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Ontario to tighten rules for financial planner, adviser credentials

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The government of Ontario is proposing stricter regulations for financial planners and financial advisers by cracking down on individuals who are not qualified to use those titles.

In its recent budget, the province announced the Financial Professionals Title Protection Act, 2019, to improve oversight on qualifications. The bill would require anyone in Ontario who wants to use to use the title “financial planner” or “financial adviser” to obtain appropriate credentials and remain in good standing.

Financial advisers typically help clients manage their investments, while financial planners help clients prepare plans to meet a goal such as retirement or a child’s education.

Canada has no legislated national standard for those who offer financial planning or advice. Outside Quebec, which has its own rules, anyone can call themselves a financial planner or adviser – regardless of certification, designation or educational background.

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Ontario's move comes at a time when the Ombudsman for Banking Services and Investments (OBSI), an independent group that handles consumer complaints about the financial industry, says it is seeing no decline in cases. The problems involve equities and mutual funds, suitability of investment products and fee disclosure – all key issues in the financial-advisory industry. In OBSI's 2018 annual report, the total number of investment complaints remains largely unchanged despite new national rules that require more transparency around investment fees and fund performance.

The province has yet to specify which credentials would be recognized, nor has it stated which professional organizations would enforce the rules. One of the most commonly known credentials is the certified financial planner (CFP) designation administered by the professional body FP Canada (formerly the Financial Planning Standards Council). More than 16,500 people in Canada hold it – about 9,000 in Ontario.

FP Canada has asked policy-makers to restrict the use of the title “financial planner” to those who meet stringent proficiency and ethics requirements. The group applauded the new bill and urged all other provinces to legislate similar restrictions.

“The use of titles in the industry has been a huge source of confusion to consumers across the country and in Ontario,” says Cary List, president and CEO of FP Canada. “Many Canadians don't know the difference between the various types of advisers out there and are at risk of getting advice from someone who may not have the relevant expertise or qualifications.”

Mr. List said the legislation is a “momentous occasion” as the industry has seen several false starts in attempts to regulate professional titles.

While many are pleased with the province's plan, others are troubled by the lack of enforcement details.

“It's early stages at this point and we don't know if its good news until we see specifics on this proposal,” said Dan Hallett, vice-president and principal with HighView Financial Group. “The government has not provided enough detail to determine if this is going to be an effective rule or not.”

In a poll conducted last fall by Abacus Data for Advocis, an industry group for financial advisers, 56 per cent of surveyed Ontarians said they believed the financial-adviser title was regulated. In addition, 80 per cent said a professional code of conduct should be mandatory, while 91 per cent expressed support for legislation to regulate the title of financial adviser.

For Rona Birenbaum, a certified financial planner and founder of Caring for Clients, a fee-for-service financial-planning and wealth-management firm, the proposed legislation is a necessary step. She said her clients are often confused about what expertise an adviser or planner has, and what services they should be receiving.

“In the mindset of the consumer, there is a growing understanding of the importance of the CFP designation, but people are just now starting to ask about an adviser or planner’s background and designations, but not at the level it should be at.”

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