement doesn't address the real issue. The solution is in the suitability and recommendation process. If the advisor determines that the client needs a particular product or solution that he or she doesn't have access to then they should be required to refer the client to someone that has access to the appropriate solution.</p>	<p>outcome? Please provide an explanation.</p> <p>9) Do you think that requiring mixed/non-proprietary firms to select the products they offer in the manner described will contribute to this outcome? If not, why not?</p> <p>10) Are there other policy approaches that might better achieve this outcome?</p> <p>11) Will this requirement raise challenges for firms in general or for specific registration categories or business models? If so, please describe the challenges.</p> <p>12) Will this requirement cause any unintended consequences? For example, could this requirement result in firms offering fewer products? Could it result in firms offering more products?</p> <p>13) Could these requirements create incentives for firms to stop offering non-proprietary products so that they can fit the definition of proprietary firm?</p> <p>14) Should proprietary firms be required to engage in a market investigation and product comparison process or to offer non-proprietary products?</p> <p>15) Do you think that categorizing product lists as either proprietary and mixed/non-proprietary is an optimal distinction amongst firm types? Should there be other characteristics that differentiate firms that should be identified or taken into account in the</p>

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		requirements relating to product list development?
Suitability	<p>Section 13.3 of NI 31-103 would be replaced with the following.</p> <p>A registrant must ensure that, before it makes a recommendation to (or recommendation not to), or accepts an instruction from a client to buy, sell, hold or exchange a security, or makes a purchase, sale, hold or exchange of a security for a client's managed account, such purchase, sale, hold or exchange (or decision not to purchase, sell, hold or exchange in the case of a recommendation not to take any of these actions) satisfies the following three elements, as applicable:</p> <ul style="list-style-type: none"> • Basic financial suitability: by identifying whether there are any other basic financial strategies, such as paying down high interest debt or directing cash into a savings account, that are more likely to achieve the client's investment needs and objectives than a transaction in securities; • Investment strategy suitability: by identifying a basic asset allocation strategy for the client (and evaluating any other proposed investment strategy) that is most likely to achieve the client's investment needs and objectives. This would include identifying a target rate of return the client will need to achieve his or her investment needs and objectives, assessing the target rate against the client's risk profile and resolving any mismatches. If the risk required to achieve the investment needs and objectives is higher than the client's risk capacity, the registrant must revisit the investment needs and objectives with the client; and • Product selection suitability: by ensuring that the purchase, sale, hold or exchange of the security (or the decision not to purchase, sell, hold or exchange) is both: <ul style="list-style-type: none"> ○ suitable for the client, and ○ most likely to achieve the client's investment needs and objectives, given the client's financial circumstances and risk profile, based on a review of the structure, features, product strategy, costs and risks of the products on the firm's product list. <p>This determination must take into account the impact on the performance of the product of any compensation paid to the registrant by the client or a third party in relation to the product and the impact of the investment strategy of the product.</p> <p>Registrants must perform a suitability analysis of the portfolio of securities in the client's account at the firm:</p> <ul style="list-style-type: none"> • when accepting an instruction from the client to buy, sell, hold or exchange securities or using (or ceasing to use) an investment strategy involving a security; • when recommending that the client buy, sell, hold or exchange 	<p>16) Do you agree with the requirement to consider other basic financial strategies?</p> <p>17) Will there be challenges in complying with the requirement to ensure that a purchase, sale, hold or exchange of a product is the "most likely" to achieve the client's investment needs and objectives?</p> <p>18) Should there be more specific requirements around what makes an investment "suitable"?</p> <p>19) Will the requirement to perform a suitability assessment when accepting an instruction to hold a security raise any challenges for registrants?</p> <p>20) Will the requirement to perform a suitability analysis at least once every 12 months raise challenges for specific registrant categories or business models? For example, a client may only have a transactional relationship with a firm. In such cases, what would be a reasonable approach to determining whether a firm should perform ongoing suitability assessments?</p> <p>21) Should clients receive a copy of the representative's analysis regarding the client's target rate of return and his or her investment needs and objectives?</p> <p>22) Will the requirement to perform a suitability review for a</p>

