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Re: Regulation of Financial Planner and Financial Advisor Titles

The Investment Industry Association of Canada (the "IIAC") appreciates the opportunity to provide input to the Financial and Consumer Services Commission of New Brunswick ("FCNB") regarding its potential approaches to the regulation of the titles Financial Planner ("FP") and Financial Advisor ("FA") in New Brunswick.

The IIAC is the national association representing the investment industry's position on securities regulation, public policy and industry issues on behalf of our approximately 115 investment dealer member firms in the Canadian securities industry that are regulated by the Investment Industry Regulatory Organization of Canada ("IIROC"). These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations.

Summary: The IIAC supports additional clarity and standardization for the provision and supervision of financial planning in the industry.

Recommendations: Some key recommendations from the IIAC include the following:

- An exemption for both FPs and FAs employed by registrants who are subject to the oversight of an SRO, especially given the announcement of the New SRO and the CSA project on titling.
- We remain unclear as to which individuals are meant to be encompassed under the FA title and request additional clarity for the industry and the investing public.
- We support the Ontario approach to confusing titles which provides some certainty to the financial services industry as to which titles are permitted and great clarity for the investing public.

Exemptions

As we did in Ontario and Saskatchewan, we urge the FCNB to consider an exemption for both IIROC and the Mutual Fund Dealers Association ("MFDA") (together, the "SROs") registrants. We note the FCNB has stated that it seeks to efficiently and effectively implement an appropriate and flexible framework by leveraging existing regimes, yet by ignoring the robust regulatory oversight carried out by both IIROC and the MFDA, the FCNB will not execute an effective and efficient framework and ultimately duplicate the role and responsibilities of the SROs.

The SROs, with the mandate of protecting investors and the integrity of the Canadian capital markets, have rigorous proficiency requirements and business and financial conduct oversight of their registrants. These standards are among the highest in the financial services industry.

This argument is further supported based on the Canadian Securities Administrators ("CSA") recently releasing Position Paper 25-404 – *New Self-Regulatory Organization Framework* ("the New SRO").

The CSA supports the development of a single, enhanced national self-regulatory organization for Canadian capital markets. There is broad support for one SRO system, and its recognized benefits including increased efficiencies from harmonization.

This New SRO will harmonize existing SRO rules, policies, compliance and enforcement processes. Furthermore, the New SRO will have an enhanced governance process, as well as more nuanced proficiency-based registration that would retain the high standards of professionalism in the industry. In addition to the enhancements to the titling requirements for CSA and SRO registrants pursuant to the Client Focused Reforms, the CSA has indicated that the New SRO will leverage upcoming CSA consultations on titles. Any changes to titles that the CSA implements that may require registrants to revise current titles used will be greatly complicated if consideration must be given to FSRA approved titles. This would only further confuse the investing public.

Given these recent proposals, we would urge the FCNB to consider an exemption for both IIROC and MFDA registrants from its titling framework.

With the CSA now moving towards greater oversight of a New SRO, the FCNB should be confident in the CSA's ability to have the appropriate mechanisms to ensure rigorous regulatory oversight of not only the New SRO but the member firms and individuals that it regulates. Furthermore, both the CSA and the New SRO have a public interest and investor protection mandate, and thus the FCNB can be satisfied that the public interest would not be harmed. This approach would create minimum standards for title usage, without creating unnecessary regulatory burden for title users. Finally, the New SRO, given its national scope would be able to approach titling from a harmonized and national approach. This is the only way that consumers can expect to receive uniform standards of service, regardless of whether the credential holder

offers its services through an IIROC-registered dealer, through another regulated channel or in another province.

The IIAC strongly encourages the FCNB to meet with the CSA, IIROC and the MFDA to discuss the New SRO and how this new regulatory structure can satisfy any concerns that the FCNB may have regarding granting an exemption from the titling requirements for SRO registrants.

Approach to protect "Financial Planner" and Financial Advisor" as Regulated Titles

As outlined in previous stakeholder consultations and submissions both in Saskatchewan and Ontario, the IIAC supports additional clarity and standardization for the provision and supervision of financial planning in the industry. We recognize that there are many individuals who may hold themselves out as financial planners but may not have the necessary proficiency requirements and appropriate oversight.

Clarity and protection for investors, who are being served by a wide variety of people calling themselves financial planners, is welcome. It is imperative to ensure that those involved in financial planning have the necessary proficiency and meet minimum acceptable standards, thereby increasing confidence in the Canadian capital markets. This would be beneficial for all industry participants and, most importantly, for Canadian investors.

However, as we have done in Ontario and Saskatchewan, the IIAC wishes to reiterate that we remain unclear as to which individuals are meant to be encompassed under the FA title. There is little information to assist in distinguishing between the FP and FA title, as well as the scope of activity that is envisioned for FAs. If this is not clear to industry, it is unlikely to be clear to the investing public, thereby undermining one of the key rationales of the initiative (i.e., reducing investor confusion).

We support a harmonized approach to the regulation of the FP and FA titles with other jurisdictions. Ideally, a national approach to any regulatory framework is the only way that consumers can expect to receive uniform standards of service when they engage an FP or FA, regardless of whether the individual offers services through an IIROC-registered dealer, through another regulated channel or in another province.

Developing regulation solely in the a few provinces fails to address the national scope of many of our members and the need to harmonize regulation across all Canadian jurisdictions to avoid fragmentation, client confusion and inefficiencies in the system. A patchwork approach to regulation where different requirements exist in different jurisdictions fails to provide the necessary level of protection that all Canadian consumers deserve.

Prohibiting Similar Titles to Prevent Confusion with Regulated Titles

While the IIAC had requested additional clarity in Ontario in the form of guidance which includes examples of titles that would not reasonably be confused with FP and FA titles, it was not

intended to be exhaustive and continues to raise some questions. For example, can titles such as "investment advisor", "wealth advisor" and "portfolio advisor" be used? We have asked Ontario for further clarity in its guidance.

Further, Ontario indicated that title usage will be complaints-based, and the regulator will make its determination on inappropriate title usage subject to the specific facts and circumstances in those cases. While that approach may appear reasonable on its face, it provides no certainty to a firm who may have thousands upon thousands of registrants using a certain title that, based upon the guidance, the firm was under the belief that the title would not likely be confused with the FP or FA titles. Clarity and transparency on appropriate title usage is necessary prior to the enactment of the title protection framework.

On the other hand, the approach in Québec is that financial professionals are prohibited from using a list of certain titles which are deemed to be confusing to the FP title. However, the IIAC supports the Ontario approach (assuming the changes outlined above are made). Such an approach provides some certainty to the financial services industry as to which titles are permitted and great clarity for the investing public. Nonetheless, in the spirit of harmonization, it will be important to note the two opposing approaches where on one hand, Ontario is proposing a list of titles that would not reasonably be confusing and on the other hand, Quebec's current approach excludes a list of confusing titles.

Yours sincerely,

M. Alexander