



THE INVESTMENT
FUNDS INSTITUTE
OF CANADA

L'INSTITUT DES FONDS
D'INVESTISSEMENT
DU CANADA

IFIC Submission

Re: Consultation Paper - Financial
Planner Title Protection in Manitoba

September 27, 2023





THE INVESTMENT
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Manitoba Finance
Fiscal Policy and Corporate Services
824-155 Carlton Street
Winnipeg MB R3C 3H8

Dear Sirs and Mesdames:

RE: Consultation Paper - Financial Planner Title Protection in Manitoba

The Investment Funds Institute of Canada (**IFIC**) appreciates the opportunity to comment on Manitoba Finance's Consultation Paper - [Financial Planner Title Protection in Manitoba \(Consultation\)](#).

IFIC is the voice of Canada's investment funds industry. IFIC brings together approximately 150 organizations, including fund managers, distributors, and industry service organizations to foster a strong, stable investment sector where investors can realize their financial goals. IFIC operates on a governance framework that gathers member input through working committees. The recommendations of the working committees are submitted to the IFIC Board or board-level committees for direction and approval. This process results in a submission that reflects the input and direction of a broad range of IFIC members.

Summary

IFIC supports the appropriate use of titles that do not confuse investors, and that reflect competencies of the individuals using those titles. However, we believe that the Consultation's proposed approach to the regulation of the use of titles in the Province of Manitoba should be modified so that individuals who are regulated by the Canadian Investment Regulatory Organization (**CIRO**) should be exempt from specific regulation in Manitoba relating to the use of the title "financial advisor". CIRO oversees proficiency requirements and enforcement mechanisms which are comprehensive and applicable nationally, on a consistent basis.

This submission sets out the material elements of IFIC's concerns with aspects of the Consultation. In Appendix A we respond to certain of the Consultation's eight specific questions either by cross-references to applicable comments in this submission or directly in Appendix A. In our submission we restrict our comments to the use of the "financial advisor" title; we have no comments on the Consultation's proposals relating to the use of the "financial planner" title.

Our feedback is focused on the following key points:

- Individual advisors who are registered with CIRO should be exempt from the requirements of the Consultation relating to the use of the financial advisor title. CIRO is the national self-regulatory organization for investment dealers and mutual fund dealers, which was formed on January 1, 2023 by the amalgamation of the Investment Industry Regulatory Organization of Canada (**IIROC**) and the Mutual Fund Dealers Association of Canada (**MFDA**). CIRO oversees all investment dealers and their representatives and mutual fund dealers and their representatives, as well as trading activity on Canada's debt and equity marketplaces. CIRO is

party to a Memorandum of Understanding between it and the securities regulatory authorities in the provinces and territories of Canada, pursuant to which the securities regulators oversee the activities and rules of CIRO, and has received recognition orders in each province and territory recognizing it as the self-regulatory organization (**SRO**) for the securities industry and its dealer members.

- Individual advisors who are registered with CIRO are required to comply with proficiency requirements and comprehensive know-your-client, know-your-product and suitability requirements; are required to put the client's interests first; and must provide relationship disclosure information (**RDI**) at account opening that includes a description of the products and services they will offer to their clients. As a result, clients of such advisors, who are already regulated under a robust client protection regime with clear relationship disclosure requirements, do not require additional client protection requirements in Manitoba, particularly if those requirements are not harmonized with the SRO's proficiency and disclosure requirements and do not provide any additional benefits.
- The emphasis in the Consultation should be to achieve harmonization for individuals using the financial advisor title, and who are not registered with the SRO, with those who are already subject to the SRO regulatory regime. The regulation of the use of titles by CIRO is comprehensive and national in scope. The focus of the Consultation should be on coordinating and harmonizing the regulation of the use of the financial advisor title in Manitoba with existing, comprehensive, and national standards.

Activities which are regulated by CIRO should be exempt from further regulation in Manitoba as CIRO's regulatory scheme is comprehensive

IFIC notes that individual mutual fund advisors (**Approved Persons**) registered with CIRO are licensed to provide financial advice in relation to making investment decisions related to purchasing and redeeming investment funds. According to the MFDA's most recent annual report, the "The Mutual Fund Dealers Association of Canada (the "MFDA") is a self-regulatory organization that oversees mutual fund dealers in Canada, which regulates the operations, standards of practice and business conduct of its Members and their over 77,000 Approved Persons with a focus on retail clients."¹

CIRO requires its Approved Persons to meet a minimum standard of education, training, and experience before performing registerable activities. The fulsome education requirements include the following topics: legislation and regulations, ethics, conflicts of interest, compliance issues, know your client, know your product, suitability, strategic investment planning and issues relating to older and vulnerable clients. The minimum requirements to conduct registerable activities are substantially similar to the minimum standards for using the financial advisor title under the Financial Services Regulatory Authority of Ontario (**FSRA**) rules. In addition, CIRO has rules that prohibit individuals from holding themselves out in a manner that could be deceptive or misleading. This prohibition includes using a business title or financial designation without the required proficiency or qualifications prescribed by CIRO.