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	<p>securities or using (or ceasing to use) an investment strategy involving a security; and</p> <ul style="list-style-type: none"> • within a reasonable time after any of the following events occur while the client retains an account with the firm, and in any case, at least once every 12 months, or more frequently if the investment strategy (if any) proposed by the representative requires more frequent monitoring: <ul style="list-style-type: none"> ○ securities received into the client’s account by deposit or transfer; ○ change in representative or firm for the account; ○ material changes in the client’s KYC information that the registrant knew or reasonably should have known; ○ occurrence of a significant market event affecting capital markets to which the client is exposed; and ○ material change in the risk profile of an issuer whose securities are held in the client’s account, whether determined by external credit ratings or other internal or external risk assessment mechanisms. <p>Where an unsuitable investment is identified within an account, the registrant must take appropriate measures to ensure the client receives advice considering the client’s investment needs and objectives, risk profile, and other particular circumstances (for example, an appropriate measure or course of action may include contacting the client in a timely manner to recommend changes). Where a client does not want to dispose of the unsuitable investment, it may be appropriate to recommend changes to other investments within the account in order to ensure the suitability of the overall portfolio.³⁰</p> <p>Please refer to Appendix E for a description of potential guidance.</p>	<p>recommendation <i>not</i> to purchase, sell, hold or exchange a security be problematic for registrants?</p>
	<p>CIFPs’ Response:</p> <p>We agree with the goal to enhance the suitability process away from “trade-based” triggered by a product order, or buy or sell recommendation. Our members as financial planners and retirement planners consider the overall financial objectives of the client and review the suitability of these implemented solutions on an ongoing basis.</p> <p>We would like to highlight some issues that need to be addressed in implementing this proposed change:</p> <ul style="list-style-type: none"> • Not all registrants may have the proficiency to execute this enhanced suitability process especially mutual fund licensees who have no additional accreditation credentials. We, as previously stated, recommend that you review the licensing programs for both mutual funds 	

	<p>and securities licensees to determine any gaps in learning materials to meet this enhanced suitability process;</p> <ul style="list-style-type: none"> As per question 17, requiring that a purchase, sale, hold or exchange of a product is “most likely” to achieve the client’s investment needs and objectives will certainly help achieve better client outcomes. Although, it cannot be overstated that the expert knowledge of the adviser is paramount in achieving this objective; As per question 18, defining the term “suitable” will be difficult to achieve and should be at the expert discretion of the professional advice giver; Requiring a suitability analysis at various trigger points – “buy, sell, hold or exchange securities” either by instruction or recommendation, and periodically and/or by events may be problematic: 	
	<ul style="list-style-type: none"> Compliance costs will be higher and may lead to a higher cost of advice for consumers, Transactional only relationships may need to be exempted, Most important, if an adviser is using an investment strategy then the portfolio must be periodically reviewed against the investment objectives. One off product changes are most likely a subsequent implementation of the longer-term agreed upon investment strategy. Requiring a suitability analysis on a product change instills the product focused approach that the CSA is trying to rectify. We recommend that a reasonable periodic suitability analysis be performed on a client’s investment portfolio against objectives to document a trend line that shows that suitability has been maintained. Further, a client should receive appropriate reporting to show performance against targets. 	
Relationship Disclosure	<p>Section 14.2 of NI 31-103 would be amended by including the following explicit requirements.</p> <p><i>Nature of Relationship Disclosure</i></p> <p>Firms would be required to disclose the actual nature of the client-registrant relationship in easy-to-understand terms.</p> <p><i>Proprietary Product List Disclosure</i></p> <p>Firms must disclose whether they offer proprietary products only or a mixed/non-proprietary list of products. Firms that offer a mixed/non-proprietary list of products must disclose the proportion of proprietary products they offer. Where the product list of the firm meets the definition of a “proprietary product list”, the firm must clearly disclose to its clients,</p>	<p>23) Do you agree with the proposed disclosure required for firms registered in restricted categories of registration? Why or why not?</p> <p>24) Do you agree with the proposed disclosure required for firms that offer only proprietary products? Why or why not?</p> <p>25) Is the proposed</p>

³⁰ See IIROC Notice 12-0109 - *Know your client and suitability – Guidance*, online: http://www.iiroc.ca/Documents/2012/d21b2822-bcc3-4b2f-8c7f-422c3b3c1de1_en.pdf.

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	<p>prominently and in plain language at the time of account opening (or before any product or service is provided), that:</p> <ul style="list-style-type: none"> • their product list is restricted to proprietary products and they will only recommend proprietary products; and • as a result, the suitability analysis conducted by the firm and its representatives does not consider: <ul style="list-style-type: none"> ○ the larger market of non-proprietary products; and ○ whether such non-proprietary products are better, worse or equal in meeting the client’s investments needs and objectives. <p>This obligation does not apply when firms deal with institutional clients.</p> <p><i>Restricted Registration Category Disclosure</i></p> <p>Firms that are mutual fund dealers, exempt market dealers, scholarship plan dealers or restricted dealers/advisers must clearly disclose to their clients, prominently and in plain language at the time of account opening (or before any product or service is provided), that they only offer, as a result of their registration category, a limited range of products and, as a result, the suitability analysis conducted by the firm and its representatives does not consider:</p> <ul style="list-style-type: none"> • a full range of securities products; and • whether such other types of products are better, worse or equal in meeting the client’s investments needs and objectives. <p>This obligation does not apply when firms deal with institutional clients.</p> <p>Please refer to Appendix F for a description of potential guidance.</p>	<p>disclosure for restricted registration categories workable for all categories identified?</p> <p>26) Should there be similar disclosure for investment dealers or portfolio managers?</p> <p>27) Would additional guidance about how to make disclosure about the relationship easier to understand for clients be helpful?</p>
	<p>CIFPs’ Response:</p> <p>We generally agreed with the transparent disclosure of the suitability analysis and what it includes, and what it doesn’t include. Our main concern is with the wording of the Restricted Registration Category Disclosure. Most investors with non-complex and lower net worth portfolios can have their financial needs served by mutual funds and exchange traded funds. By requiring disclosure that “a full range of securities products” were not considered in the suitability analysis may cause investors to feel that they are missing out. The unintended consequence may be that investors seek product solutions beyond their risk appetite or the risk category that they should be classed within depending on where they are in their life-cycle- young, middle age or pre-retirement. Perhaps, better wording to avoid this situation can be constructed.</p>	

Proficiency	<p>Division 2 of Part 3 of NI 31-103 would be amended to add the following explicit requirements:</p> <ul style="list-style-type: none"> • increased proficiency for representatives, including standards that explicitly incorporate the knowledge elements required for compliance with the proposed targeted reforms, including that all representatives must generally understand the basic structure, features, product strategy, costs and risks of all types of securities, such as equities, fixed income, mutual funds, other investment funds, exempt products, and scholarship plan securities; • in particular, increased proficiency regarding how product costs and investment strategies (e.g. active vs passive) can impact investment outcomes for clients; and • that representatives are subject to a continuing education requirement,³¹ including on key securities regulatory obligations 	<p>28) To what extent should the CSA explicitly heighten the proficiency requirements set out under Canadian securities legislation?</p> <p>29) Should any heightening of the proficiency requirements for representatives be accompanied by a heightening of the proficiency requirements for CCOs and UDPs?</p>
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³¹ Note that (i) in Québec, representatives of mutual fund dealers and of scholarship plan dealers must be members of the Chambre de la sécurité financière, and are subject to an existing continuing education (CE) requirement, and (ii) IIROC registered individuals are subject to a CE requirement and the MFDA issued a discussion paper soliciting detailed feedback regarding appropriate components of CE

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	such as suitability, the KYC and KYP obligations and conflicts of interest, as well as an ethics training component.	
	<p>CIFPs' Response:</p> <p>We believe reforms in proficiency, titles, designations and compensation are inter-related and must be dealt with together to reflect the modern holistic manner in which advice is given to financial consumers. Please section: "A New Advice Environment for Financial Consumers".</p>	
Titles	<p>A new requirement would be added to NI 31-103 that explicitly requires that all client-facing business titles for representatives be prescribed, as follows:</p> <p><u>Alternative 1:</u></p> <ul style="list-style-type: none"> for a representative (i) where his or her sponsoring firm is registered as a portfolio manager or investment dealer and has a mixed/non-proprietary product list, and (ii) that manages a client's discretionary account: securities advisor – portfolio management for a representative (i) where his or her sponsoring firm is registered as a portfolio manager or investment dealer and has a mixed/non-proprietary product list, and (ii) that advises a client with a non-discretionary account: securities advisor for a representative of any other firm that is not an investment dealer or portfolio manager but that has a mixed/non-proprietary product list: restricted securities advisor for a representative of any firm that has a proprietary product list: securities salesperson. <p><u>Alternative 2:</u></p> <ul style="list-style-type: none"> for representatives of firms registered as portfolio managers and of firms registered as investment dealers that are IIROC members and manage clients with discretionary accounts: advisor for representatives of any other firm: salesperson <p><u>Alternative 3:</u></p> <ul style="list-style-type: none"> representatives could only use their individual category of registration (e.g., dealing representative and/or advising representative) 	<p>30) Will more strictly regulating titles raise any issues or challenges for registrants or clients?</p> <p>31) Do you prefer any of the proposed alternatives or do you have another suggestion, other than the status quo, to address the concern with client confusion around representatives' roles and responsibilities?</p> <p>32) Should there be additional guidance regarding the use of titles by representatives who are "dually licensed" (or equivalent)?</p>
	<p>CIFPs' Response:</p> <p>We believe reforms in proficiency, titles, designations and compensation are inter-related and must be dealt with together to reflect the modern holistic manner in which advice is given to financial consumers. Please section: "A New Advice Environment for Financial Consumers".</p>	