Further, it is important to acknowledge that in addition to day-to-day supervision of the advisor by the member firm, regular business conduct exams are conducted by CIRO to help ensure a high standard of

¹ MFDA Annual Report 2021 at page 12 https://mfda.ca/mfda-2021-annual-report/pdfs/MFDA_AR_2021_online.pdf. As CIRO was only formed on January 1, 2023 by the amalgamation of the MFDA and IIROC, there is no annual report on CIRO's activities yet available.

conduct by its members and Approved Persons. Furthermore, CIRO is subject to oversight by the statutory regulators who ensure the SRO continues to develop and uphold acceptable standards to protect investors.

CIRO advisors must already comply with comprehensive regulatory requirements designed to ensure the interests of the client are put first

Individual advisors who are registered with CIRO, including those that use the financial advisor title, are already subject to comprehensive licensing, continuing education, and disciplinary requirements of CIRO.

Further, individual advisors who are registered with CIRO are required to: comply with recently updated, and comprehensive, know-your-client, know-your-product and suitability requirements; put the client's interests first; and provide RDI at account opening that includes a description of the products and services they will offer their clients.

CIRO has established a comprehensive investor protection regime, with appropriate disclosure to clients as to the products and services that the advisor is licensed to provide to their client. As a result, advisors registered with CIRO should not need to comply with any additional client protection or disclosure requirements in Manitoba.

The Consultation should be restricted to title users who are not CIRO approved persons and who should be held to the same proficiency and transparency standards related to the products and services they offer, and the know-your-client, know-your-product, and suitability requirements that the Canadian securities regulators and CIRO have determined are required to provide appropriate investor protection when clients are receiving financial advice.

Regulation of the use of the financial advisor title should be harmonized across the country

Given that the extensive securities regulatory regime which currently exists in a harmonized form across Canada contemplates and permits financial advisors who are CIRO registrants to use the financial advisor title, the Government of Manitoba should not adopt a regime that is unique to the province of Manitoba and does not align with the current harmonized approach to the delivery of financial advice across Canada. We submit that CIRO (the successor to the MFDA), which is overseen by the provincial and territorial securities regulators in Canada, provides a robust proficiency, competency and enforcement regime for those individuals who are registered with it and who may use the financial advisor title. As a result, CIRO registrants should be exempt from the Consultation's proposals. In this way, harmonization of the use of the financial advisor title is strengthened. A lack of harmonization could result in a patchwork of different requirements for firms that operate nationally or in more than one province or territory, without a significant offsetting benefit.

As IFIC's former CEO Paul Bourque has noted in a recent column in Investment Executive: "When regulatory reform spans federal and provincial jurisdiction and involves provincial regulatory agencies as well as self-regulatory organizations, coordination and harmonization are critical if the objectives of the reform are to be achieved. Harmonizing the regulation of titles for financial planning and financial advising activities is key when the regulations cut across functional, geographic, and political boundaries." ²

² <https://www.ific.ca/en/articles/the-importance-of-harmonizing-title-regulation/>

Conclusion

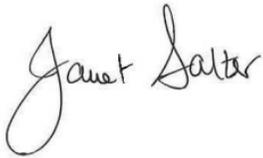
To conclude: IFIC recommends that the Consultation be amended to exempt CIRO registrants from its requirements as they relate to the use of the title of financial advisor.

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IFIC appreciates this opportunity to provide our input on the Consultation. We would be pleased to provide further information or answer any questions you may have. Please feel free to contact me by email at jsalter@ific.ca or, by phone 416-309-2328.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA



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APPENDIX A

- 1. Should the Manitoba government proceed with legislation to prohibit individuals from calling themselves “financial advisors” or “financial planners” unless they possess appropriate qualifications?**

As discussed in our comment letter, IFIC strongly urges that individuals who are registered with CIRO be exempted from the requirements of the Consultation as they relate to the use of the title “financial advisor” as CIRO already has a comprehensive and nationally consistent regime relating to proficiency, competency and enforcement for its registrants, some of whom use the financial advisor title.

- 2. If so, should the overall approach of the legislation follow the models adopted in Ontario and proposed in Saskatchewan and New Brunswick, where the regulator approves credentials and credentialing organizations that are considered to have appropriate proficiency, ethical, continuing educational and disciplinary requirements?**

As discussed in our comment letter, the overall approach should ensure that individuals registered with CIRO are exempt from the requirements of the Consultation as they relate to the use of the title “financial advisor”.

- 4. How important is it that the legislative requirements in Manitoba be harmonized with the regulatory regimes adopted in Ontario and proposed in Saskatchewan and New Brunswick, particularly regarding:**

- **The definitions of “financial planner” and “financial advisor”,**
- **The application process for recognized credentials and credentialing bodies, and**
- **The ongoing compliance requirements for recognized credentialing bodies?**

As noted in our comment letter, regulation of the use of the title financial advisor should be harmonized and consistent across Canada. To that end, the Consultation should exempt individuals registered with CIRO from the requirements of the Consultation as they relate to the use of the title “financial advisor”.

- 5. What degree of regulatory coordination is desirable among regulators in Canada that oversee financial planner title protection, now or in the future?**

As noted in our comment letter, regulatory coordination is extremely important where reform spans federal and provincial regulatory agencies as well as self-regulatory organizations and when regulations cut across functional, geographic and political boundaries. To that end, the Consultation should exempt individuals registered with CIRO from the requirements of the Consultation as they relate to the use of the title “financial advisor”.