Designations	<p>NI 31-103 would be amended to include specific provisions about the designations (i.e., credentials that are used to indicate that the individual has specialized knowledge or expertise in an area gained through education and/or experience) that each category and specific types of representatives may use when dealing with clients.</p> <p>Please refer to Appendix G for a description of potential guidance.</p>	33) Should we regulate the use of specific designations or create a requirement for firms to review and validate the designations used by their representatives?
	<p>CIFPs' Response:</p> <p>We believe reforms in proficiency, titles, designations and compensation are inter-related and must be dealt with together to reflect the modern holistic manner in which advice is given to financial consumers. Please section: "A New Advice Environment for Financial Consumers".</p>	
Role of UDP and CCO	<p>Sections 5.1, 5.2 and 11.1 of NI 31-103 would be amended to clarify the role of UDPs and CCOs, both in terms of compliance systems generally, as well as ensuring compliance in key areas, such as obligations relating to conflicts of interest and suitability.</p> <p>Specifically, section 5.1 of NI 31-103 would be amended to clarify that a UDP must:</p> <ul style="list-style-type: none"> ensure the firm has policies and procedures to identify and manage 	34) Are these proposed clarifying reforms consistent with typical current UDP and CCO practices? If not, please explain.

requirements and related implementation considerations.

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	<p>conflicts of interest arising between the firm, each individual acting on its behalf, and clients;</p> <ul style="list-style-type: none"> • ensure that material conflicts are avoided if they cannot be managed by disclosure and controls; • promote consideration and management of conflicts of interest in a manner that prioritizes the interests of the client; and • promote compliance with the suitability obligation, including assessing the impact of the cost of products on the client’s ability to meet his/her investment needs and objectives, given his/her risk profile and financial circumstances. <p>Specifically, section 5.2 of NI 31-103 would be amended to clarify that a CCO must establish and maintain policies and procedures and monitor and assess compliance by the firm, and individuals acting on its behalf, with:</p> <ul style="list-style-type: none"> • the obligation to respond to material conflicts of interest in a manner that prioritizes the interests of the client ahead of the interests of the firm or registrant; and • the suitability obligation, including assessment of the impact of the cost of products on the client’s ability to meet its investment needs and objectives, given his/her risk profile and financial circumstances. 	
	<p>CIFPs’s Response: We agree that the role of the UDP and CCO should be enhanced accordingly to meet the increased standards in this proposal.</p>	
<p>Statutory Fiduciary Duty when Client Grants Discretionary Authority</p>	<p>Existing securities legislation in British Columbia, Saskatchewan, Ontario, Québec, Nova Scotia, Prince Edward Island, Nunavut, Yukon, and the Northwest Territories would be amended to introduce a statutory fiduciary duty for registrants when they manage the investment portfolio of a client through discretionary authority granted by the client.</p>	<p>35) Is there any reason not to introduce a statutory fiduciary duty on these terms?</p>
	<p>CIFPs’s Response: We agree that a statutory fiduciary duty for registrants with discretionary authority is appropriate.</p>	

A New Advice Environment for Financial Consumers:

We believe that the CSA working through the Joint Forum of Financial Market Regulators and provincial legislatures can achieve the reforms to advice giving that will go beyond the targeted reforms – proficiency, titles, designations, and a regulatory best interest standard proposed in this consultation paper. In summary, we propose the following objectives be achieved:

- Clearly delineate between financial planning and other forms of financial advice as they are very different. This will require defining what is not financial planning and categorizing other types of advice for regulation and standards.
- Set credentialing standards for financial planners including related standards of practice, ethics, professional development, and approved titles and designations. A professional body is best to achieve this as the nature of the advice is complex and comprehensive similar to legal and accounting advice.
- Set credentialing standards including related standards of practice, ethics, professional development, and approved titles and designations for other types of advice that are not financial planning.
- If you recommend to restrict titles and designations for both financial planners and financial advisors then consider that the education providers that offer the education programs and/or related titles or designations should also be regulated. College and University education is regulated in Canada and therefore, financial educational institutes should also be regulated similarly. In particular, financial educational institutes should meet both education and operations standards. Additionally, their programs, and related titles and designations should contain a comprehensive curriculum and program of study, continuing education, ethics and standards of practice.

Finally, we strongly support a Statutory Best Interest Duty (SBID) standard. We believe that a one size fits all SBID will not work. We believe there is a difference between a SBID for financial planners and other types of advice givers. We support a full SBID for financial planners, and a lower SBID for other advice givers.

We have enclosed under separate cover our detailed recommendations for reform of the advice environment. This document was prepared for consideration by the Ontario Expert Committee to Consider Financial Advisory & Financial Planning Policy Alternatives. We believe that although the recommendations are Ontario focused that they can be adapted for all provincial and territorial jurisdictions across Canada. We strongly encourage you to consider the recommendations in whole or in part to ensure the delivery of effective and affordable financial advice to Canadian financial consumers.